

HOW IFC'S SUPPORT FOR CAPTIVE COAL IN NICKEL INDUSTRIAL PARK IS DESTROYING OBI ISLAND



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About Trend Asia

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KEY MESSAGES

1. Financial institutions such as IFC have a crucial role to play in achieving the Paris Agreement and poverty alleviation, yet their efforts have been misaligned and unambitious.
2. Kawasi Village became the location of Obi island nickel industrial park that is surrounded by nickel mines which cover 91 km², or more than half of the village's total area and also the hub of numerous nickel ore smelters and other industrial zones.
3. IFC is involved in the development of a project in the Obi island nickel industrial park through financial intermediaries; OCBC NISP, DBS Bank Ltd, and KEB Hana, that have made loans to TBP and its subsidiaries.
4. Obi island nickel industrial park has suffered environmental and social impacts, such as damaging marine ecosystems, polluted springs, dirty air for the community, threats to the diversity of birdlife, land disputes, and forced eviction.
5. The results of sample tests of 12 types of marine biota collated in the sea of Obi Island showed that all of them are contaminated by heavy metal waste from nickel mining.
6. Samples of drinking water sources tested which are less than 200 meters from the nickel mine, were found to contain hexavalent chromium (Cr⁶⁺) at 60pbb, which is above the allowable safety standard of 50pbb by law in Indonesia
7. The GHG emissions generated from the Obi island nickel industrial park reached 3,489,944 tons of CO₂e in 2022, equivalent to six times the emissions of Timor Leste in 2021
8. IFC did not successfully ensure that its clients implemented an Environmental and Social Management System (ESMS) that adhered to the Performance Standards to manage risks and failed to fulfill its commitment to reduce GHG emissions.
9. The IFC's Green Equity Approach still contains a loophole as it does not apply to captive coal power plants used for industrial applications such as mining, and smelters, which must be closed.
10. We call on IFC to urgently close the loopholes that allow FIs to invest in high coal dependent, high carbon and socially and environmentally damaging nickel industry that undermines almost every aspect of its own guidelines.

Nickel Industry in Obi Island

Nickel plays an essential role in the transition from fossil fuels to renewable energy sources. As a key element in battery production, solar cell manufacturing, and geothermal facilities, the demand for Nickel is set to increase by more than 500% by 2050 according to World Bank analysis. The consequential rise of nickel mining operations that follows is bound to cause greater impacts on people and the planet.¹

Indonesia has the largest nickel potential in the world with nickel ore resources reaching 11.7 billion tons and ore reserves reaching 4.5 billion tons. About 90% of nickel reserves are found in Central Sulawesi, Southeast Sulawesi, South Sulawesi and the North Maluku Islands.² It is recorded that the Maluku Islands have nickel reserves amounting to 39% of the national total, including those found in North Maluku, precisely in South Halmahera Regency.³

South Halmahera Regency has an area of 8,779km² which is divided into 30 sub-districts, most of which are islands. One of them is Obi Island which is divided into 4 sub-districts; Obi Sub-district, South Obi Sub-district, West Obi Sub-district and East Obi Sub-district.⁴

On Obi Island, Obi Sub-district is the center of the upstream-downstream nickel industry, which has an area of 911km². Geographically, the south of Obi Sub-district is bordered by South Obi Sub-district, the east is bordered by East Obi Sub-district and the west is bordered by West Obi Sub-district. Obi sub-district consists of nine villages, namely Anggai, Sambiki, Jikotamo, Laiwui, Buton, Baru, Akegula, Air Mangga and Kawasi.⁴ The Obi Subdistrict's nickel mining exploitation area is spread over the villages of Baru and Kawasi.⁵

Baru Village⁴ is the largest area in Obi Sub-district with an area of 371km² which is lined with a number of nickel mining pits, with total area are 15,399 ha or 154 km² or almost half of the village area.⁵ Kawasi Village³, has the second largest area⁴ after Baru Village at 134km² which is on the west side of the island a total of 9,050 ha or 91 km², or more than half of the total village's area surrounded by a number of nickel mining pits. In addition to having mining pits, Kawasi Village is also the hub of several of nickel ore smelters and other industrial zone.⁵

Another row of nickel mining pits are situated in South Obi District with a total permit area of 5,729 ha or 57km². So, in total, the mining permits area on Obi Island amount to 302km² or 30,178 ha.⁵



Image 1: a man holds a nickel ore, photo by Rakhmat Sobirin via iStock.

