



*(This is a translation - The original document was written in Japanese.)*

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**Request for solutions to existing problems associated with, and  
a rejection of funding for the Cirebon Coal-fired Power Plant Project in West Java, Indonesia**

We, Japanese non-governmental organizations (NGOs) supported by local and international NGOs, are aware that you are considering the loan for the expansion plan of the Cirebon coal-fired power plant project, or Unit 2 (Cirebon 2), with a capacity of 1,000 MW, in West Java, Indonesia, together with the Japan Bank for International Cooperation (JBIC) and Japanese private banks. We have indicated to JBIC and others the various environmental and social impacts on the local community due to Cirebon Unit 1 (Cirebon 1), with a capacity of 660 MW. We have also communicated to JBIC and others the concerns of the local communities regarding the Cirebon 2, and have requested that JBIC and other banks take appropriate measures and carefully consider their loan for the Cirebon 2.

We are also aware that Les Amis de la Terre France, along with Fair Finance France, have already formally requested you to pull out of financing to the Cirebon 2. We regret, however, to hear that Crédit Agricole CIB Tokyo is still considering financing the Cirebon 2, against your commitment in

October 2016 to cease financing coal-fired power plant projects reflecting concerns about climate change.

According to media sources,<sup>1</sup> we understand your bank group are planning to make a loan agreement for the Cirebon 2 in the first-quarter of this year. We are highly concerned about the situation surrounding the Cirebon 2, which is worsening rapidly and remains plagued with problems. Additionally, this project would present some violations of the Equator Principles you adopted. Please refer to Annex 1 (attached) showing violations against the Equator Principles and Performance Standards (PSs) of International Finance Corporation (IFC). And we urge you to immediately reject funding of the Cirebon 2 based on the following concerns:

### **1. Public desire for divestment stemming from the severe impacts of climate change**

Against the backdrop of worsening climate change, public institutions and private banks in Europe, the United States, and other countries have begun restricting lending to overseas coal-related projects. Despite the Paris Agreement, which requires each country to contribute to reduced global carbon emissions, Japan continues to construct new coal-fired power plants that will emit carbon for several more decades. International criticism of these actions continues to mount.<sup>2</sup>

In this context, we welcome your decisive step to stop financing the expansion of Tanjung Jati B coal-fired plant in Central Java, Indonesia.<sup>34</sup>

We regret to know, however, that Crédit Agricole CIB Tokyo is still considering its loan for the Cirebon 2 with JBIC and other Japanese banks. Amid ever-louder demands from civil society to stop financing the Cirebon 2, the behavior of Crédit Agricole CIB Tokyo may hurt your reputation and damage your credibility.<sup>56</sup> We hope Crédit Agricole CIB Tokyo will reject co-financing with Japanese banking groups whose reputations have diminished due to their insistence on exporting coal-fired power plants. We want to see the Tokyo office follow your company policy to restrict coal finance and carry out your word on divestment from coal-related business.

### **2. Pending administrative lawsuit and illegalities of Cirebon 2**

In December 2016, communities affected by a planned coal power plant expansion in Cirebon filed a lawsuit against the West Java Provincial Government, claiming the environmental permit for

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<sup>1</sup> <https://finance.detik.com/energi/3379996/proyek-pltu-2000-mw-di-jepara-dan-cirebon-dapat-dana-3-bulan-lagi>

<sup>2</sup> <http://www.foejapan.org/aid/jbic02/batang/160519.html>

<sup>3</sup> <http://www.foejapan.org/aid/jbic02/cirebon/170103.html>

<sup>4</sup> <http://www.credit-agricole.com/Actualites-et-decryptage/Actualites/Le-Groupe/Precision-du-Credit-Agricole-sur-le-projet-de-centrale-a-charbon-de-Tanjung-Jati-B-2-en-Indonesie>

<sup>5</sup> Same as note 3

<sup>6</sup> <http://fairfinanceguide.org/ffg-international/news/2016/ing-still-invests-hundreds-of-millions-in-polluting-coal-companies/>

