



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

February 28, 2017

Mr. Ralph Hamers
CEO and chairman Executive Board ING Group

Mr. Yuichi Hirasawa
Director Corporate Clients,
ING Wholesale Banking in Japan

Dear Ralph Hamers and Yuichi Hirasawa,

**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 ING is considering a 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, for which ING also provided a loan. We have also communicated to JBIC and others the concerns of the local communities regarding Cirebon 2, and have requested that JBIC and other banks take appropriate measures and carefully consider their loan for Cirebon 2.

We are also aware that international NGOs have already formally requested you to pull out of

financing for Cirebon 2.¹ We regret, however, to hear that the Tokyo Branch of ING Bank N.V. is still considering financing Cirebon 2, in contravention of ING's commitment in November 2015, reflecting concerns about climate change, to cease financing coal-fired power plant projects.

Based on media reports,² we understand the bank coalition, including ING, is planning to make a loan agreement for Cirebon 2 in the first quarter of this year. We are highly concerned about the situation surrounding Cirebon 2, which is worsening rapidly and remains plagued with problems. Additionally, this project would involve some violations of the Equator Principles which ING has adopted. Please refer to Annex 1 (attached) showing violations against the Equator Principles and the Performance Standards of the International Finance Corporation (IFC).

We urge you to immediately reject funding of 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-fire power plants that will emit carbon for several more decades. International criticism of these actions continues to mount.³

In this context, it is highly regrettable that the Tokyo Branch of ING Bank N.V. is still considering its loan for Cirebon 2 in the company of JBIC and other Japanese banks. Amid demands from civil society to stop financing Cirebon 2, the behaviour of the Tokyo Branch of ING Bank N.V. may damage your reputation and your credibility. We hope the Tokyo Branch of ING Bank N.V. will reject co-financing with Japanese banking groups whose reputations have diminished due to their insistence on exporting coal-fired power plants. We would very much like to see the Tokyo office abide by and follow ING's company policy to restrict coal finance in order that ING delivers on its word to divest from coal related business.

2. Pending administrative lawsuit and illegalities of Cirebon 2

In December 2016, communities affected by the planned Cirebon 2 project filed a lawsuit against the West Java provincial government, claiming the environmental permit for 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. The suit launched a legal action to demand the Bandung administrative

¹ <http://fairfinanceguide.org/ffg-international/news/2016/ing-still-invests-hundreds-of-millions-in-polluting-coal-companies/>

² <https://finance.detik.com/energi/3379996/proyek-pltu-2000-mw-di-jepara-dan-cirebon-dapat-dana-3-bulan-lagi>

³ <http://www.foejapan.org/aid/jbic02/batang/160519.html>

court to nullify the permit. Please refer to Annex 2 (attached) for more details about the administrative lawsuit. Among the illegal points raised by the lawsuit are the following:

- (1) Uncorrected Cirebon Regency spatial plan.
- (2) Lack of consideration for strategic environmental assessment.
- (3) Lack of communities' participation in the process for developing the environmental impact assessment.
- (4) Inadequate analysis in the environmental impact assessment.
- (5) Violation of the 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 the violations mentioned above concerning Cirebon 2 are confirmed by legal decision, it becomes clear that Cirebon 2 violates the Equator Principles.

The public trial of this case started on January 11th this year and is ongoing. Thus, we ask that ING holds off on a decision to finance Cirebon 2 at least until the legal case is finalized.

3. Inadequacy of environmental impact assessment (EIA)

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 EIA for Cirebon 2. Please refer to Annex 3 (attached) for details. These issues are summarized below:

- (1) No adequate evaluation of the health impact of 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 the 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_x SO_x, PM
 - Not fully considering that the air pollution standard level in Indonesia is too low
- (3) Insufficient evaluation of the adverse effects of thermal discharges for the local ecosystem:
 - There is a possibility that the marine ecosystem, within the range of 6 km along the coast

and 500 metres 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 livelihoods.