Impacts of the Nickel Industry in Obi Island

Negative Impacts on the Environment and Public Health

i. Damaging Marine Ecosystems

The nickel industry has caused damage to the marine ecosystem due to the disposal of nickel waste, so that the sea changes color and even turns reddish brown when it rains. This damage to the marine ecosystem will be even worse, if TBP's plan to dispose of approximately 6 million tons of nickel slag into the sea using the Deep Sea Tailings Disposal (DSTD) method occurs.⁶

There are numerous mud particles with metal minerals in the Kawasi sea. The results of sample tests of 12 types of marine biota collated in the sea of Obi Island showed that all of them are indicated to be contaminated by heavy metal waste from nickel mining.⁷

This damage to the marine ecosystem not only threatens marine biota, but also threatens the survival of fishermen who depend on the sea for their livelihoods. This pollution will force them to go farther into the middle of the ocean by spending more capital or even forcing them to change professions from fishermen to laborers in factories with minimum wages.

ii. Polluted Springs

Samples of drinking water sources tested by The Guardian, which are less than 200 meters from the nickel mine, were found to contain hexavalent chromium (Cr^{6+}) at 60ppb, which is above the allowable safety standard in Indonesia of 50ppb. This chemical compound endangers development if swallowed or inhaled and if consumed for a long time can cause liver damage, reproductive problems, and cause stomach cancer.⁸

iii. Dirty Air for the Community

Apart from the impact of damaging marine ecosystems and polluting springs, another bad impact comes from dirty air due to the chimneys of processing plants and coal-fired power plants. According to The Guardian, the village midwife clinic noted that many cases of people suffering from Acute Respiratory Infection (ARI) reached 900 cases out of a population of around 4000 people in 2020. Sadly, more than half of the ARI cases occurred in newborns or toddlers aged four years and under.⁸

Threatening the Diversity of Birdlife on Obi Island

Obi Island has a high endemism of flora and fauna diversity, especially bird groups (avifauna) because of its position at the intersection of four biogeographic regions, namely the Northern Maluku, Southern Maluku, Sulawesi in the West and Papua in the East. The Batu Putih Mountain area was designated as an Important Bird Area (IBA) in 2004 with an area of 75,558 ha. As of December 2018, 212 bird species were recorded; 32 of which are endemic to the Maluku region, 1 endemic to Obi Island and 1 introduced species. Based on IUCN 13 of the endemic species are near threatened, 5 species vulnerable, and 3 species endangered, this makes the island of Obi important in ornithology.⁹

The results of the baseline study conducted by TBP showed 57 bird species; 18 species endemic to the North Maluku region, 12 CITES App II species, and 16 species protected by the government are located around the western area of Obi Island adjacent to the industrial area.⁹ The number of bird species is feared to be endangered if mining practices and industrial area activities do not pay attention to environmental protection aspects properly.

Brinji-Emas Obi or Obi Golden-Bulbul (*Thapsinillas lucasi*), endemic to the Obi island⁹, photo by John C. Mittermeier via Flickr.




Land Dispute

The need for the construction and development of industrial estates has made TBP and its business tentacles increasingly thirsty for new land, resulting in land disputes with the local community. The suffering of the community is further compounded by efforts to criminalize land ownership. Those who refuse to release their land and accept cheap compensation are often intimidated and some have even been imprisoned for six months.¹⁰

Forced Eviction

A Memorandum of Understanding (MoU) for the construction of a new settlement for Kawasi residents encompassing around 80 hectares of land was signed in 2019 between the government of South Halmahera and Harita Group in the name of welfare provision. The new settlement site is located about five kilometers from the residential area and about one kilometer from the coast and local communities consider the selection of the site unsuitable because it was formerly swampland. Besides that, the eviction plan puts the residents of Kawasi village under threat of losing the village inherited from their ancestors and being driven from their home, giving them even more reason to resist being evicted.¹¹



Cekakak Biru-Putih or Blue-and-white Kingfisher (*Todiramphus diops*), endemic to the North Maluku such as Morotai, Ngelengele, Moti, Bacan, Obi, Obilatu, Damar, Ternate, Tidore and Halmahera⁹, photo by John C. Mittermeier via Flickr.

