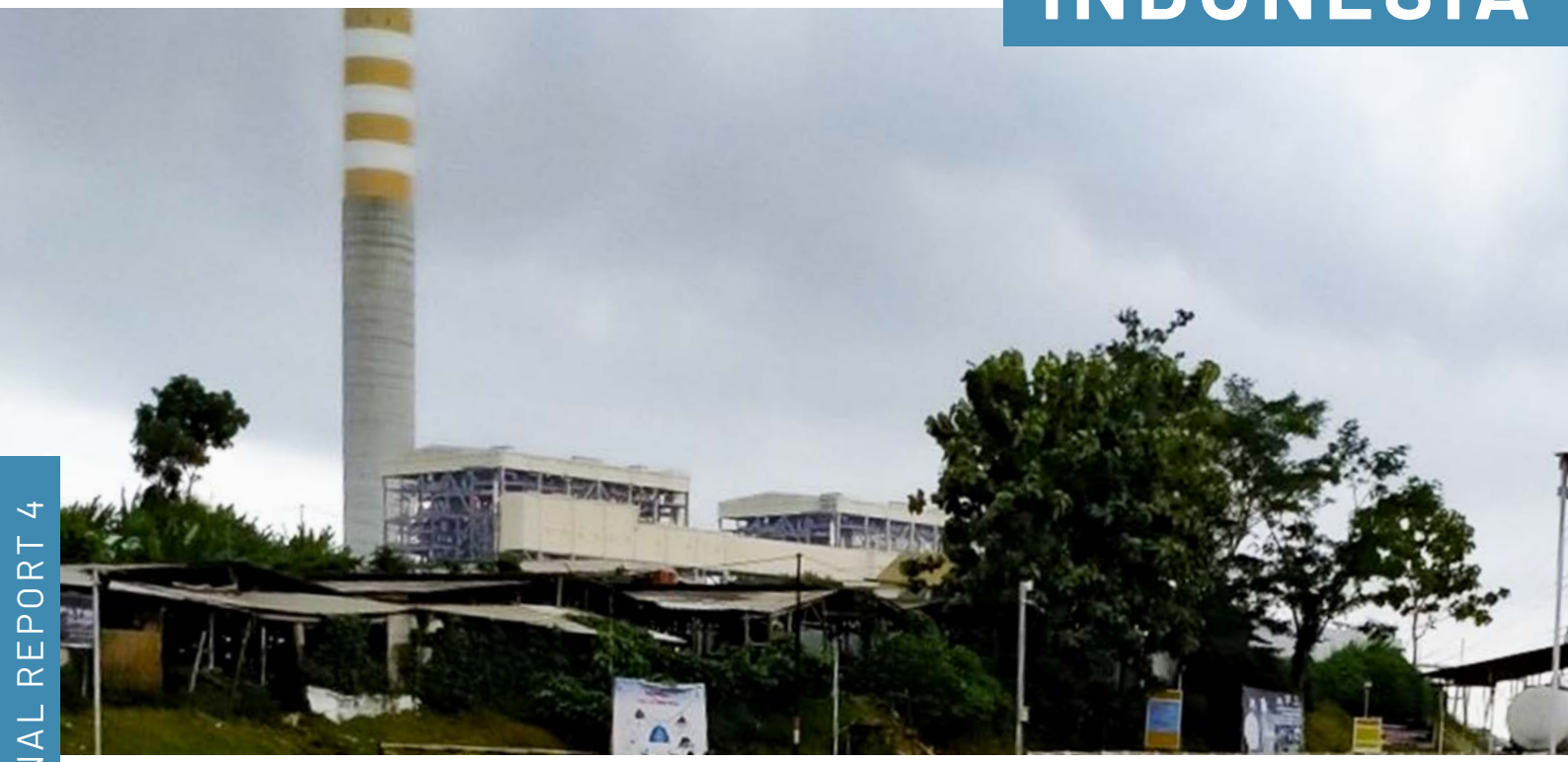
# PPPs in energy infrastructure: regional experiences in light of the global energy crisis

REPORT 4

INDONESIA



PPPs REGIONAL REPORT 4

## Experiences from Indonesia: The Central Java Power Plant

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### Background: the CJPP and PPPs in Indonesia

The Central Java Power Plant (CJPP), also known as the Batang Pusat Listrik Tenaga Uap (Batang PLTU), is a steam power plant project. It covers 250 hectares in Batang regency in Central Java province, Indonesia. It is led by the Republic of Indonesia with a Public-Private Partnership (PPP) scheme, known in Indonesian as the

Government Cooperation with Business Entity (Kemitraan Pemerintah Badan Usaha, or KPBU) concept.[1]

Operating on the basis of a build-operate-own-transfer project, construction began in 2016, with a target for completion in 2019. But the target has been moved, with the start of operations expected in 2022. By 2020, 91.8% of the construction had been completed.[2]

The Batang plant is composed of 1) the main power block, 2) a jetty for unloading coal, 3) the dredging and dumping area in the sea, and 4) the 500 KV transmission network and substations. The Batang plant construction occupies 250 hectares, covering four villages bordering the coast: Ujungnegoro and Karanggeneng in Kandeman District, and Ponowareng and Sengon in Tulis District. The transmission line passes through the villages of Karanggeneng, Kenconorejo, Simbangjati, Beji, Tulis and Wringin Gintung.


