Letter to CTF Trust Fund Committee Members from 43 CSOs from Twelve Countries for Postponement of Approval of the 2013 Clean Technology Fund's High Risk Revised Indonesian Investment Plan

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Huma, Indonesia -- Humanitywatch, Bangladesh -- Institute for Global Justice (IGJ), Indonesia -- Institute Perempuan, Indonesia -- Jaringan Tambang Nasional (Jatam), Indonesia -- Jatam Kalimantan Timur, Indonesia -- KePPaK Perempuan (Kelompok Peduli Penghapusan Tindak Kekerasan Terhadap Perempuan dan Anak), Indonesia -- -- Koalisi Anti Utang (Indonesian Anti Debt Coalition), Indonesia -- Koalisi Perempuan Indonesia, South Sulawesi Chapter, Indonesia -- Koalisi Rakyat untuk Hak Atas Air (KRUHA), Indonesia -- Konsorsium Pembaruan Agraria (KPA), Indonesia -- Lembaga Advokasi dan Perlindungan Konsumen (LAPK) Sumatra Utara Chapter, Indonesia -- Lembaga Bantuan Hukum – Asosiasi Perempuan Indonesia untuk Keadilan/LBH-APIK (Association of Legal Aid Societies for Women), Indonesia -- Lembaga Pemulihan Keberdayaan Masyarakat (LPKM), Sulawesi Selatan, Indonesia -- National NGO Forum for Development and Cooperation, Mongolia -- NGO Forum on ADB, Philippines -- Norman Jiwan, Indonesia -- Participatory Research & Action Network-PRAN, Bangladesh -- Pontianak Institute, Indonesia -- Rumpun Gema Perempuan, Indonesia -- Sahabat Sekerja, Indonesia -- Solidaritas Perempuan Padang Chapter, Indonesia -- Solidaritas Perempuan, Indonesia -- The Corner House, UK -- Ulu Foundation, USA -- Urgewald, Germany -- Worldiew, the Gambia -- Yayasan BontoLangkasa, Sulawesi Selatan, Indonesia -- Yayasan Lembaga Konsumen Sulawesi Selatan , Indonesia -- Yayasan Masagena, Sulawesi Selatan, Indonesia

To
The Members of CTF Trust Fund Committee
The World Bank Group
1818 H Street NW
Washington, D.C. 20433

Jakarta, 4 April 2014

Dear Committee Members

The CIF Administrative Unit has recently circulated for comment a *Revision of the Investment Plan for Indonesia*[1], submitted by the Government of Indonesia and the Asian Development Bank (ADB), the International Bank for Reconstruction and Development (IBRD), and the International Finance Corporation (IFC). The plan amounts to more than US$5 billion in loans for a proposed "green" energy program. This plan is scheduled to be approved through email on April 4, 2013 if no objections are received. Given significant environmental and social concerns, we strongly urge that this plan not be approved.

This plan represents a revision of the Indonesian Clean Technology Fund (CTF) Country Investment Plan (CIP)[2] that was endorsed by the Trust Fund Committee (TFC) on 16 March 2010. The main revision of the plan is to place private sector-led projects at the forefront by the reallocation of CTF funds from (i) public to (ii) non-sovereign and private sector investments in geothermal energy development, and by shifting CTF resources from private sector financial intermediation to private sector geothermal projects.

Concerns regarding the Revised CTF Indonesian Investment Plan:

1. Led by private sector and undeclared co-financiers:

If we look at the Table ES-1 on the Financing Plan of 2010 (p.5), total is USD 3,110 million, and consists of CTF financing of USD 400 million, MDB support of USD 1,575 million, the Indonesian PGE (Pertamina Geothermal Energy)/PLN (Perusahaan Listrik Negara contribution of USD 35 million and private sector financing of USD 1,100 million. The total CTF financing plan of 2013 as indicated in Table ES-2 on Revised CTF Financing Plan of 2013 (p.5) increases from USD 3,110 million to USD 5,470 million with the largest portion from ADB private geothermal program of USD 2,625 million.

Another remarkable revision is the segment of 'other co-financing' USD 4,225 million (or 77% of the total CTF Financing) without any detailed information about the co-financiers. There was no indication about co-financing in CTF Financing Plan 2010 but a total contribution from private sector/financial intermediaries of USD 1,100 million. In CTF Financing Plan of 2013, co-financing makes up 78.26% ADB's contribution of USD 2,875 million; and co-financing makes up 84.16% of the total IFC's contribution USD 2,020 million.

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[1] At: https://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/Indonesia%20CTF%20IP%20Revision%2018%20Mar%202013.pdf
[2] At: http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/CTF_Indonesia_investment_plan_041210.pdf

Concerns:
This heavy involvement of private sector and co-financiers poses a problem of transparency and accountability. MDBs policies tend to protect the interest of private sector through less information disclosure and accountability requirements.