Poverty on Obi Island

The promise of the nickel industrial area on Obi Island, which is said to bring prosperity to the community, seems to be just empty words. The percentage of poor in South Halmahera Regency has steadily increased over the past few years, rising from 4.10% in 2017 to 4.80% in 2018, 5.03% in 2019, and 5.21% in 2020. Then, it decreased slightly to

5.19% in 2021 and 4.99% in 2022.¹²

The presence of the nickel industrial area in South Halmahera, particularly on Obi Island, has led to structural poverty, because the community is forced to depend on living in a damaged environment, breathing polluted air that suffocates chest, using water sources that are contaminated by waste, and losing its main sources of livelihoods from farming and fishing, which ultimately leads to ARI cases, declining income but at the same time rising costs of living.



Sumber Foto: Mira



Trimegah Bangun Persada's Grip on Obi Island

Trimegah Bangun Persada (TBP) is a subsidiary of Harita Jayaraya with Citra Duta Jaya Makmur (1%).¹³ In 2020, through Presidential Regulation No. 109, Obi Industrial Park was stipulated as a National Strategic Project (PSN); this decision would accelerate development projects, ease of permitting and non-permitting, and land provision. TBP was appointed as the initiator and executor of the area together with its subsidiaries and associated company entities.

This industrial park will be an integrated business from upstream to downstream ranging from the nickel ore mining, nickel ore smelter, to other supporting facilities such as power plants, ports and roads.¹⁴

After the establishment of the Obi Industrial park, the need for large investments to boost the expansion of industrial estate development prompted TBP to conduct an Initial Public Offering (IPO) in April 2023 by releasing

12.67% of share ownership to the public. From this IPO, TBP obtained additional capital of Rp. 9,7 trillion or around \$650 million to be used later to finance the needs of its subsidiaries and associated companies.¹⁵

TBP's grip on the Obi Industrial Park can be seen in two forms, namely in the form of direct and indirect investments in its subsidiaries and other direct forms by investing in associated companies.

TBP is known to have direct and indirect investments in its subsidiaries, as follows:

1. Gane Permai Sentosa (GPS) is a subsidiary of TBP with direct ownership (70%) with Harita Jayaraya (30%) engaged in nickel ore mining.¹⁶
2. Jikodolong Megah Pertiwi (JMP) is a subsidiary of TBP with indirect ownership through GPS (99.6%) with Citra Duta Jaya (0.4%)¹⁷ which will manage the mining block in Jikodolong with an area of 1,885ha.⁵
3. Obi Anugerah Mineral (OAM) is a subsidiary of TBP with indirect ownership through GPS (99.6%) with Citra Duta Jaya (0.4%)¹⁸ which will manage the mining block in Tabuji-Lauwi with an area of 1,775ha.⁵
4. Megah Surya Pertiwi (MSP) is a subsidiary of TBP with direct ownership (50%) with Xinxing Qiyun Ltd (40%), and Gane Permai Sentosa (10%)¹⁹ engaged in nickel ore smelter. Later on, nickel ore will be supplied from TBP mines and other subsidiaries entities.
5. Obira Mitra Jaya (OMJ) is a subsidiary of TBP (63.54%) with SCM (36.46%) established for the purpose of engaging in holding company activities and other management consulting activities.²⁰
6. Halmahera Jaya Feronikel (HJF) is a subsidiary of TBP with indirect ownership, where the HJF is a joint venture between OMJ (63.10%) and Lygend (36.90%), which will build and run a nickel ore processing plant using RKEF technology. The nickel ore will be supplied from TBP's mines and other subsidiaries.²⁰
7. HJF International Trading (Ningbo) Co.,Ltd (HJFI) is a 100% owned subsidiary of HJF. ²⁰