Figure 1 – Batang plant & surrounding villages (Source: Arcmap, 2020; processed by INDIES).

Through Perseroan Terbatas[3] Bhimasena Power Indonesia (PT BPI), as the company in charge of funding, and PT Perusahaan Listrik Negara (PT PLN — the state-owned electricity company) as the project manager, the CJPP is being built as two 1000-megawatt steam power plants located in Batang Regency, Central Java

1 Directorate General of Financing and Risk Management, "Update Pemantauan Penjaminan Bersama Pada Program Penjaminan Kerjasama Pemerintah Dan Badan Usaha (KPBU) Proyek Pembangkit Listrik Tenaga Uap Kapasitas 2 X 1.000MW Batang Jawa Tengah ('PLTU Batang')", Ministry of Finance, August 14, 2018. https://www.djppr.kemenkeu.go.id/page/load/2211

2 Intan Pratiwi and Friska Yolanda, "Pembangunan PLTU Batang Capai 91,8 Persen", *Republika*, February 20, 2020, https://www.republika.co.id/berita/q5vyp3370/pembangunan-pltu-batang-capai-918-persen

3 "Perseroan Terbatas" refers to limited companies.

Province. The project currently costs Indonesian Rupiah (IDR) 56.7 trillion (USD 4.2 billion / EUR 3.8 billion).[4] PT BPI, a consortium company, consists of J-Power with 34% shares (in plant operations), PT Adaro Energy 34% (in supplying coal) and Itochu 32% (in power plant construction).[5] This consortium won a 25-year contract, which ensures that PT PLN purchases electricity from the private consortium.

The share of financing by PT Bhimasena Power Indonesia amounts to 20%, or USD 840 million (EUR 752 million). The rest of the financing shares consist of Japan Bank for International Cooperation (JBIC) with 48%, or USD 1.92 billion (EUR 1.7 billion), and a consortium of banks amounting to 32%, or USD 1.28 billion (EUR 1.14 billion). The several banks that have been identified with regard to co-financing the CJPP include Mizuho and Sumitomo Mitsui Financial Group Inc.

### Box 1 – Some key details on the Central Java Power Plant

**Project cost: USD 4.2 billion (EUR 3.8 billion)**

- Financing and ownership:
- World Bank-backed PT Penjaminan Infrastruktur Indonesia (PT PII), also known as the
- PT Bhimasena Power Indonesia (financing and consortium for the project)
- Japan's Electric Power Development Co. (34%), PT Adaro Energy (34%) and Itochu Corp. (32%)
- PT Perusahaan Listrik Negara (Indonesia's state electricity company)
- Japan Bank for International Cooperation (JBIC), with a consortium of banks (including Mizuho, Sumitomo Mitsui Financial Group Inc.)

**Other private sector actors:**

- Electric Power Development Co. (J-POWER)
- Itochu Corp.
- Sumitomo Corporation

In Indonesia, among the priorities of the National Development Planning Agency (Badan Perencanaan Pembangunan Nasional, or Bappenas) is strengthening the cooperation between government and the private sector. Bappenas has a Directorate of Public-Private Cooperation Development (PKPS), and Presidential Regulation 13/2010 encourages innovation of the private sector with regard to submitting PPP proposals. A PPP Joint Office was established in 2016, to coordinate PPP projects.

4 Committee for the Acceleration of Indonesian Infrastructure Provision (KPPIP), "PLTU BATANG / CENTRAL JAVA POWER PLANT", December 2019, https://kppip.go.id/proyek-prioritas/ketenaga-listrikan/pltu-batang/

5 Committee for the Acceleration of Indonesian Infrastructure Provision (KPPIP), "PLTU BATANG / CENTRAL JAVA POWER PLANT", December 2019, https://kppip.go.id/proyek-prioritas/ketenaga-listrikan/pltu-batang/

Bappenas promotes the acceleration of the PPPs in their annual *PPP Bo*ok, outlining the details of such infrastructure projects.[6] The books list the PPP/KPBU projects by category, based on their readiness to be offered and those under preparation. These PPP books are expected to be among the references to promote and invite the interest of foreign investors to Indonesia. They feature "success stories", including the Central Java Power Plant in the book's 2019 iteration. At the same time, they assure the business world that the projects offered will be successfully implemented in partnership with the private sector. The government of Indonesia, according to the 2019 PPP Book, affirms the importance of infrastructure "while also [being] fully aware of the profitability [imperative]" for investors.[7]

The scheme and procedures for PPP/KPBU infrastructure projects are comprehensively established in Presidential Regulation 38/2015 (see Annex 1). It is comprehensive in that the presidential regulation provides the framework for such agreements, including the sequence of the implementation of the ongoing projects. It also details the rights and obligations of the actors, which is needed to provide legal certainty and protection.

