

August 7, 2024

Mr. Shunichi Suzuki, Minister of Finance

Mr. Nobumitsu Hayashi, Governor, Japan Bank for International Cooperation (JBIC)

Re: Request for Immediate Measures to End Public Financing for Corrupt and Dirty Cirebon Coal-Fired Power Plant Project - Expansion Plan in Indonesia

With respect to the Cirebon Coal-Fired Power Plant Project - Expansion Plan (Unit 2, 1,000 MW) (hereinafter "Cirebon 2") in West Java, Indonesia, for which the Japan Bank for International Cooperation (JBIC) has been disbursing the loans since November 14, 2017 [1], we have confirmed that the conviction of the former Cirebon regent was confirmed, including cases related to Cirebon 2 [2]. In response to this fact, we strongly urge JBIC, which has continued to provide public finance for the unjustly proceeded Cirebon 2, promptly take measures to suspend your loan disbursement, to cancel the unutilized portion of loans, and to enforce mandatory prepayment of loans that you have disbursed to Cirebon 2, in accordance with the "Recommendation of the Council on Bribery and Officially Supported Export Credits" (hereinafter "OECD Bribery Recommendation") [3] and JBIC's "Anti-Bribery Policy" [4].

Bribery allegations related to the Cirebon 2 have been raised since 2019. In March 2023, the Indonesian Corruption Eradication Commission (KPK) indicted the former Cirebon regent in relation to a series of bribery and money laundering, and the former Cirebon regent was convicted in the first verdict dated August 18, 2023 and the second verdict on appeal dated October 17, 2023, including the bribery case related to Cirebon 2. Although KPK and the defendant respectively filed appeals thereafter, it has been revealed that the Supreme Court made a decision on April 3, 2024, to dismiss the appeals. In other words, the decision of the Court of Appeals is now valid.

As we have been pointing out, the Court of Appeals' verdict generally included the following information about the bribery cases related to Cirebon 2 (positions of the persons indicated are of that of the time of the cases);

- Two senior managements of Cirebon Energi Prasarana (CEPR) (one of them is CEPR President Director, Heru Dewanto, and the other is Teguh Haryono) handed over 1 billion rupiahs to the Cirebon regent, requesting the Cirebon regent to ensure the smooth issuance of the construction permits for Cirebon 2 that CEPR had applied for, and also to provide support in dealing with the demonstrations against the construction of Cirebon 2;
- Two senior managements of CEPR (same as above) introduced a few officials of Hyundai Engineering and Construction Co, (hereinafter "Hyundai"), the EPC contractor for Cirebon 2, (Deputy General Manager Herry Jung, Administration Manager Kim Tae Hwa, Cirebon 2 Construction Site Project Manager Am Huh) to the Cirebon regent. CEPR informed the

Cirebon regent that Herry Jung would continue to handle the permit process in relation to the CEPR's application. They also asked the Cirebon regent to support CEPR in completing the application process promptly and to deal with the demonstrations. It was also informed that the "operational funds" of the Cirebon regent would be provided by the above three members of Hyundai.

- After Herry Jung of Hyundai told the Cirebon regent again about the problems with the construction permits and the residents' demonstrations, the regent ordered the DPMPTSP (the Investment and One-Stop Integrated Service) officials to help the CEPR accelerate the permitting process. After helping with the permitting process, Herry Jung of Hyundai paid 50 million rupiahs directly to the DPMPTSP officials;
- The Cirebon regent requested "operational funds" to calm down the protests of local residents. The "funds" were to be paid by Hyundai as a contract for fictitious consulting services (10 billion rupiahs);
- The Cirebon regent asked the Beber district head to let her son-in-law (who was also the son-in-law of the district head of Astanajapura district, where Cirebon 2 project is located)'s company, Milades Indah Mandiri (MIM), participate in a fictitious contract with Hyundai. However, MIM was not a consulting firm, but merely an event organizer company;
- On June 14, 2017, a fictitious project contract (totaling 10 billion rupiahs) was signed between MIM and Hyundai for consultancy work of Cirebon 2;
- Between June 2017 and October 2018, "funds" of 7.02 billion rupiahs were paid to the Cirebon regent in four installments by a few officials of Hyundai through MIM;
- In July 2017, the Cirebon regent and others traveled to South Korea, with Hyundai covering the expenses.