Table 1. Percentage of TBP's Shareholding in Subsidiary Companies

NO	COMPANY NAME	Percentage of Direct Ownership (%)	Percentage of Indirect Ownership (%)
1	Gane Permai Sentosa (GPS)	70	-
2	Megah Surya Pertiwi (MSP)	50	Through GPS (10)
3	Obira Mitra Jaya (OMJ)	64.54	-
4	Halmahera Jaya Feronikel (HJF)	-	Through OMJ (63.10)
5	Jikodolong Megah Pertiwi (JMP)	-	Through GPS (99.60)
6	Obi Anugerah Mineral (OAM)	-	Through GPS (99.60)
7	JF Internasional Trading (Ningbo) Co.,Ltd (HJFI)	-	Through HJF (100)

(Compiled by Trend Asia from TBP Prospectus Report, 2023)

TBP is also known to have direct investments in associates as follows:²⁰

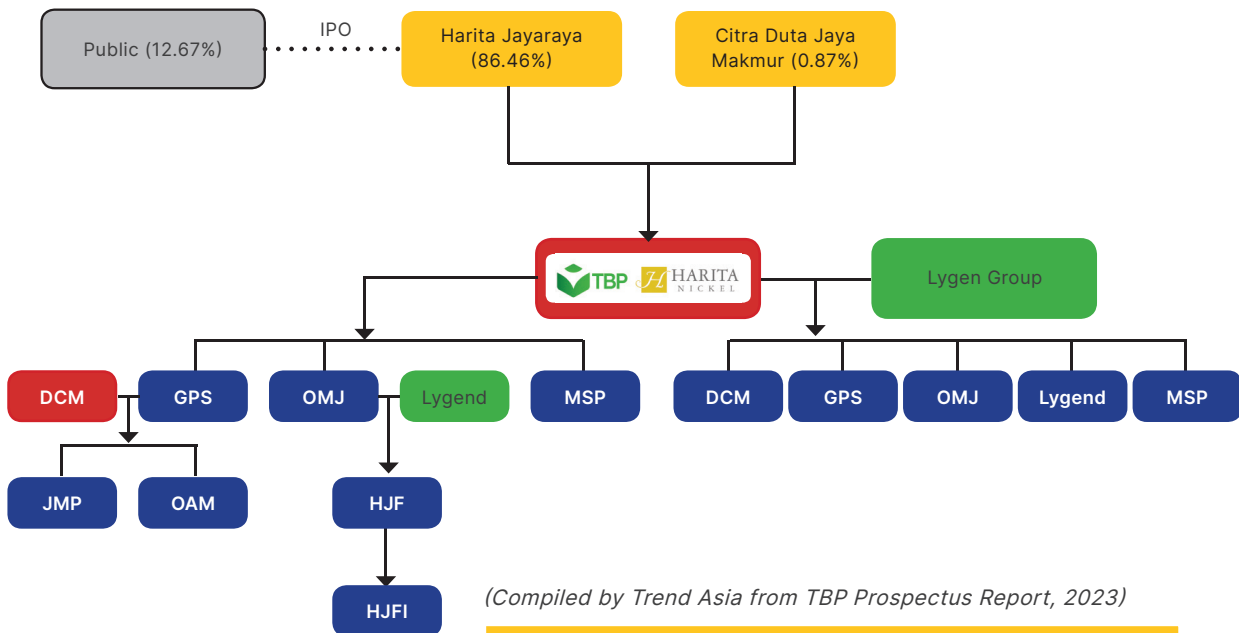
1. Halmahera Persada Lygend (HPL) is a subsidiary of Lygend with Kang Xuan (54.90%), in which TBP has a 45.10% ownership stake. HPL is a company that will operate a nickel ore smelters plant with High Pressure Acid Leaching (HPAL) technology phase I and II.
2. TBP (40%) and Ningbo Lygend Industrial Park Management Co., Ltd. established a joint venture company by the name of Dharma Cipta Mulia (DCM) for the purpose of building and running an industrial park on Obi Island. Coordinating with third-party facilities such as ports, power plants, roads, and other supporting facility functions.
3. Obi Stainless Steel (OSS) is a joint venture between TBP (35%) and Lygend Golden Power (65%), which focuses its business activities on industrial stainless steel smelting plants using RKEF technology which is still in the design and initial construction planning stages. Later, nickel ore will be supplied from TBP's mines and other entities.
4. Karunia Permai Sentosa (KPS) is a joint venture between TBP (35%) and Ningbo Baoxin (65%), which focuses its business activities on processing nickel ore into ferromnickel using RKEF technology which is still under construction. In the future, nickel ore will be supplied from TBP's mines and other entities.
5. Obi Nickel Cobalt (ONC) is a joint venture between TBP (10%) with Lygend New Power (60%) and Li Yuen Pte.,Ltd (30%), which will build and run a nickel ore smelters plant project using HPAL technology. The nickel ore will be supplied from TBP's mines and other entities.