Presidential Regulation 3/2015, concerning National Strategic Projects (NSP), and its 2016 and 2020 revisions, describe the strategic projects and programmes of the government. Currently, there are 201 national strategic projects in 12 sectors. The priority programmatic trajectories include electricity infrastructure development. Other priorities include economic equity, border area development, exit toll access road development, national tourism strategic areas, waste processing installation into electrical energy, smelter building, national food supply improvement, super-hub development and regional development acceleration.[8]

## The Batang plant: state actors, the World Bank Group and private finance

The World Bank Group (WBG) has supported PPP/KPBU schemes in Indonesia, based on the supposed potentials to fill the infrastructure gap. As the narrative goes, by utilising public resources to encourage private financing, with an emphasis on technological solutions, improved services and more efficient operations could be achieved.

The PPP/KPBU scheme encourages the involvement of the WBG in infrastructure renewal.[9] However, the PPP implementation requires stability of market rules,

6 Bapennas, "Public-Private Partnership: Infrastructure Projects Plan in Indonesia 2019", PPP Knowledge Lab, https://library.pppknowledgelab.org/documents/5826/download

7 Bapennas, "Public-Private Partnership: Infrastructure Projects Plan in Indonesia 2019".

8 Fahmi Dzakky, "Public Private Partnership: Alternatif Pembangunan Infrastruktur dalam Negeri", *Jurnal Sosial dan Budaya Syar-i* 8, no. 2 (2021): 577-579.

9 World Bank, "World Bank Group Support to Public-Private Partnerships: Lessons from Experience in Client Countries, FY02-12", Washington, DC: World Bank. (Hlm, 7). December 1, 2015.

supportive regulations and project arrangements. In this context, the WBG can take the important role in preparing conditions for PPP/KPBU schemes and assist certain transactions.[10] According to 2015 data, the WBG has been involved in PPPs in 134 countries.

The WBG is involved in 31 PPP projects in Indonesia,[11] backing the government's 2015-2019 National Medium-Term Development Plan (RPJMN). The government hopes that PPPs will bring in additional capital for infrastructure, as the 2015-2017 national budget allocation of IDR 890.5 trillion[12] (USD 62 billion / EUR 56 billion) was insufficient to meet the IDR 4,796 trillion (USD 360 billion / EUR 322 billion) estimated cost of infrastructure development. Indonesia had also accumulated a foreign debt of USD 396 billion (EUR 354 billion) by 2019.[13]

Through the utilisation of PPPs with regard to toll roads, trains and power plants, the Indonesian government wants to significantly increase its infrastructure development. To achieve this, the state-owned enterprise PT PII, or the IIGF, was established in December 2009. The Central Java Power Plant has become the first electricity infrastructure project within the PPP/KPBU scheme that is guaranteed by PT PII. The state-owned firm was established with the assistance of the World Bank, which provided technical assistance in developing operations manuals, corporate governance and other functions.[14]

For initial capital, according to Regulation 35/2009, the state channelled IDR 1 trillion (USD 69 million / EUR 62 million). At the end of 2010, and again at the end of 2012, PT PII received state capital placements of IDR 1 trillion and IDR 1.5 trillion (USD 87 million / EUR 78 million), respectively. PT PII received a loan facility from the World Bank of USD 25 million (EUR 22 million).

The World Bank is also crucially involved as the transaction advisor in the establishment of the Central Java project. The International Finance Corporation (IFC) provided assistance in analysing the project design, assessed the project's financial viability, promoted the project to investors, provided the PPP/KPBU contract with tender procedure and assisted the tender implementation until the selection of tender winner. The World Bank also supports the project financing of the Batang energy project through a guarantee of USD 34 million (EUR 30 million) to PT PII.

10 World Bank, "World Bank Group Support to Public-Private Partnerships: Lessons from Experience in Client Countries, FY02-12", Washington, DC: World Bank. (Hlm, 8). December 1, 2015.

11 World Bank, "World Bank Group Support to Public-Private Partnerships: Lessons from Experience in Client Countries, FY02-12", Washington, DC: World Bank. (Hlm, 12). December 1, 2015.

12 Dr. Wahidin Raya, "Efisiensi KPBU dalam Penyediaan Infrastruktur", Ministry of Finance, https://kpbu.kemenkeu.go.id/read/73-220/umum/kajian-opini-publik/efisiensi-kpbu-dalam-penyediaan-infrastruktur

13 Informasi Terbaru SULNI, *About Indonesia's accumulated debt, November 2019*, https://www.djppr.kemenkeu.go.id/uploads/files/SULNI/Informasi%20Terbaru%20SULNI%20Periode%20November%202019.pdf

14 Sinthya Roesly, "Indonesian Public-Private Partnerships now speak with one voice", World Bank, October 19, 2015, https://blogs.worldbank.org/ppps/indonesian-public-private-partnerships-now-speak-one-voice

Private finance and corporations are actively involved. J-Power and Itochu Corporation, from Japan, and Adaro Power, from Indonesia, won the tender for the 25-year contract. The consortium received a loan from Sumitomo Mitsui Banking Corporation and the Japan Bank for International Cooperation for factory financing. The JBIC, together with nine Japanese banks, loaned USD 3.4 billion (EUR 3 billion). Besides these companies, the other international banks and corporations involved in the project are Bank of Tokyo-Mitsubishi UFJ, Mizuho Bank, Sumitomo Mitsui Trust Bank, Mitsubishi UFJ and Banking Corporation, Shinsei Bank, Norinchukin Bank, DBS Bank, and the Oversea-Chinese Banking Corporation.