Cirebon 2(No. 660/10/19.1.02.0/BPMPT/2016, issued in May 11, 2016) was not appropriately issued by the West Java provincial government. Their suit launched legal action to demand the Bandung administrative court nullify the permit. Please refer to the Annex 2 (attached) for details and violations on the administrative lawsuit. The illegal points among those are the followings;

- (1) Uncorrected Cirebon Regency Spatial Plan
- (2) Lack of consideration for Strategic Environmental Assessment
- (3) Lack of communities participation in the process to develop the Environmental Impact Assessment (AMDAL)
- (4) Inadequate analysis in Environmental Impact Assessment
- (5) Violate general principles of good governance

“Principle 3: Applicable Environmental and Social Standards” of the Equator Principles indicates “*The Assessment process should, in the first instance, address compliance with relevant host country laws, regulations and permits that pertain to environmental and social issues.*” If violations concerning the Cirebon 2 mentioned above are confirmed by legal decision, it is obvious that the Cirebon 2 violates against the Equator Principles.

The public trial of this case has started on January 11th this year and are still ongoing. Thus, you must not decide to finance the Cirebon 2 at least until the legal case is finalized.

### **3. Inadequacy of Environmental Impact Assessment**

As outlined in section 2, item 4 (“Inadequate analysis in Environmental Impact Assessment”) above, international NGOs have also pointed out “inadequacy related to air quality and water pollution” in the Environmental Impact Assessment of the Cirebon 2. Please refer to Annex 3 (attached) for details. These issues are summarized below:

- (1) No adequate evaluation of the health impact of the ambient emissions
  - A) Evaluation of the health impact caused by air pollutants is not sufficient.
  - B) Evaluation of the formation of secondary PM (particulate matter) is not sufficient.
  - C) Evaluation of the geographic scope of atmospheric emissions is not sufficient.
  - D) Cumulative impacts (due to multiple pollution sources of a same project as well as contamination sources of different projects) are not assessed.
  - E) Updated monitoring values are not used for the atmospheric modelling of pollution dispersion.
- (2) Failure to employ BAT (the best available technology) in air pollution control
  - BAT is not used in measured against NO<sub>x</sub> SO<sub>x</sub>, PM
  - (Not fully considering) The level of air pollution standard in Indonesia is too low

- (3) Insufficient evaluation on the adverse effects of thermal discharges for the local ecosystem
- There is a possibility marine ecosystem within the range of 6km along the coast and 500m from the coast line will be seriously damaged by water temperature rise due to thermal discharged water. This may in turn negatively impact the livelihood of fishermen.
  - There is a potential violation of Indonesian water quality standard (No.51, 2004: KEPMEN LH).
- (4) No assessment of loss of livelighoods

These points, also raised by local community in their objection paper to JBIC, correspond to the following section 4 (“Residents' objection against JBIC due to concerns about livelihood and pollution as a result of existing Cirebon 1”). This is very important information to consider what measures are necessary for loss of livelihoods and income opportunities and to deal with the concerns about the deterioration of local peoples’ health to be caused by air pollution. With such consideration on these points, you could also secure the compliance of the Equator Principles and the IFC’s PSs. Therefore, you must confirm the points listed on Annex 3 and must not decide to finance the Cirebon 2 until appropriate measures are secured to address these points.

#### **4. Residents' objection against JBIC due to concerns about livelihood and pollution as a result of existing Cirebon 1**

In November 2016, residents affected by the Cirebon 1 submitted their objection paper to the JBIC’s Examiners for Environmental Guidelines. In this objection paper, two problems are mainly raised, namely, the loss of livelihood and income opportunities, and the concern about the deterioration of health condition due to air pollution.

With regard to the former point, as a result of the destruction of the very rich biodiversity of coastal areas accompanying the construction and operation of Cirebon 1, there were reports of decreased catches from residents who engaged in small fishery and collecting various types of shellfishes. Additionally, after the construction of the Cirebon 1, negative impacts on salt quality produced in nearby salt fields were seen, leading to a decrease in income. In farmlands close to the project site, farmers have reported that the harvest of rice and other crops has drastically decreased for nearly five years since the operation of the power plant. The project proponents, however, have not taken “effective measures” against the impact on these livelihoods.