For the bribery case related to Cirebon 2, the former Cirebon regent and a former senior official of Hyundai had already been identified as suspects by the KPK in 2019, and the above-mentioned two former senior managements of CEPR had also been banned from traveling outside Indonesia. In addition, as described above, it is an extremely crucial fact that the court decision mentions that the bribery in connection with Cirebon 2 was definitely committed, and that not only Hyundai but also former senior managements of CEPR, the direct borrower of JBIC, were also involved in the said bribery.

We have consistently demanded that JBIC stop the disbursement of the loan and the likes. The main reason for such a request is the impact on the life, culture, and health of the local community. Since 2007, when the construction of the Cirebon Coal-Fired Power Plant Project- Unit 1 (660 MW) (hereinafter "Cirebon 1") began, coastal livelihoods such as small-scale fisheries and salt pans have been severely affected and the local people have been forced to live in hardship. The concrete explanations for those damages are provided in the residents' objection letter concerning Cirebon

1 (November 2016) [5] and the objection letter concerning Cirebon 2 (May 2017) [6], which pointed out violations of the “JBIC Guidelines for Confirmation of Environmental and Social Considerations.”

It is an intolerable injustice that the serious damage to livelihoods and health faced by the local community have been caused by Cirebon 2, or corruption-ridden and dirty projects with huge profits for big companies and local politicians. In addition, with regard to Cirebon 2, many issues have been pointed out that cannot be overlooked, including illegal processes, such as violation of the Cirebon Regency Spatial Plan and the improper issuance of environmental permits; human rights violations, such as harassment and intimidation against residents who express opposition and concerns; and retrogression against climate change measures. To begin with, the necessity of the Cirebon 2 project in the Java-Bali power grid, which is expected to have a reserve margin of 40-60% (from 2021 to 2030) [7], has also been questioned.

The Japanese government and JBIC must take responsibility for continuously providing public finance for the unjust, unfair, and unnecessary Cirebon 2 project by promptly suspending the loan disbursement, canceling the unutilized portion of loans, and enforcing mandatory prepayment of loans for Cirebon 2 project. And it must also fulfill its accountability as a public institution with regard to what measures JBIC is planning to take/ has taken in response to the confirmed conviction in the bribery case related to Cirebon 2. We reiterate our strong demand that the Japanese government and JBIC take immediate and appropriate actions.

Sincerely,

Signatories:

Rapel (Rakyat Penyelamat Lingkungan)
KARBON (KOALISI RAKYAT BERSIHKAN CIREBON)
WALHI West Java
Wahana Lingkungan Hidup Indonesia

Cc:

Mr. Ken Saito, Minister of Economy, Trade and Industry
Mr. Atsuo Kuroda, Chairman and CEO, Nippon Export and Investment Insurance (NEXI)
Mr. Yoon Hee-sung, Chairman & President, The Export-Import Bank of Korea (KEXIM)
Mr. Steven van Rijswijk, CEO, ING Bank N.V.
Mr. Hironori Kamezawa, President & Group CEO, Mitsubishi UFJ Financial Group, Inc.
Mr. Toru Nakashima, Group CEO, Sumitomo Mitsui Financial Group, Inc.
Mr. Masahiro Kihara, President & Group CEO, Mizuho Financial Group, Inc.
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Footnotes:

[1] <https://www.jbic.go.jp/en/information/press/press-2017/1114-58532.html>

[2] <https://sipp.pn-bandung.go.id/> (Case Number: 49/Pid.Sus-TPK/2023/PN Bdg) (Cassation Decision Number: 2605 K/Pid.Sus/2024)

[3] [https://one.oecd.org/document/TAD/ECG\(2019\)2/En/pdf](https://one.oecd.org/document/TAD/ECG(2019)2/En/pdf) The OECD Bribery Recommendation recommends as “*Post-final commitment*” that “*Take appropriate action, consistent with their national laws and without causing prejudice to the rights of any parties not responsible for bribery, such as enhanced due diligence, denial of payment, indemnification, or refund of sums provided, if, in relation to the transaction, one of the parties involved is convicted of violation of laws against bribery, subjected to equivalent measures, or found as part of a publicly-available arbitral award to have engaged in bribery.*”

[4] <https://www.jbic.go.jp/en/support-menu/export/prevention.html>

[5] <https://www.foejapan.org/en/aid/161110.html>

[6] <https://www.foejapan.org/en/aid/170524.html>

[7] <https://ieefa.org/resources/indonesia-wants-go-greener-pln-stuck-excess-capacity-coal-fired-power-plants>