## Impacts of the Batang Coal Plant construction

The Batang Power Plant Project is under construction on a build, operate, own, transfer basis. Private sector actors in project development will operate the Batang plant for 30 years. The construction of the Batang PLTU has been inefficient; it was supposed to be completed in 2019 and as of writing faces a three-year delay. Project costs, from an initial USD 3.2 billion, had risen to USD 4 billion by 2014 estimates,[15] and reached USD 4.2 billion in 2021 government reports.[16] As of February 2022, the power plant was still in the pilot stage.

### Private domination in energy

The implementation of the PPPs scheme is supported by government regulations from the central to the regional and local levels (see Annex 1). In practice, from financing to the land acquisition processes and site preparation, the Batang PLTU development process placed the private sector in the dominant position vis-à-vis the government and the public. This has resulted in the disregard of community rights and welfare by the companies involved. Preparation and planning were not based on an open, fair and appropriate mechanism, or based on the community rights to land and environment in the PLTU project area. The protracted and expensive preparations for the project site will mean passing the costs to consumers, by increasing the price of electricity.

Through a contract with the private consortium PT BPI (made up of J-Power, Adaro and Itochu), PT PLN is obliged to buy electricity from private actors. After 30 years, there will be a transfer of ownership from the private sector to the government.[17] Through the 2009 Electricity Law, the government has broken up the structure of

15 Greenpeace, 2014, "The True Cost of Coal: Abuses, health impacts and Risks Associated with Indonesia's Batang Coal Fired Power Plant Project", *Banktrack.org*, https://www.banktrack.org/download/the_true_cost_of_coal/the_true_cost_of_coal_greenpeace.pdf

16 Bappenas, 2021, "Public-Private Partnership: Infrastructure Projects Plan in Indonesia 2021", https://perpustakaan.bappenas.go.id/e-library/file_upload/koleksi/dokumenbappenas/konten/Upload%20Terbaru/PDF%20PPP%20Book%202021.pdf

17 Esta Lestari, "Tinjauan Kritis Atas Model Pembiayaan dan Penjaminan Dalam KPS Kelistrikan", *Jurnal Ekonomi dan Pembangunan* 24, no. 1 (May 2016), https://jurnalekonomi.lipi.go.id/JEP/article/view/143

the power industry but allowed the private sector to dominate. Facilities create a boon for private interests, with the average price of electricity from private companies at IDR 700 (USD 0.05 / EUR 0.04) per kilowatt hour, compared to IDR 400 (USD 0.028 / EUR 0.025) per kilowatt hour if from PT PLN.

More than 50% of the operating power plants in Indonesia are privately owned, operated by Independent Power Producers (IPP). Under the current system, the state company PLN buys electricity from the private sector and then distributes it to the public; PLN spending amounted to IDR 74.82 trillion (USD 5.2 billion / EUR 4.7 billion) in 2020, 21% higher than the previous year. [18] Parallel to large public spending on private electricity, the government is planning to reduce its targeted recipients of electricity subsidies to 12.6 million households, from 23.9 million in 2020.[19] State budgets for electricity subsidies also declined, from IDR 99.3 trillion (USD 6.9 billion / EUR 6.1 billion) in 2014 to only IDR 47.99 trillion (USD 3.3 billion / EUR 3 billion) in 2020, affecting poor households more than others.[20]

## Violation of land rights and repression

Through Indonesia's Law on Land Procurement for Development in the Public Interest (2012), land was acquired for the development of the Central Java Power Plant. The acquisition of land for development of the 226 hectares of the project was opposed by local communities. However, local people's land, most of which was agricultural, was designated to be acquired for transition to the development of the Batang plant. The Indonesian government later wielded its land procurement law, and its power to acquire land as long as it is for "public interest",[21] to justify the capture of farmers' properties.

More than 13,000 people live in the Karanggeneng, Ujungnegoro and Ponowareng villages affected by the Batang plant. The villages have also been declared Regional Marine Protected Areas since 2005. The Batang Regency government played a facilitative role in the development and construction of the Batang plant. It changed the regulation previously protecting the marine conservation of Ujungnegoro-Roban and determined the land price in the context of acquisitions.

The Batang PLTU was built by sacrificing productive agriculture land. The majority of the land was used by people to work and was their main income source: 124.5 hectares consisted of irrigated rice fields, 152 hectares were rain-fed rice fields and

18 Anisatul Umah, "Lebih dari 50% Pembangkit Listrik RI Diklaim Bukan Punya PLN", *CNBC Indonesia*, November 5, 2020, https://www.cnbcindonesia.com/news/20201105165759-4-199604/lebih-dari-50-pembangkit-listrik-ri-diklaim-bukan-punya-pln

19 Denis Riantiza Meilanova, "TNP2K : Lebih dari 50 Persen Penerima Subsidi Listrik Warga Mampu", *Ekonomi Bisnis*, November 3, 2020, https://ekonomi.bisnis.com/read/20201103/44/1313053/tnp2k-lebih-dari-50-persen-penerima-subsidi-listrik-warga-mampu

