

(This is an unofficial translation - The original letter was written in Indonesian.)

July 27, 2016

Mr. Kazuhiko Bando

Chairman and CEO, Nippon Export and Investment Insurance (NEXI)

Concerns and Request regarding the Cirebon Coal-fired Power Plant Projects in West Java, Indonesia

On behalf of the community coalition, Rapel (Rakyat Penyelamat Lingkungan: People Environment Safer) Cirebon, which consists of more than 3000 members from Kanci Kulon, Kanci, Buntet, Waruduwur, Citemu, Bandengan, Mundu, and Luwung villages, we representatives would like to draw your attention on the actual and predicted negative impacts on our life and environment by the Cirebon coal-fired power plant projects, or Unit 1 and 2 plants, in West Java, Indonesia. We are aware that Nippon Export and Investment Insurance (NEXI) made an insurance contract for Unit 1 with Marubeni Corporation (Marubeni), one of the investors in Cirebon Electric Power (CEP), in March 2014, and that NEXI is currently considering making another insurance contract for Unit 2 probably with Marubeni and Chubu Electric Power Co., Inc. (Chubu), the investors in Cirebon Energi Prasarana (CEPR). This is our important and urgent problems, as the construction of the Cirebon expansion project, or Unit 2 plant, is slated to start this year. Given that it would be difficult for the companies to push through the projects without the NEXI's insurance, we believe that NEXI should make necessary and sensible decision to prevent more problems related to the projects, according to "*NEXI Guidelines on Environmental and Social Considerations in Trade Insurance*" (the Guidelines).

Our group, Rapel Cirebon, was established in 2007 and continued to raise our concerns about the adverse impacts of the Unit 1 project, such as the loss and damage of livelihood, environmental destruction, health damage, terror and intimidation, and social conflict. We made several protest actions against the project and demanded the local Cirebon government halt plant construction. Even though we submitted our statement directly to tell the CEP more than 30 times, there was no response from them. In result, our efforts to voice the opposition against the project didn't bear fruit then, and the Unit 1 plant started its (test) operation in 2012.

The main livelihood of our local community used to be small-scale fishing, shellfish harvesting, salt-making, terasi-making, and farming, which have been heavily affected by the Unit 1 plant. Our life used to be much easier with various income sources before the coal-fired power plant project. Since the company started the construction of the Unit 1 plant in 2007, some livelihoods have been totally gone in this area and the others have been also damaged.

The coastal area, where the coal plant and the jetty are currently located in Kanci Kulon, is very important for around 2000 small fisherfolk, shellfish growers, and shellfish harvesters in Kanci Kulon, as it used to be the very productive fishing ground of small shrimp and fish as well as various types of shellfish. Tiny *rebon* shrimp, after which this place was named Cirebon, was caught and used to make *terasi*, the special product here. Some of the small-scale fishermen with net have already quit due to less catch. They have reported that fish and shrimp catches decreased by more than half, comparing the catch amount before the beginning of the project in 2007. Many kinds of shellfish and other small types of biota used to be harvested from the mud at the coastal area during ebb tide almost every day before the project. But if we want to continue harvesting

shellfish and other biota, we need to go to the other place now. It is very different situation, because the people outside this area used to come for fishing and harvesting shellfishes here.

The productivity of salt pans near the project site has also got affected after the project. The local people have been engaging with salt-making in dry season and the salt from this area used to be known as a quality one. When we go to see the salt pans today, we can find the color of some salt pans has turned into darken or black. The salt makers need to use a few salt pan fields to clean or screen the water, and also need to wash the products to remove the black particles. In this way, it takes longer time to make salt than before the project. Salt makers have been suffering from great loss due to lower quality of salt products, which has also led them to discharge their labors. In fact, some 500 labors in our community have lost their livelihood. Moreover, salt makers have tended to sell their land, instead of maintaining salt-making business. It is still uncertain whether such black materials or contamination have come from sea coal power plant or not, but we could tell that our salt makers have never experienced this kind of contamination before the project.