Table 2. Percentage of TBP's Shareholding in Associated Companies

NO	COMPANY NAME	Percentage of Ownership (%)
1	Halmahera Persada Lygend (HPL)	45.10
2	Dharma Cipta Mulia (DCM)	40
3	Obi Stainless Steel (OSS)	35
4	Karunia Permai Sentosa (KPS)	35
5	Obi Nickel Cobalt (ONC)	10

(Compiled by Trend Asia from TBP Prospectus Report, 2023)

Graph of TBP's Business Grip through Subsidiaries on Obi Island



(Compiled by Trend Asia from TBP Prospectus Report, 2023)

Mining Sector

TBP has secured a long-term supply of nickel reserves and resources by controlling 100% of the Kawasi mine, 70% of the Loji mine covering 5.524ha, prospects at Tabuji-Laiwui and Jikodolong with a total area stretching 3.660ha. Until 2022, TBP has ore reserves of 168.89 million wet metric ton (wmt) with an average nickel grade of 1.32% spread across the Kawasi, Loji and Jikodolong mine areas.²⁰ The following companies are mining nickel ore:

i) Kawasi Block Mine

The Kawasi Block mine has proven and probable saprolite ore reserves of approximately 35.57 million wmt with an average grade of 1.76% nickel and measured, indicated and inferred ore resources of 2.1 million wmt with an average grade of 1.67% nickel. Proven and probable limonite ore reserves of approximately 70.82 million wmt with an average grade of 1.08% nickel and measured, indicated and inferred ore resources of 6.50 million wmt with an average grade of 1.04% nickel.²⁰ Later, nickel ore production from this block will supply nickel ore needs to the nickel ore processing plant in the Obi Industrial Park. This mining block is managed by:

1. PT Trimegah Bangun Persada (TBP) is actively mining nickel ore in the Kawasi mining block with a mining area of 4,247ha⁵. The TBP mine produces saprolite and limonite nickel ore with a total production of 6.60 million wmt by 2022.²¹

2. Gane Permai Sentosa (GPS) to manage the Kawasi mining block with a mining area of 1276.99ha⁵ with total production of saprolite and limonite nickel ore of 3,770,253 wmt by 2022.²²

ii) Jikodolong Block Mine

The Jikodolong block prospect has proven and probable saprolite ore reserves of approximately 3.63 million wmt with an average grade of 1.74% nickel and measured ore resources of 1.21 million wmt with an average grade of 1.75% nickel. Proven and probable limonite ore reserves of approximately 4.54 million wmt with an average grade of 1.07% nickel and measured, indicated and inferred ore resources of 4.20 million wmt with an average grade of 0.94% nickel. This mining block will be managed by Jikodolong Megah Pertiwi (JMP).²⁰

iii) Tabuji-Lauwi Block Mine

The Tabuji-Lauwi mine has proven and probable saprolite ore reserves of approximately 13.85 million wmt with an average grade of 1.70% nickel and measured, indicated and inferred ore resources of 0.02 million wmt with an average grade of 1.53% nickel. Proven and probable limonite ore reserves of approximately 38.47 million wmt with an average grade of 1.12% nickel and measured, indicated and inferred ore resources of 1.36 million wmt with an average grade of 1.11% nickel. This mining block will be managed by Obi Anugerah Mineral (OAM).²⁰