20 Anisatul Umah, "Begini Ternyata Tren Subsidi Listrik RI Sejak 2015-2021", *CNBC Indonesia*, July 22, 2021, https://www.cnbcindonesia.com/news/20210722145616-4-262809/begini-ternyata-tren-subsidi-listrik-ri-sejak-2015-2021

21 Republic of Indonesia, 2012, REGARDING LAND PROCUREMENT FOR PUBLIC UTILITIES CONSTRUCTION [Unofficial translation]

another 20 hectares consisted of a plantation. In 2020, the Batang corn farming productivity of 70,000 tonnes still did not meet the food security needs of the community.[22] The project is estimated to reduce the rice stock of the Batang Regency by 620 tonnes, from a total of around 18,000 tonnes.[23]

The peasants' rights to their land were also impacted by the procurement of heavy-duty machinery, which was escorted by the Indonesian National Army. People were prohibited from access to their land. The land of farmers who refused land acquisition was also affected by construction and their irrigation canals were badly damaged.[24]

Figure 2 – Paddy fields around the Batang plant (Source: INDIES, 2022).

Questionable methods were at times used to acquire land. A 2014 case involved soldiers, police and private security regularly visiting people who did not want to sell their land, in order to force them to do so. Others were offered high prices to sell their land.[25] In another case, an illegal drilling activity was carried out with the protection of around 150 police officers, 50 Indonesian national army officers, 50 police dressed as intelligence officers, 80 security guards and 30 other

22 MC Kab Batang, "Bupati Batang Ajak Petani Jagung Tingkatkan Produktivitas", *InfoPublik*, September 11, 2020, https://infopublik.id/kategori/nusantara/480356/bupati-batang-ajak-petani-jagung-tingkatkan-produktivitas

23 "Pertanian Terancam, Warga Desak Presiden Baru Batalkan PLTU Batang", *Mongabay*, September 18, 2014, https://www.mongabay.co.id/2014/09/18/pertanian-terancam-warga-desak-presiden-baru-batalkan-pltu-batang/

24 "Lahan Diuruk Paksa, Petani Batang Ngadu ke DPR", *Mongabay*, April 24, 2015, https://www.mongabay.co.id/2015/04/24/lahan-diuruk-paksa-petani-batang-ngadu-ke-dpr/

25 Tommy Apriando, "Mereka Dikriminalisasi karena Memperjuangkan Lingkungan Hidup", *Mongabay*, October 14, 2014, https://www.mongabay.co.id/2014/10/14/mereka-dikriminalisasi-karena-memperjuangkan-lingkungan-hidup/

individuals.[26] In 2015, a protest against the construction of the Batang PLTU was forcibly dispersed by authorities.[27]

In 2014, the National Commission on Human Rights (Komnas HAM) issued a recommendation to stop the development of the Batang PLTU or to move the project to a "less populated and less conflicted" area.[28] The recommendation appeared because Komnas HAM reviewed reports of rights violations in the implementation of the project. Komnas HAM identified several violations, including intimidation, violence, violations of the right to information and the neglect of people's livelihoods.[29] The villagers of Roban Timur hamlet in Sengon village corroborate the information and highlight the gaps in consultation. They were told that the plant will not have adverse impacts; some were only invited to a village consultation after the construction of the jetty segment of the plant had begun.

From the start, compensation processes for the land sales were divisive and dominated by the private sector. In 2012, in the first wave of land acquisition for construction of the main power block, PT BPI formed a special team to determine the land price, not including the Batang Recency government or listening to the voices of the community. Initially, at IDR 35,000 (USD 2.45 / EUR 2.19) then at IDR 50,000 (USD 3.5 / EUR 3.13) per square metre, some people were compelled to sell. Over the years, the regency government has intervened to increase compensation per square metre to IDR 100,000 (USD 7 / EUR 6.27); the PT BPI subsequently manoeuvred to accelerate the legalised land grab by offering IDR 400,000 (USD 28 / EUR 25) *only* for select households. This provoked tensions in the community.

## Impacts on fisherfolk communities

Besides farming communities, the majority of the affected people in these villages work as fisherfolk. The development of the Batang PLTU in the Marine Protected Area has harmed the livelihoods of more than 10,961 fisherfolk. The fisherfolk were spread throughout six villages, namely Ponowareng, Karanggeneng, Wonokerso, Ujungnegoro, Sengon and Kedung Segog, before the Batang PLTU.

26 Tommy Apriando, "Warga Desa Bentrok dengan Aparat Menolak Pengeboran Proyek PLTU Batang", *Mongabay*, July 31, 2013, https://www.mongabay.co.id/2013/07/31/warga-desa-bentrok-dengan-aparat-menolak-pengeboran-proyek-pltu-batang/

27 Indra Nugraha and Sapariah Saturi, "Kala Protes PLTU Batang Berujung di Polres Jakarta Pusat", *Mongabay*, October 5, 2015, https://www.mongabay.co.id/2015/10/05/kala-protes-pltu-batang-berujung-di-polres-jakarta-pusat/

28 Japan Times, 2016, "Indonesian rights commissioner tells Japan to review power project", Japan Times, January 9, https://www.japantimes.co.jp/news/2016/01/09/national/indonesian-rights-commission-tells-japan-review-power-project/

29 "Banyak Pelanggaran, Komnas HAM Rekomendasikan Proyek PLTU Batang Dipindah", *Kompas*, October 15, 2014, https://regional.kompas.com/read/2014/10/15/17214171/Banyak.Pelanggaran.Komnas.HAM.Rekomendasikan.Proyek.PLTU.Batang.Dipindah?page=all

Figure 3 – Construction of Batang plant jetty, seen from Ujungnegoro beach (Source: INDIES, 2022).