These points, also raised by the 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 consideration of these points, you could also ensure the project’s compliance with the Equator Principles and the IFC’s Performance Standards. Therefore, ING must confirm the points listed in Annex 3 and should not decide to finance Cirebon 2 until appropriate measures are verifiably in place 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 Cirebon 1, for which ING provided a loan, submitted their objection paper to JBIC’s Examiners for Environmental Guidelines. In this objection paper, two principal problems are raised, namely: the resulting loss of livelihood and income opportunities, and concerns with deteriorating health conditions due to air pollution.

With regard to the former point, as a result of the destruction of the very rich biodiversity of the coastal areas which has accompanied the construction and operation of Cirebon 1, there have been reports of decreased catches from residents engaged in small fishery and the collection of various types of shellfish. Additionally, following the construction of Cirebon 1, negative impacts on the salt quality produced in nearby salt fields were found, 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 over nearly five years since the power plant’s operations commenced. The project proponents, however, have not taken “effective measures” to mitigate and reduce impacts on livelihoods thus affected.

This is a violation of one of the objectives of the IFC’s Performance Standard 5 on “*Land Acquisition and Involuntary Resettlement*,” which aims “*to improve, or restore, the livelihoods and standards of living of displaced persons.*” Construction of Cirebon 2 also gives rise to concern about similar livelihood impacts and the 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 the experience and lessons of Cirebon 1 are also absent for the residents engaged in small-scale fishery, salt production, agriculture etc. Therefore, in Cirebon 2 too, violation of the above-mentioned IFC Performance Standard 5, and the deterioration of residents' lives due to the impacts on livelihoods, will occur. Similar problems will be repeated.

In the objection paper, residents also referred to the fly ash being disseminated over nearby houses and public facilities from the Cirebon 1 project site, which began commercial operations in 2012. Together with Cirebon 2, local residents are fearful of the long-term impacts for the health of communities, including a possible increase in respiratory diseases. Indeed, in the Cirebon 2 EIA, although causal relationships are not specified, those residents living in the direct vicinity of the project site had the highest proportion of acute upper respiratory tract infections (ISPA) over the past three years.⁴

The air pollution control technology, planned to be installed in Cirebon 2, is no major improvement on the installation technology that was planned for Cirebon 1 at the time (see Annex 4 attached). This technology is not in fact a counter-measure 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 Cirebon 2 (and has not been used for Cirebon 1). In this regard, the operator has not been in compliance with one of the objectives of the 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.*" This also means that ING has failed to follow its own "*Environmental and Social Risk (ESR) Framework*," which states that "*Compliance with IFC Performance Standards and EHS Guidelines*" and "*ING will promote the use of best practices with its clients.*"

As discussed above, the project proponents have failed to consider, or implement, effective measures regarding the impact on livelihood and the adverse air pollution caused by Cirebon 1, as raised by residents in their opposition paper. There have also been situations of non-compliance with the IFC's Performance Standards. This is the same for Cirebon 2, where similar problems are expected to occur. Indeed, unless effective measures are provided, violations of the IFC's Performance Standards at the Cirebon 2 project cannot be avoided. Therefore, until the problems raised and described by residents in the objection paper are solved in an appropriate and effective manner, and these measures are also applied to Cirebon 2, and until the IFC's Performance Standards are fully complied with, ING must not make a decision on the Cirebon 2 loan.

⁴ Please refer to 2.1.6.1., Kasus Penyakit, Environmental Impact Assessment (AMDAL) regarding the Cirebon 2.

To reiterate, in the Cirebon coal thermal power plants project, and since the construction and operation of Cirebon 1 started, local residents have suffered from a major impact on their livelihoods. ING must urge the project proponents to develop and implement effective measures to solve these existing problems before ING decides on any loan for a new plant.

Regarding Cirebon 2, we strongly request that ING rejects a loan for Cirebon 2, given that the project likely does not comply with both the Equator Principles and the IFC's Performance Standards. When confirming the facts related to Cirebon 2 and the project's compliance with the Equator Principles and the IFC's Performance Standards, and in order to reach an objective decision, ING should place emphasis not only on information from the project proponents, but also on information from stakeholders such as local residents, local NGOs and international NGOs.

Sincerely,

Friends of the Earth Japan

Greenpeace 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)

Greenpeace Netherlands

BankTrack

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