2. Environmental Impacts and Risks

The benefits of geothermal energy are often overemphasized, particularly due to lower rates of production of green house gases (GHG) compared to fossil fuels. This plan appears solely to consider environmental benefits in terms of a decrease in local air pollution that otherwise would have been generated from equivalent coal or diesel-fired power generation. Benefits include reduced nitrous oxides (NOx), sulfur oxides (SOx) and total suspended particulates each per year (para 50, p.18). Moreover, it is only briefly mentioned that "*some geothermal prospects are located in environmentally sensitive areas*" (Table 9, safeguard, p.19).

According to the Indonesian Geothermal Agency, however, 70% of the nation's geothermal areas occur partially or completely in forest areas (conservation forest, protected forest and production forest).[3] Clearly, geothermal exploration, exploitation and construction pose a significant threat to forests . There is, thus, a high risk that this "green" technology will lead to remarkable forest destruction and degradation and negative climate change impacts as well as impacts on forest-dependent communities.

The International Geothermal Association (IGA) provides sobering information on the sources of environmental destruction[4] associated with geothermal plants, including the fact that:

- The installation of a drilling rig and all the accessory equipment entails the construction of access roads and a drilling pad. These operations will modify the surface morphology (platform) of the area and could damage local plants and wildlife.
- Blowouts (uncontrolled release of steam) can pollute surface water.
- The installation of the pipelines that will transport the geothermal fluids, and construction of the *utilization plants*, will also affect animal and plant life and the surface morphology. The scenic view will be modified.
- Geothermal fluids (steam or hot water) usually contain *gases* such as carbon dioxide (CO_2), hydrogen sulphide (H_2S), ammonia (NH_3), methane (CH_4), and trace amounts of other gases, as well as *dissolved chemicals* whose concentrations usually increase with temperature. For example, sodium chloride (NaCl), boron (B), arsenic (As) and mercury (Hg) are a source of pollution if discharged into the environment.
- Wastewaters from geothermal plants also have a higher temperature than the environment and therefore constitute a potential thermal pollutant. A mere 2-3°C increase in the temperature of a body of water as a result of discharging the

[3] Jarman, Directorate General Of New, Renewable Energy And Energy Conservation, Ministry Of Energy And Mineral Resources, Geothermal Power Plant Development, Presented at: "Forum for East Asia-Latin America Cooperation, November 13th, 2012 at: http://www.mofa.go.jp/region/latin/fealac/pdfs/2-4_indonesia.pdf

[4] International Geothermal Association (IGA), What is Geothermal Energy, at: http://www.geothermal-energy.org/geothermal_energy/what_is_geothermal_energy.html#c340

waste water from a utilization plant could damage its ecosystem. The plant and animal organisms that are most sensitive to temperature variations could gradually disappear, leaving a fish species without its food source. An increase in water temperature could impair development of the eggs of other fish species. If these fish are edible and provide the necessary support for a community of fishermen, then their disappearance could be critical for the community at large.

- Air pollution may become a problem when generating electricity in conventional power-plants. Hydrogen sulphide is one of the main pollutants. Carbon dioxide is also present in the fluids used in the geothermal power plants, although much less CO_2 is discharged from these plants than from fossil-fuelled power stations.
- *Discharge of wastewater* is also a potential source of chemical pollution. Spent geothermal fluids may contain high concentrations of chemicals such as boron, fluoride or arsenic.
- Extraction of large quantities of fluids from geothermal reservoirs may give rise to *subsidence* phenomena, i.e. a gradual sinking of the land surface.
- The withdrawal and/or re-injection of geothermal fluids may trigger or increase the frequency of *seismic events* in certain areas.
- The *noise* associated with operating geothermal plants could be a problem where the plant in question generates electricity. During the production phase there is the higher pitched noise of steam travelling through pipelines and the occasional vent discharge. At the power plant the main noise pollution comes from the cooling tower fans, the steam ejector, and the turbine 'hum'.

The threat of seismic events associated with geothermal power must also be carefully considered. Recent land slides in the area of the Sungai Penuh geothermal operation by PT Pertamina Geothermal Energy (PGE) in Kerinci Regency, Jambi Province, killed five workers in January 2013. PGE was forced to stop drilling activities in order to evaluate the causes of that incident.[5] Geologically unstable Indonesia has also had unfortunate experience with environmental devastation associated with drilling blowouts in other sectors, as the case of the blowout of a natural gas well by PT Lapindo Brantas in Java, leading to the largest mud volcano eruption on earth, the Sidoarjo mud flow.

Concerns:

This Plan does not analyze the implication of the fact that most Indonesian geothermal reserves are found in forested areas. More than 70% of geothermal areas have been identified by the Indonesian Geological Agency as partially or completely overlapping with forestry areas (conservation forest, protected forest and production forest)[6]. Another source indicates that according to the Ministry of Forestry, around 80% of geothermal reserves are located in conserved forests[7]. Geothermal operations involve not only drilling, but the construction of access roads, a drilling platform and potentially a power plant and transmission lines, all of which could lead to substantial forest destruction and degradation, negative climate change impacts and impacts on subsistence livelihoods, forest-dwelling and forest-dependent communities. Yet these potential impacts are not evaluated despite the fact that these projects and this plan presents a high risk of social and environmental damage (a "category A" plan under MDB rules).