Before the project, fishing in the Batang waters was a vibrant enterprise. In the five to six hours the fisherfolk were at sea, they could bring home around IDR 400,000 to 500,000 (USD 28 to 35 / EUR 25 to 31). On a good day, within the same five to six hours they could earn incomes of around IDR 2 to 3 million (USD 140 to 210 / EUR 125 to 188),[30] and could catch more than 100 kilogrammes of squid per day. With the plant construction, however, their catch has decreased by more than a third. Small fisherfolk from Demak, Pati, Jepara and Kendal, and even from Surabaya, Gresik, Pemalang and Indramayu, also fish in the coastal area of Batang.[31] Previously, fisherfolk had to travel only minutes from the shore to fish; now they have to row their boats for two hours to spread their nets.

The cost of fishing has increased so significantly that the five biggest fish markets and auctions will soon be closed in the six villages. Construction of the Batang PLTU near the coastline is feared to harm the marine ecosystem and fishing areas, such as for *rebon* (shrimp), leading to income losses.[32] Many have also sold their

30 "Kala Puluhan Ribu Warga sampai Kawasan Konservasi Laut 'Dikorbankan' Demi PLTU Batang", *Mongabay*, June 9, 2013, https://www.mongabay.co.id/2013/06/09/kala-puluhan-ribu-warga-sampai-kawasan-konservasi-laut-dikorbankan-demi-pltu-batang/

31 Tommy Apriando, "Janji Jokowi Hidupkan Nelayan dan Petani, Malah Dorong Energi Kotor PLTU Batang", *Mongabay*, June 9, 2016, https://www.mongabay.co.id/2016/06/09/janji-jokowi-hidupkan-nelayan-dan-petani-malah-dorong-energi-kotor-pltu-batang/

32 "PLTU Terbesar se-Asia Tenggara Matikan Aktivitas Nelayan Lokal Kawasan Pesisir Ujungnegoro Kabupateb Batang, Jawa Tengah", University of Muhammadiyah Malang, December 28, 2016, https://www.umm.ac.id/en/opini/pltu-terbesar-seasia-tenggara-matikan-aktivitas-nelayan-lokal-kawasan-pesisir-ujungnegoro-kabupateb-batang-jawa-tengah.html

boats in order to live and eat because the sea has been polluted by the Batang plant.[33]

Fisherfolks' tools and equipment also get damaged by the dredging waste disposal of the Batang Plant. Regulations say waste must be disposed 12 miles from shore, but sand slurry is being discarded near the coastline. With the Batang plant construction, fisherfolk have to be careful when at sea, as spilled coal breaks their nets; when nets are in need of repair, fisherfolk have no means with which to take home a catch. This condition has drastically reduced incomes by 50%.[34]

### Box 2 – Community voices: on economic and social impacts

With the jetty and project construction, the fisherfolk of Roban Timur hamlet in Sengon village have identified reduced fish catch, damaged equipment and rising expenses as significant impacts. "We used to need 25 to 30 litres of diesel for a trip to the sea, now we have to prepare for 50 litres," according to Yudi, a leader of the Roban Timur Fisherfolk Association. "We have to sail for an hour to reach our fishing area. Our burdens are heavier and our catch doesn't improve," he added.

Cahyadi, a local farmer actively resisting the Batang plant, lamented how he lost his farm and livelihood when his land was fenced by PT BPI. "My friend in Ujungnegoro [village] used to have 6.5 hectares of land. Six hectares were taken for the project," he said.

Jasmine flower pickers, many of whom are women, also lost jobs when land was acquired for the Batang PLTU.

Locals who publicly opposed the project were offered either a carrot or a stick, including Cahyadi. "I was imprisoned for seven months. I still refuse the Batang plant establishment. I was offered IDR 200 million (USD 14,000 / EUR 12,500) and a car. I refused it all," he said. Amid pressure, some victims of criminal behaviour, eventually compromised with the company, some becoming workers in the Batang plant. Cahyadi described tactics of division used against the locals: "[In smallholder households] when the parents refuse to sell their lands, the company would persuade their children, until they were fighting each other."