Currently, around 400 tenants/landowners have no job or unemployed because the landowners have sold their land for the project. In additino, based on our hearings with the farmers, more than 40 landowners, who own around 7 hectares of farmland adjacent to the project site, have felt the various impacts on their crops. In the farmland, which was actually supposed to be acquired for the project, the farmers are still continuing to till the rain-fed rice field in rainy season (in December-March) and the other crops, such as green beans, cassava, corn etc. (in April – June). But the harvest has decreased sharply both with rice and the other crops almost for 4 years. Some heads of rice are just empty, and no harvest. We are sure that some farmlands have drainage and thus flooding problem as the project site has blocked the water flow. But we are also concerned about flyash and coal dust from the project site, which have fallen down our crops, depending on wind direction.

Some of our local community have verbally complained to CEP about the above-mentioned problems of livelihood individually. But no response to solve or effectively mitigate the problems has been found. As a result, many locals have been suffering from the lost or less livelihood/income opportunity due to the project till today. It is a clear violation of the NEXI Guidelines, which stipulate that *“The project proponents, etc. must make efforts to enable such affected people to improve their standard of living, income opportunities and production levels, or at least to restore them to pre-project levels.”*

Our local community has been also aware of environmental problem, or flyash from the project site, depending on the wind direction; mostly north or north-east wind from March to November and west wind from December to February. It is found from our individual houses to the public buildings, such as an elementary school.

We are feeling that more cough are coming out in the surrounding area of the project site. ISPA (Infeksi Saluran Pernapasan Akut: Acute Upper Respiratory Tract Infection) data show more patients in this area than the other district nearby the host community of the project.

While the project proponent might say that the Japan has the clean coal technology or the best

pollution control technology, the reports of Japanese NGOs reveal that the technology used for coal-fired power plants in Japan has not been equipped in the coal-fired power plants abroad Japan has supported or would support, including the Cirebon Unit 1 plant (See Annex). In this regard, NEXI has failed to refer to good practices in Japan and has failed to confirm the rationale for this substantial deviation from the good practices, which is a clear violation of the NEXI's Guidelines.

Due to the explosion incident in September 2014, some houses in Waruduwur, Mundu, and Kanci Kulon, Astanajapura got some damages like crack. Even though the company staffs came to check them after the incident, there was no explanation about the compensation to such damage, and even actually no compensation was paid. So, some people repaired their houses with their own expenses but the other people couldn't repair till today due to the lack of finance.

In addition to the above-mentioned actual impacts we have already experienced, we would like to point out the deficiencies in the process of AMDAL and of land acquisition. Generally speaking, the EIA process is done before any decision of the project, much more before the construction. In the Cirebon case, while the construction of Unit 1 plant started around July 2007, the EIA report was submitted in April 2008 to the local environmental department. It is obvious that there was no thorough environmental impact analysis and no alternative option analysis before the project started. Also, we were not provided any appropriate opportunity to learn the project itself as well as the environmental and social impacts of the project and to appropriately discuss our concerns and opinions before and even after the construction started. As a result, the said impacts on our livelihoods were not properly prevented, mitigated, or compensated e.g green shell conflict, rebon.

There was a flaw or no transparency in the process of land acquisition, which could lead to the corruption cases. In the Cirebon Unit 1 plant project, CEP and the local government (Pemerintah Daerah or Pemda) offered 14,000 rupiah per square meter in 2007. But the price of land compensation varied later on, such as 225,000 rupiah per square meter in 2010 offered by the Regent (Bupati), with which some farmers have still refused to sell their land.

There was thugs (Preman)' intimidation in the process of land acquisition. District level of government (Cirebon) intimidated in 2007, saying if you didn't agree the amount of compensation, you would need to go to the court. After one socialization meeting for only landowners (no fishermen) in February 2007, Government of Cirebon, police, thugs, broker, and CEP negotiated the landowners individually at house and restaurant etc.

