

Kaltim Prima Coal mine Indonesia

Sectors: Coal Mining

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[Project website](#)

Sector	Coal Mining
Location	
Website	http://www.kpc.co.id/

About Kaltim Prima Coal mine

PT Kaltim Prima Coal (KPC), located in the province of East Kalimantan, is the biggest coal mine in Indonesia. The KPC project produces around [50 million tonnes](#) a year, making it one of the world's largest coal mines. The KPC concession areas cover a vast 90,000 hectares in three districts, encompassing several villages, bordering on the East Kutai National Park, which has been compromised by the presence of the mines. [The projects' shareholders are:](#) PT Sitrade coal (32.4%), Bhira Investments Limited (30%), PT. Bumi Resources (13.6%), Sangatta Holding Limited (9.5%), Kalimantan Coal Limited (9.5%), Kutai Timur Sejahtera (5%).

Latest developments

19 die at former mining sites in East Kalimantan

Jan 5 2016

Bumi Resources revises debt restructuring plan

Sep 28 2015

What must happen

We call on all banks to fully phase out their finance for the coal mining industry. In the mean time, all banks, financiers and shareholders of Bumi Resources should use their influence to ensure the problems of KPC are addressed. If rapid progress is not made, they should withdraw their finance for the company and commit not to provide further finance until the issues are addressed.

Impacts

Social and human rights impacts

The human impact of the KPC project has been stark. [Villages](#) such as Segading, Sepaso and Sekerat in the Bengalon mining concession have experienced serious problems as a result of the mining. While families of those directly employed by the mine have benefitted from jobs, the communities as a whole have had to deal with significant water pollution, loss of land and other problems.

Villagers report serious dust and noise disruptions from blasting, which occurs frequently without any prior announcement. The blasting has shattered window panes and caused cracks in the buildings. Children wake up crying in shock and fear from nighttime blasting.

The village of Segading is home to a community of indigenous people called the Dayak Basap. When the KPC coal mining company first arrived in the region, the members of community decided to agree to move from their ancestral land in order to take advantage of the benefits the mining company promised. Unfortunately for the Dayak Basap, not only did these benefits fail to materialise but, as the mine expanded, the community was then forced to move twice more against their will. Currently, the leader of the village, Gagay, is fighting to prevent the KPC mining company from forcibly displacing them for a fourth time to a plot of land that is much smaller than the land they are being told to leave.

The older Sangatta mine has also caused a lot of damage since it became operational in 1992. For example, in 2001, farmers from the village of Kabojaya near the Sangatta pit [protested](#) the fact that they could no longer use the local water supply or grow crops as a result of pollution from the mine. Protests against KPC from farming communities led the company to hire Group 4 Securicor (now G4S) to provide security.

KPC has also been associated with human rights abuses according to [a report](#) released in August 2014 by JATAM, Indonesia's Mining Advocacy Network. According to interviews with local communities and other research undertaken by JATAM in June 2014, the KPC mine has had the following impacts:

- KPC has been intimidating people to force them to move. The local municipality has stopped providing health workers or teachers to the village. Villagers from Keraitan and other relocation sites report having insufficient land to cultivate or hunt.
- Villagers living around the mining operation have no access to electricity despite the fact that KPC has been mining the area for more than 20 years and have installed 18.9 megawatt of thermal generation capacity.
- Communities have lost land to the mining pits. People have been offered meager amounts of compensation for lost land, fruit trees and other resources.
- Villagers report that there has been no aid or assistance from KPC or the government of East Kutai Regency. "We feel that KPC wants to drive us out of our village, our homeland", said one interviewee.

[One study](#), supported by the KPC mining company and funded by the World Bank, found that the small amount of money received in compensation and jobs has gone almost completely to the men. With local women seeing almost no benefit and, in cases where they lose their farming role, becoming economically dependent on their husbands.

Environmental and climate impacts

The KPC concession areas cover a vast [90,000 hectares](#), encompassing several villages. It borders on the East Kutai National Park, which has been compromised by the presence of the mines. By 2008, an estimated 75 percent of the forest area, supposedly "protected" as part of the East Kutai National Park, had already been destroyed; a process exacerbated by the presence of mining companies.