33 Ranny Virginia Utami, "Pembangunan PLTU Batang Berdampak Buruk bagi Nelayan", *CNN Indonesia*, May 13, 2015, https://www.cnnindonesia.com/nasional/20150513152441-20-53107/pembangunan-pltu-batang-berdampak-buruk-bagi-nelayan

34 Rezharinjani, "KolaborakSEA di balik Ancaman Mega Proyek PLTU Terbesar di Asia Tenggara", *Laut Sehat*, June 3, 2021, https://lautsehat.id/peristiwa/rezharinjani/kolaboraksea-dibalik-ancaman-mega-proyek-pltu-terbesar-di-asia-tenggara/

## Environmental damage

The reliance on electricity from coal puts the development of the Batang PLTU in opposition to the spirit of prioritising renewable energy. The government, despite the impact of climate change on vulnerable communities, insists on maintaining coal as the country's main energy source. In 2016, the Ministry of Energy and Mineral Resources promoted the so-called "high efficiency, low emissions coal" technology for the Batang PLTU. According to Greenpeace, this kind of technology only increases the efficiency of coal burning, but does not significantly reduce emissions. In this case, the Batang PLTU, with its capacity of 2 x 10,000 megawatts, will continue to emit 10.8 million tonnes of carbon dioxide per year[35] — roughly 2% of the total carbon dioxide emissions of the whole Indonesian energy sector in 2016 (at 506 billion tonnes).[36]

Environmental damage due to the Batang plant occurs on land, at sea and in the air. Since November 2021, the Batang plant has begun operational testing, releasing thick, black smoke for one to two hours every day. If the plant commences full operation by 2022, the impact of air pollution will continue to endanger people's health. Dangerous pollutants, like sulphur dioxide, nitrous oxide, carbon monoxide, particulate matter, mercury, arsenic and others are released by coal plants such as Batang PLTU.[37] A 2017 study on the health effects of Southeast Asia's coal projects estimates an annual additional 7,480 premature deaths in Indonesia due to coal emissions.[38]

In Karanggeneng Village, the loss of agricultural lands and their *cacao, Rambutan* and Sengon trees, which absorb rain and slow water flow during storms, has made the community prone to flooding. In Roban Timur hamlet in Sengon village, jetty building, dredging and dumping have resulted in coastal abrasion, or the erosion of the shoreline. The development of the Batang plant also cuts through the Ujungnegoro-Roban marine conservation area, affecting marine ecosystems. A remark by one of the fisherfolk in Roban Tumur represents the community's anxiety: "The power plant is not operational yet. We cannot imagine the impact when it starts to operate."

Huge amounts of coal from Kalimantan and Sumatra will be used to power the Batang plant, and these materials will be extracted from people's land in these regions. The seizure of land for such extraction would destroy more ecosystems.

35 Greenpeace Indonesia, "Tanggapan Greenpeace Terhadap Teknologi PLTU High Efficiency Low Emissions", *Greenpeace*, September 8, 2016, https://www.greenpeace.org/indonesia/siaran-pers/2380/tanggapan-greenpeace-terhadap-teknologi-pltu-high-efficiency-low-emissions/

36 Republic of Indonesia, 2018, "Indonesia: Second Biennial Update Report", UNFCCC, https://unfccc.int/sites/default/files/resource/Indonesia-2nd_BUR.pdf

37 Paguyuban UKPWR, 2015, "Complaint Against ITOCHU and J-POWER Regarding the Central Java Coal-fired Power Plant Project in Indonesia", OECD Watch, https://www.oecdwatch.org/wp-content/uploads/sites/8/dlm_uploads/2021/03/Paguyuban%20UKPWR%20vs%20BPI%20-%20complaint.pdf

38 Shannon N. Koplitz, et al., 2017, "Burden of Disease from Rising Coal-Fired Power Plant Emissions in Southeast Asia", *Environmental Science & Technology* Vol. 51, No. 3, https://pubs.acs.org/doi/full/10.1021/acs.est.6b03731

Pollution from transporting coal by land and sea, as well as coastal destruction in the dredging and the docking of coal ships, create additional ecological costs.

## People's resistance

Those who rejected the Batang PLTU have formed Paguyuban Rakyat Batang Berjuang untuk Konservasi, an association which is trying to stop the continuing development of the Batang PLTU due to its harmful effects.[39] They have been gaining support from some local and national civil society organisations.

At the heart of the people's resistance is a fight to keep the communities' livelihoods. Hundreds of people in Ujungnegoro, Karanggeneng, Ponowareng, Wonokerso and Roban (UKPWR) launched actions using fishing boats around the coastlines in 28 August 2015. This was the day of the ground-breaking ceremony for the project, which Indonesian President Joko Widodo attended. The people expressed frustration with the national government that had ignored their voice.[40] But they were confronted by the TNI-AL Maribaya ship and the coast guard. The people's action within their villages was blocked by authorities and the Presidential Guard.

## Conclusions and recommendations

The Batang PPP has been relying on public resources while at the same time putting the private sector at the forefront, at the expense of the broader public and the communities whose rights have been violated. Legal and repressive tactics for land grabbing, undemocratic planning, opaque compensation processes and the lost livelihoods of farmers, fisherfolks and women, as well as ecological harm, all amount to a mountain of issues that originate from the PPP project. The use of coal-based technology for electricity will only cause more problems rather than serving as a solution.

There is a need to reinstate the importance of public finance and investment, as opposed to pursuing PPPs, for achieving infrastructure and development goals. Public finance and investment programmes are better placed to address systemic issues such as inequality, poverty and the climate crisis. Related to this, the principle of democratic ownership is paramount to promote people's sovereignty in determining the appropriateness of projects to a country's specific context, priorities and development needs.

