

Java 9 and 10 Injunction Update | 9 September 2019

This briefing is to update investors on the **Java 9 and 10 coal power project** (Banten Suralaya), a 2,000 MW coal power project proximate to Jakarta, sponsored by PLN and Barito Pacific. The units are slated to be constructed by Korea's Doosan Heavy Industries, with three Korean public banks - Korea Development Bank (KDB), Korea Export-Import Bank (KEXIM), and Korea Trade Insurance Corporation (K-SURE) - considering providing finance. DBS Bank is providing financial advice to the project sponsors.

On August 29, citing health and environmental concerns, Korean and Indonesian plaintiffs filed a petition to Seoul's district court for an injunction to stop Korean public banks financing Java 9 and 10.¹ If injunction proceedings are successful, Korean public banks would not be able to finance this project, rendering it a financial risk to other companies involved. **DBS's shareholders should question the bank's support of a project rife with legal hurdles and environmental issues.**

Background to injunction

Java 9 and 10 is being proposed in an area already saturated with coal power plants, with 22 coal-fired power plants operating in Jakarta and the surrounding area and 52 coal power projects in the neighbouring Banten province.



Existing units of Banten coal power plants looming over the residents of Banten Suralaya

¹ For further information, see <http://m.koreatimes.co.kr/pages/article.asp?newsIdx=274764>; <http://m.koreaherald.com/view.php?ud=20190829000290>; and, <https://www.eco-business.com/press-releases/indonesians-file-petition-against-koreas-public-banks-to-block-coal-power-project/>.

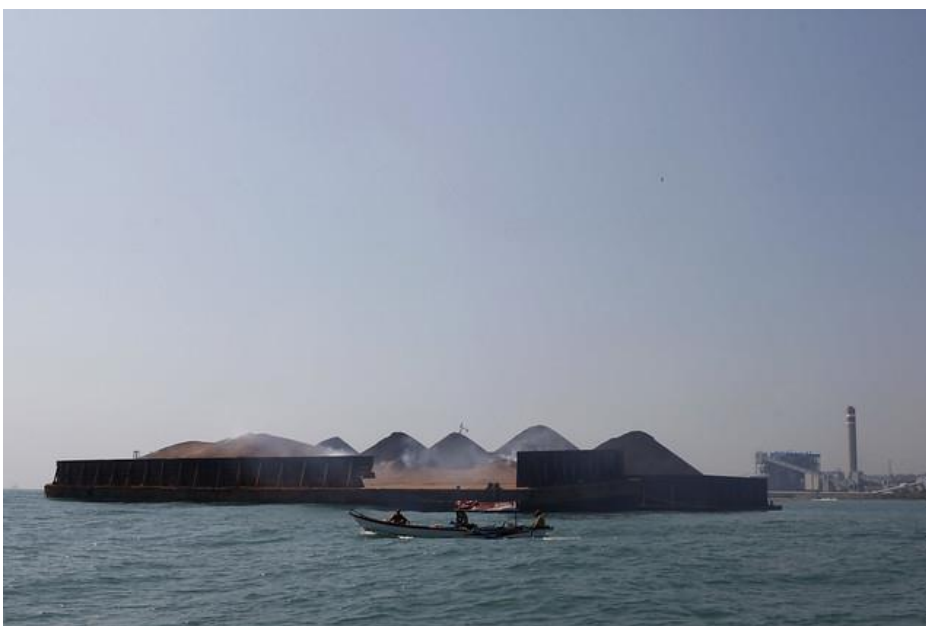
The plaintiffs have brought the case based on the horrendous air pollution in the area and associated respiratory and skin diseases, concerns about loss of livelihoods for communities reliant on agriculture and fisheries, and the global climate crisis which will be further exacerbated by this carbon-emitting project. Based on satellite data, the existing coal power plants in the area (Suralaya 1-8) are the most polluting coal plants in Indonesia and Asia.

These additional harms would be especially egregious given that much of the electricity produced by Java 9 and 10 may not be used. According to the latest energy plan (RUPTL), the current reserve margin (excess capacity as a percentage of expected peak demand) in the Java-Bali grid is 28%. These margins are also based on PLN's estimates of annual electricity demand growth at 6.9 percent for the last 5 years, whereas its actual growth is only 4.4 percent a year. Moreover, [statements by PLN's CEO in November 2017](#) indicate that around **40% of the total electricity currently produced by PLN is not being used.**

Other litigation associated with coal power in Indonesia

While this is the first case where residents outside Korea have brought a legal action in Korean court, it is not the first legal action relating to a coal-fired power plant involving DBS. In fact, there are at least two others:

- Residents near the Bengkulu coal power plant in Sumatra, for which DBS is also the financial advisor, have brought a legal action in Sumatran courts challenging the environmental permit in this case. This case remains ongoing.
- In response to Jakarta's air quality being ranked worst in the world, a group of 31 plaintiffs [filed](#) a lawsuit in 2019 for the failures of the Indonesian government to address air pollution. The plaintiffs are seeking better standards across the sectors causing the pollution - [including coal power](#). This lawsuit seeks to address pollution that would be emitted by several coal power projects currently in development stages, including Java 9 and 10.



Coal on fire on coal barge near Java 9 and 10

Given DBS' April 2019 announcement to no longer fund coal power projects, involvement in the Java 9 and 10 project exposes the bank to significant reputational risk. Furthermore, if the injunction is successful, DBS also faces financial risks in promoting a significant infrastructure project without the support of export credit agencies like KEXIM or K-SURE.

These ongoing legal challenges demonstrate that the people of Indonesia are rejecting coal power and seeking that any electricity demands are met without compromising health, environment, and the economic sustainability of local communities.

DBS should not thwart their wishes to develop cleanly and safely.