KPC has also been associated with massive environmental contamination, according to [a report](#) released in August 2014 by JATAM, Indonesia's Mining Advocacy Network. According to interviews with local communities and other research undertaken by JATAM in June 2014, the KPC mine has had the following impacts:

- Wastewater from KPC's mines is frequently discharged untreated into the Sangatta and Bengalon Rivers, contaminating river water that is used by villages downstream, killing fish and other aquatic organisms. Rivers are contaminated with heavy metals and suspended solids. Mine drainage has caused water to become either acid or alkaline.
- Studies have shown that the Sangatta River is especially contaminated with heavy metals, with lead concentration reaching 18 times the regulated level. According to a researcher from the Agricultural University of Sangatta, the river water is no longer safe to be consumed due to the risk of skin disease and carcinogenicity. Communities living along the Keraitan River now have to buy water for their daily needs as the river water is contaminated.
- The mine has destroyed wetlands, forests and agricultural soils with high water retention capacity, leading to exacerbated flooding downstream. KPC's mining operation has destroyed the soil over an area of 90,000 hectares, which has radically altered the hydrology of the entire Sangatta River system. Villagers report frequent flood events affecting at least three villages and a

main road thoroughfare in the region. Villagers report that flooding can persist for a week and that they have received no aid or compensation from the government or KPC.

- Indigenous Basap Dayak people have also reported massive fish kills in the Keraitan River due to contamination by KPC pit B. The dead fish used to be edible species traditionally caught by the community. Their depletion has resulted in economic and nutritional losses.

Governance

Applicable norms and standards

International Council on Mining and Minerals (ICMM)- 10 Principles

Brief history

Bumi Resources bought KPC from British Petroleum and Rio Tinto, which won the original concession in 1978. Rio Tinto started production at the Sangatta mine in 1991, but were forced to relinquish control of the project by a clause in their agreement with the Indonesian government obliging them to hand over ownership to an Indonesian company.

In October 2003, Bumi Resources acquired 100% stake in KPC from Rio Tinto and British Petroleum. In 2007, 30% ownership in the mine was bought by TATA India. Under the ownership of Bumi Resources, KPC continued to increase coal production from 16.7 million tonnes in 2003 to 48 million tonnes in 2008. In 2010, they announced a target of increasing the production to 70 million tonnes. However, in 2013 the company only produced 50 million tonnes, around 12% of total national coal production.

Updates

19 die at former mining sites in East Kalimantan

Jan 5 2016

[According to The Jakarta Post](#): Nineteen people including children and teenagers drowned in 2015 at former mining sites in Samarinda and Kutai Kartanegara (Kukar), East Kalimantan. The East Kalimantan Network for Mining Advocacy (Jatam) noted that four of the victims died within a span of only 90 days. "That's why we urge the Kukar acting regent and East Kalimantan governor to declare an emergency situation on mining holes and to conduct audits on all mines in Kukar and Samarinda," Merah Johansyah of East Kalimantan Jatam said.

Bumi Resources revises debt restructuring plan

Sep 28 2015

Bumi Resources said it plans to put forward to creditors a revised debt restructuring plan to take into account reduced cash flows as a result of depressed coal prices. The company has total outstanding debts of USD3.984 billion owed to creditors including China Investment Corp, China Development Bank and bondholders, it said in a stock exchange filing ([source www.uk.reuters.com](http://www.uk.reuters.com)).

S&P cuts rating on Indonesia's Bumi Resources

Dec 2 2014

[Reuters](#): Standard & Poor's on Tuesday cut its corporate credit rating on PT Bumi Resources Tbk to "default" from "selective default", saying that Indonesia's biggest coal miner is unlikely to service any of its debt for at least the next six months. Three units of Bumi Resources last week obtained a six-month moratorium in a Singapore court against legal action from creditors. The companies had also filed for protection from creditors in a United States court.