Sumber Foto: Cyva Ardfan/Trend Asia

Image 4: Nickel Mining Pit of PT Gema Kreasi Perdana (subsidiaries of Harita Group) in Wawonii Island

Nickel Ore Smelters

In addition to active mining in a number of locations, TBP has also begun to expand the integration of the nickel industry from upstream to downstream by investing or joint venturing with several strategic partner associations to establish nickel ore processing plants (smelters). It is known that TBP through its subsidiaries processes nickel ore into Ferronickel products, Mixed Nickel-Cobalt Hydroxide Precipitate (MHP), and Stainless Steel.

i) Ferronickel Products

1. Megah Surya Pertiwi (MSP) established a smelter processing saprolite and or laterite nickel ore supplied from TBP and GPS mines using Rotary Kiln-Electric Furnace (RKEF) technology that has been operating since 2016. This smelter has four production lines with a total production capacity of 25,000 tons/year with the final product of ferronickel, to later meet the export market.²²
2. TBP through its subsidiary OMJ together with its strategic partner Lygend jointly established Halmahera Jaya Feronikel (HJF) which stands on 118 ha of land. HJF will process saprolite nickel for ferronickel production supplied by TBP and other entities using Rotary Kiln-Electric Furnace (RKEF) technology. HJF RKEF Phase I is targeted to have eight production lines with a production capacity of up to 95,000 tons/year of ferronickel once fully operating by the end of 2023. The first production line was fully operated in 2022, and the other four production lines were completed in early 2023.²⁰
3. Increasing the downstream processing of nickel ore into ferronickel using RKEF technology continues, including Karunia Permai Sentosa (KPS) which will operate the ferronickel production facility with RKEF technology phase II. The project consists of 12 production lines with a target production capacity of 185,000 tons/year with full operation target in 2025.²⁰

The ferronickel products produced from the above processing plants are substantially all exported to China, with export revenues accounting for approximately 52.61% of the company's total revenues in 2022. It is also exported to Switzerland and the rest is for domestic demand.²⁰

ii) Mixed Nickel-Cobalt Hydroxide Precipitate (MHP) Products

The TBP's ambition to increase revenue through strategic value products continues to be boosted by producing Mixed Nickel-Cobalt Hydroxide Precipitate (MHP) products managed at several smelters as follows:

1. PT Halmahera Persada Lygend (HPL) to process limonite type nickel ore by utilizing High Pressure Acid Leaching (HPAL) technology to produce raw materials for electric car batteries. Limonite nickel ore as a low grade nickel ore from TBP mining is all supplied to HPL to be processed to produce nickel-sulfate compounds with the main product Mixed Nickel-Cobalt Hydroxide Precipitate (MHP) with a total production target of 96,000 tons/year, Nickel Sulfate as lithium battery cathode precursor material with a total production of 160,000 tons/year, and Cobalt Sulfate as lithium battery cathode material with a total production of 20,000 tons/year.²³ Collectively, the HPAL project is divided into several stages:²⁰

Phase I consists of two nickel-cobalt compound production lines producing MHP, a battery-grade nickel sulfate precursor that was fully operational in December 2021 with a production capacity of 37,000 tons/year of nick-

el-cobalt including 4,500 cobalt metal. Nickel ore supplied from the TBP mine was recorded at 4.35 million wmt in 2022. In addition, there will be additional acid production equipment so that it will be able to produce nickel sulfate, and cobalt sulfate.

Phase II is currently under construction and consists of an additional nickel-cobalt compound production line, with a production capacity of 18,000 tons/year including 2,250 tons of cobalt metal, which is planned to commence operation by the end of 2023.

HPAL phase I and phase II are expected to be the first integrated sulfate plant in Indonesia with a target production increase of 61,000 - 66,000 tons/year.