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[5] Ferial, Pertamina Evaluasi Pemboran Panas Bumi, Monday, 28 January 2013 17:33, at: http://www.ebtke.esdm.go.id/en/energy/renewable-energy/geothermal.html?start=5

[6] Jarman, Directorate General Of New, Renewable Energy And Energy Conservation, Ministry Of Energy And Mineral Resources, Geothermal Power Plant Development, Presented at: "Forum for East Asia-Latin America Cooperation, November 13th, 2012 at: http://www.mofa.go.jp/region/latin/fealac/pdfs/2-4_indonesia.pdf

[7] http://en.wikipedia.org/wiki/Geothermal_power_in_Indonesia#cite_note-24

In addition, this Plan underestimates the potential for additional environmental impacts and problems and fails to provide information about:

- Environmental effects: seismicity, air pollution, water utilization, noise;
- Infrastructure and resources: roads, power grid, water resources;
- Land use issues: potential forest and land conflicts with local and indigenous peoples;

3. Dilution of existing laws on forest protection

Under pressure by geothermal industry lobbying, the Indonesian government has recently developed and is currently developing geothermal policies[8] that are harmful to forests in order to benefit the geothermal industry. These include, for example:

- Revision of Law 27/2003 on Geothermal: Indonesian government is revising the law 27/2003 on Geothermal, law 5/1990 on Conservation of Natural Resources, and law 41/1999 on Forestry.
- MoU between Ministry of Energy and Mineral Resources (MEMR) – Ministry of Forestry on December 19, 2011[9] regarding the acceleration of geothermal utilization permits within production forest, protected forest, and conservation forests. According to the Indonesian Minister of Forest, Zulkifli, licensing acceleration is not only for geothermal energy activity but also for any oil and gas activity and also mining[10].
- Feed-in Tariff: Feed-in Tariff is a Government policy to set the price of electricity from geothermal power plant, which is final and can not be negotiated by PT. PLN
- Foreign ownership in Geothermal Business is allowed up to 95 %;
- Funding incentives : Government guarantee on the feasibility of PT. PLN; "Geothermal Fund" for geothermal exploration

Concerns:
This Plan provides support for Indonesian government policies that are harmful for the forest and are likely to sharply increase forest destruction and degradation. Yet these negative climate change impacts and the associated impacts on affected communities are not properly evaluated.

4. Lack of consultations with affected communities:

There is no description in regard to consultations with potentially affected communities. A form of outreach was carried out with selected NGOs and energy industry associations (para 3, p.1). A summary of stakeholder outreach activities is presented in Appendix 1. However, there is no information about the selection and consultation process and names of participants.

[8] Jarman, op.cit.

[9] Geothermal, MEMR Asked to Hasten Exploration Process, Ministry Of Energy And Mineral Resources, 20 December 2011, at: http://www.esdm.go.id/index-en/50-geothermal/5310-memr-asked-to-hasten-exploration-process.html

[10] ibid

Concerns:
Lack of consultation with communities in the targeted areas indicates a high risk of triggering land conflicts and social unrest; furthermore, it is non transparent to Indonesian public and represents a non-fulfillment of the right to information and right to make decisions about processes which impact their lives and livelihoods.

Moreover, the process of consultation as described in para 3 and Appendix 1 was not inclusive and transparent. For example, what was the process of selecting the NGOs, and who selected them?

Recommendations:

Considering those concerns we recommend:

- A postponement of approval of this revised CTF Indonesian Investment Plan until there is clear written and legally binding assurance in each component of the plan and from each MDB and private and public sector project proponent that the investment plan will forbid any activity (including geothermal exploration or exploitation) in forested areas, including protected areas, and will not lead directly or indirectly to forest destruction or degradation;
- In addition, there must be clear assurance that nothing in this investment plan will act to weaken Indonesian laws, rules and regulations pertaining to protected areas and the protection of forest areas.
- It must be documented that this investment plan acts to strengthen the implementation of the Indonesian ban (by law) on extractive industry exploration and exploitation - including geothermal exploration and exploitation -- in protected forest areas. Plan proponents and implementers must state that they do not support the exclusion of geothermal operations from the definition of "extractive industries" which are banned from protected areas.
- With regard to placing the private sector in the lead of this Investment Plan, the MDBs and project proponents must commit to holding them accountable to the strictest safeguard standards and due diligence requirements that apply to public sector MDB operations.
- Given the IFC's recent commitment to robust anti-money laundering and tax compliance due diligence for all private sector partners in the Indonesian Forest Investment Plan, the same AML (Anti Money Laundering) and tax compliance due diligence must be conducted by all involved MDBs prior to partnering with private sector actors.
- In addition, we request information on the manner by which this proposal for geothermal extraction has been coordinated with the Indonesian Forest Investment Plan (including public discussions and "socialization" sessions on the FIP). The FIP proposes the dedication of substantial public resources to the protection of Indonesian forests, including from harm caused extractive industries. Several of the undersigned organizations have been involved in various FIP processes and do not recall, in that context, the presentation of data pertaining to the location of geothermal resources or plans for geothermal extraction in forested regions.

Thank you for your attention to this matter.

Endorsers:

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