This situation violates one of the objectives of IFC’s Performance Standard 5 “*Land Acquisition and Involuntary Resettlement*,” which aims “*to improve, or restore, the livelihoods and standards of living of displaced persons.*” Construction of the Cirebon 2 also gives rise to concern about similar livelihood impacts and potential deterioration of residents' quality of life. At the present time, however, not only has there been no appropriate impact assessment, but appropriate and effective

measures based on experience and lessons of the Cirebon 1 are also absent for the residents engaged in small-scale fishery, salt production, agriculture etc. Therefore, even in the Cirebon 2, the violation against the above-mentioned IFC's Performance Standard 5, or the deterioration of residents' lives due to the impacts on livelihoods, will occur. And similar problems will be repeated.

In the objection paper, residents also pointed out the fly ash coming over nearby houses and public facilities from the project site of the Cirebon 1, which began commercial operation in 2012. Together with the Cirebon 2, local residents fear the long-term impacts for communities' health including the possible increase of respiratory diseases. Indeed, in the Environmental Impact Assessment of the Cirebon 2, although causal relationships are not specified, those residents who suffered from around the project site in the past three years had the highest proportion of acute upper respiratory tract infections (ISPA).<sup>7</sup>

Air pollution control technology, planned to be installed in the Cirebon 2, is not much improved compared with the planned installation technology of the Cirebon 1 at the time (see Annex 4 attached). It is actually not a countermeasure that can alleviate the concerns of local residents about whether air pollution, including fly ash, truly does not occur or whether health conditions will deteriorate. In addition, the best high-performance and available technology as used in coal-fired thermal power plants in Japan will not be used for the Cirebon 2 as well as the Cirebon 1. In this regard, the operator has not been in compliance with one of the objectives of IFC's Performance Standard 3 "*Resource Efficiency and Pollution Prevention*," namely "*To avoid or minimize adverse impacts on human health and the environment by avoiding or minimizing pollution from project activities.*"

As discussed above, the project proponents have failed to consider, or implement, effective measures regarding the impact on livelihood and the situation of air pollution by the Cirebon 1 as the residents raised in the opposition paper. There have been also situations of non-compliance with the IFC's Performance Standards. This is the same for the Cirebon 2 where similar problems are expected to occur. Unless effective measures are provided, violations of IFC's PSs in the Cirebon 2 cannot be avoided. Therefore, until the problems pointed out by the residents in the objection paper are solved in an appropriate and effective manner, and the reflection of those solutions in the measures against the Cirebon 2 is observed, while IFC's PSs being surely complied with, you must not make a decision on your loan for the Cirebon 2.

Again, in the Cirebon coal thermal power plants project, since the construction and operation of the

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<sup>7</sup> Please refer to 2.1.6.1., Kasus Penyakit, Environmental Impact Assessment (AMDAL) regarding the Cirebon 2.

Cirebon 1 started, the local residents have suffered from the enormous impact on their livelihoods. The project proponents must be required to develop and implement effective measures to solve these existing problems before any new plant is built.

Regarding the Cirebon 2, we also strongly call on Crédit Agricole to reject to make loans for the Cirebon 2, given that it likely does not comply with both the Equator Principles and the IFC's PSs, as well as, heeding the concerns of local residents and civil society in Japan and abroad. When confirming on the facts related to the Cirebon 2 and the compliance of the Equator Principles and the IFC's PSs, Crédit Agricole should place emphasis not only on the information from the project proponents, but also on the information from stakeholders such as local residents, local NGOs, and international NGOs to reach an objective decision.

Friends of the Earth Japan

Japan Center for a Sustainable Environment and Society (JACSES)

Kiko Network

350.org Japan

Walhi (Wahana Lingkungan Hidup Indonesia: Friends of the Earth Indonesia)

Les Amis de la Terre (Friends of the Earth France)

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