Recently, the process of AMDAL and land acquisition for the Cirebon expansion project has been going on. And we have already found the similar problems with the Unit 1 plant project. No proper consultation with the local community on the AMDAL as only the selected people were invited and could participate in the public consultations. Some landowners were not invited for the public consultations as well as tenant and fisherman. We have found that CEPR provided 10 millions rupiah for every head of village who agreed upon the AMDAL. Even with these deficiencies, the AMDAL has been already approved in May 2016. And there is no transparency in the land acquisition for Unit 2.

These deficiencies means many violations of NEXI Guidelines, like the provision that *“Environmental impact which may be caused by a project must be assessed and examined from the earliest planning stage possible,”* and that *“For projects with potentially large environmental impacts in particular, sufficient consultations with stakeholders, such as local residents, must be conducted via disclosure of information from an early stage where alternative proposals for the project plans may be examined.”*

As described in the above, the Cirebon coal plant project, or Unit 1 plant, has already brought many negative impacts on our local people. Since its initial development, it has impoverished us, including small-scale fishermen, shellfish growers and harvesters, terasi-makers, salt-makers, and farmers, and has been gradually undermining our health. The companies and our government have failed to listen to our voice and concerns since before the construction started, have failed to turn their eyes to what has been happening in our community since the project started, and have failed to take necessary and effective action to improve or at least restore our living conditions till today. In addition, the same kind of problems in the AMDAL and land acquisition process for the expansion project, or Unit 2 plant, have been already found, such as no transparency, no appropriate information disclosure, and no opportunity for many local people to participate in any decision-making process.

Therefore, we would like to point out that the Cirebon project has violated against several provisions of NEXI Guidelines, and strongly demand that, according to its own Guidelines, NEXI carefully confirm the conditions of environmental and social considerations, and that NEXI take necessary actions, such as asking the project proponent to take appropriate action or even terminating the insurance contract in accordance with the contract or the Environmental Special Clauses, etc. Also, we call on NEXI to reject considering its insurance for the expansion of Cirebon project (Unit 2) due to the violations of its Guidelines, listening to the local people to be affected but not only to the project proponents.

Thank you very much in advance for your consideration and we look forward to your judicious decision and response.

Yours sincerely,

Moh. Aan Anwarudin
Head of Rapel Cirebon

Sarjum
Leader of Fishermen

Cc: Mr. Joko Widodo, President of Indonesia
Mr. Sudirman Said, Minister of Energy and Mineral Resources, Indonesia
Mr. Shinzo Abe, Prime Minister, Japan
Mr. Taro Aso, Minister of Finance, Japan
Mr. Motoo Hayashi, Minister of Economy, Trade and Industry, Japan
Mr. Akira Kondoh, Governor, Japan Bank for International Cooperation (JBIC)
Mr. Kazuo Matsushita, Examiner of Objection Procedures on Guidelines, NEXI
Mr. Lee Duk-Hoon, Chairman & President, The Export-Import Bank of Korea
Mr. Sofyan Basir, President, PLN
Mr. Heru Dewanto, President, Cirebon Electric Power
Mr. Fumiya Kokubu, President & CEO, Marubeni Corporation
Mr. Wishnu Wardhana, President, PT Indika Energy Tbk.
Mr. Changkil Chung, President & CEO, Korea Midland Power Co., Ltd. (KOMIPO)

Mr. Joon Soo Han, CEO, Samtan Co., Ltd.

Mr. Satoru Katsuno, President & Director, Chubu Electric Power Co., Inc.

Mr. Takeshi Kunibe, President, Sumitomo Mitsui Banking Corporation

Mr. Nobuhide Hayashi, President & CEO, Mizuho Bank, Ltd.

Mr. Takashi Oyamada, President & CEO, The Bank of Tokyo-Mitsubishi UFJ, Ltd.