39 Eka Alisa Putri, "Sengsara Warga di Balik Pembangunan PLTU Batang: Teguh Membantu Gaungkan Penolakan", *Pikiran Rakyat*, September 23, 2021, https://www.pikiran-rakyat.com/nasional/pr-012656707/sengsara-warga-di-balik-pembangunan-pltu-batang-teguh-membatu-gaungkan-penolakan?page=3

40 Tommy Apriando, "Pembebasan Lahan Belum Tuntas, Eh PLTU Batang Sudah Diresmikan Presiden", *Mongabay*, August 28, 2015, https://www.mongabay.co.id/2015/08/28/pembebasan-lahan-belum-tuntas-eh-pltu-batang-sudah-diresmikan-presiden/

The same principle would be key in ensuring that infrastructure priorities are aligned with people's rights and needs. Democratic development processes should also drive key decisions in balancing energy infrastructure and, in the case of Indonesia, other strategic economic priorities, such as agriculture.

The Batang case also demonstrates how a PPP can affect the land rights of communities. With the actual real "public" either missing or silenced regarding the project, the "partnership" has largely benefitted the private side of the relationship. Infrastructure projects and national development planning should move from prioritising good climates for investors' property rights to putting primacy to people's rights over land, livelihoods and community resources. The adverse impacts of the Batang PLTU provide strong evidence for the Indonesian government to halt the project and other similar cases proven to have violated people's rights and development.

State actors who have been found to have violated rights in the course of project construction, in the form of repression and destruction of livelihood, should be held accountable. The Batang PPP case is an example of a PPP project with rights abuses documented by the country's national human rights commission. State actors should launch processes to re-evaluate the continuation of the project given such impacts.

Finally, the World Bank is still far from truly aligning its operations according to the Paris climate agreement's goal of 1.5 degree Celsius. As shown by their operations in Indonesia, it should confront the continuing legacies of its previous coal financing, and evaluate the range of the human rights impacts (economic, civil-political and environmental) of its prior financing, guarantee and advisory operations. International development actors should instead focus on fulfilling their historical official development assistance commitments and climate finance to Indonesia.

## Annex

### Key Indonesian regulations on government and private cooperation[41]

There are various regulations related to the cooperation process of government and the private sector, as well as the government support of guarantee, namely:

- **Presidential Regulation Number 78 of 2010 concerning Infrastructure Guarantee in PPP Projects Conducted through Infrastructure Guarantee Agency.** This regulates the duties and roles of three important actors in the implementation of PPPs in Indonesia. Namely, the Infrastructure Guarantee Business Entity, the Infrastructure Development Implementing Business

41 Peraturan Terkait KPBU, "Kementerian Pekerjaan Umum dan Perumahan Rakyat", Direktorat Jenderal Pembiayaan Infrastruktur, 2018, http://pembiayaan.pu.go.id/produk/kategori/2/Peraturan-Terkait-KPBU

Entity and the representative of the Project. All three work within the framework of the PPP scheme for infrastructure development in Indonesia. The government, through the Minister of Finance, is fully responsible for the establishment of the Infrastructure Guarantee Agency, which was institutionalised through the PT Indonesia Infrastructure Guarantee Fund. PT PII is responsible for ensuring the provision of capital for infrastructure development through capital guarantees from the state and financial institutions, such as the World Bank. Then, PT PII, together with the PT PLN, are tasked with establishing cooperation with the private sector and the entity in charge of the project. Responsibility for the construction of the PLTU rests with the consortium of PT BPI.

- **Presidential Regulation Number 38 of 2015 concerning Government Cooperation with Business Entities in Infrastructure Provision.** This presidential regulation is the fundamental for the implementation and structure of PPPs in Indonesia, containing all general rules and principles regarding PPPs. The purpose of a PPP is described as raising resources for infrastructure through the mobilisation of private funds and the creation of an encouraging investment climate. Furthermore, this regulation enumerates the types of infrastructure PPPs cover: transportation, road infrastructure, water resources and irrigation, drinking water infrastructure, centralised and local wastewater management systems, solid waste management systems, telecommunications and information, electricity, oil infrastructure, natural gas and renewable energy, energy conservation infrastructure, tourism infrastructure, health infrastructure, and public housing. The regulation also rules on the profit-sharing mechanism through the sale of services to the public for a certain period of time: the sources of the return on investment, such as user payments and other Payments for Service Availability.

- **Presidential Regulation Number 109 of 2020 concerning Acceleration of Implementation of National Strategic Projects.** Revised multiple times since its promulgation in 2016, this regulation authorises the Indonesian government to grant permits for National Strategic Projects. The regulation stipulates that land designated as a project area must be given away, meaning that the community does not have the right to maintain it. Finally, this rule also enumerates the priority infrastructure that falls into the category of National Strategic Projects. ■

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## Author information

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IBON International is a Southern-based organisation working with social movements and civil society organisations, to develop peoples' knowledge and capacities. It promotes capacity development for peoples and their organisations to exercise their civil, political, economic, social, and cultural rights, and meaningfully engage with other actors for the realisation of a people-powered democracy.

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