Sovereign wealth fund CIC at risk with Bumi investment

Sep 8 2014

[According to The South China Morning Post](#): Sovereign wealth fund China Investment Corp (CIC) risks sinking deeper into the quagmire of its investment in Bumi Resources, Indonesia's biggest coal miner, which is beset by financial woes and allegations of environmental damage. In September 2009, CIC lent USD1.9 billion to Bumi, a risky move since Bumi has incurred a lot of debt over the past decade.

Agreement Reached in Separation of Bakrie Group and Bumi Plc

Feb 13 2013

On Februari 12, 2013 it was announced that the Bakrie Group, one of Indonesia's most controversial and richest conglomerates, has signed a heads of terms agreement that sets out conditions for the Bakrie's withdrawal from London-listed coal miner Bumi Plc. Bumi Plc, having the largest coal deposits in Indonesia at its disposal, was established in 2010 by British financier Nathaniel Rothschild and the Bakrie Group, to bring coal assets to European investors ([source www.indonesia-investment.com](http://source.www.indonesia-investment.com)).

Financiers

Banks

BNP Paribas France [profile](#)

[Details](#) ▼

Uncategorised EUR 34.7 million 2005 - 2013
shares/bonds underwriter or manager
source: Banks and Coal Spreadsheet, Profundo, 2014

BPCE Group France [profile](#)

[Details](#) ▼

Uncategorised EUR 34.7 million 2005 - 2013
shares/bonds underwriter or manager
source: Banks and Coal Spreadsheet, Profundo, 2014

Bank of America United States [profile](#)

[Details](#) ▼

Debt – corporate loan EUR 112.3 million 2005 - 2013
source: Banks and Coal Spreadsheet, Profundo, 2014

Uncategorised EUR 361.4 million 2005 - 2013
shares/bonds underwriter or manager
source: Banks and Coal Spreadsheet, Profundo, 2014

Bank of China China [profile](#)

[Details](#) ▼

Debt – corporate loan EUR 182.4 million 2005 - 2013
source: Banks and Coal Spreadsheet, Profundo, 2014

Barclays United Kingdom [profile](#)

[Details](#) ▼

Debt – corporate loan EUR 112.3 million 2005 - 2013
source: Banks and Coal Spreadsheet, Profundo, 2014

China Development Bank China [profile](#)

[Details](#) ▼

Debt – corporate loan EUR 182.4 million 2005 - 2013
source: Banks and Coal Spreadsheet, Profundo, 2014

Credit Suisse Group Switzerland [profile](#)[Details ▼](#)

Debt – corporate loan EUR 667.5 million 2005 - 2013
source: Banks and Coal Spreadsheet, Profundo, 2014

Uncategorised EUR 1,639.4 million 2005 - 2013
shares/bonds underwriter or manager
source: Banks and Coal Spreadsheet, Profundo, 2014

Crédit Agricole France [profile](#)[Details ▼](#)

Uncategorised EUR 34.7 million 2005 - 2013
source: Banks and Coal Spreadsheet, Profundo, 2014

Deutsche Bank Germany [profile](#)[Details ▼](#)

Debt – corporate loan EUR 71.6 million 2005 - 2013
source: Banks and Coal Spreadsheet, Profundo, 2014

Uncategorised EUR 221.6 million 2005 - 2013
shares/bonds underwriter or manager
source: Banks and Coal Spreadsheet, Profundo, 2014

JPMorgan Chase United States [profile](#)[Details ▼](#)

Debt – corporate loan EUR 112.3 million 2005 - 2013
source: Banks and Coal Spreadsheet, Profundo, 2014

Uncategorised EUR 221 million 2005 - 2013
shares/bonds underwriter or manager
source: Banks and Coal Spreadsheet, Profundo, 2014

Mitsubishi UFJ Financial Group (MUFG) Japan [profile](#)[Details ▼](#)

Uncategorised EUR 34.7 million 2005 - 2013
shares/bonds underwriter or manager
source: Banks and Coal Spreadsheet, Profundo, 2014

UBS Switzerland [profile](#)[Details ▼](#)

Debt – corporate loan EUR 157.9 million 2005 - 2013
source: Banks and Coal Spreadsheet, Profundo, 2014

Related companies