Offtaker of HPL's production is mainly from Chinese smelting and refining companies and battery material manufacturers such as GEM Co., Ltd, CNGR Advanced Material Co., Ltd, and Huayou Cobalt.²⁰

2. Obi Nickel Cobalt (ONC) is an additional company that will operate the nickel-cobalt production facility with HPAL technology stage III. The project consists of three production lines with a planned production capacity of 65,000 tons/year of nickel-cobalt including 7,500 tons of cobalt. The project has started in 2022 and is expected to be fully operational by 2024.²⁰ The total investment value of the construction of phase III reached US\$1.1 billion, almost the same as the investment value in phases I and II or even slightly greater.²⁴

iii) Stainless Steel Products

The development of a stainless steel production facility for ferronickel products through TBP subsidiary Obi Stainless Steel (OSS) is one of the ongoing efforts to increase the value of other revenues. This project is lo-

cated in the same industrial area as the HJF RKEF phase I and KPS RKEF phase II clusters which will be integrated in supplying ferronickel raw materials. The target is for OSS to have the capacity to manufacture 3 million tons of stainless steel annually.²⁰



Image 5: Stainless steel products, photo by Nordroden via iStock.



Sumber Foto:

Melvinas Priyananda/ Trend Asia

Strategic Partnership

The close relationship between TBP and Lygend Group has resulted in the birth of many subsidiaries whose business lines are centered on nickel ore processing on the island of Obi. Lygend is a Chinese company that was established in January 2009. Lygend started its business in nickel ore and ferronickel trading services, which then continued to develop from upstream and downstream in the nickel industry chain ranging from trading, production of nickel products such as ferronickel and MHP to equipment manufacturing & sales.²⁵

Lygend Group holds a 26.8% market share of nickel ore sales in China and is ranked first globally for nickel product sales in 2021. Its nickel raw material supply comes from the Philippines, Indonesia, New Macedonia, Turkey and other countries.²⁵ As one of the leading manufacturers of clean energy technologies, China is using nickel ores as well as refined nickel sourced from these countries in the development of electric vehicle batteries, wind turbines, electroplating, and other steel products needed for renewable energy infrastructure.²⁶ However, the aggressive drive to mine nickel and other rare earth minerals for the energy transition is harming biodiversity of flora and fauna²⁷ in affected areas as well as cases of community rights violations as presented in this research.



Financial Intermediaries: IFC Involved in Financing Nickel Industrial Park and Destruction on Obi Island

The International Finance Corporation (IFC) is a member of the World Bank Group, which provides financing to the private sector in developing countries to achieve the Bank's goals of poverty alleviation and shared prosperity. In recent years, IFC has increasingly outsourced its funding to private sector financial institutions, such as commercial banks and private equity funds. These financial intermediaries then onlend the money to sub-projects or sub-investments at the country or regional level. IFC's investment portfolio records that in 2020 around 60% or US\$6.7 billion was channeled through financial intermediaries.²⁸

Unlike direct finance, FI funding information is difficult to access and much of it is not publicly disclosed. In addition, IFC delegates responsibility for managing the environmental and social impacts of sub-projects or sub-investments to its FI clients. This becomes a problem when sub-projects or sub-investments fund high environmental and social risk projects such as fossil energy development, and extractive industries.²⁸

IFC requires that all banking clients adhere to the IFC Performance Standards to the higher risk business it finances as a basis for effective Environment & Social risk management. However, there are still loopholes in the FI model, which might lead to continued indirect finance for extractive industries and dirty energy projects that do not adhere to the Performance Standards.

The findings of the March 2017 Third Monitoring Report conducted by the Compliance Advisor Ombudsman (CAO) found that 38 loans targeted at Small and Medium Enterprises (SMEs) were largely ineffective, and IFC did not always track and supervise the implementation of these loans.²⁹

A number of international and domestic banks that offer loans to TBP and its subsidiaries directly or indirectly for the development of the nickel industry integration project from upstream to downstream on Obi Island are included in the financial records of TBP. Some of these banks are listed as

IFC clients who get loans through the FI model, namely: OCBC NISP, DBS Bank Ltd, and KEB Hana.

1. Bank Oversea-Chinese Banking Corporation Limited (OCBC) NISP Tbk

According to a review summary of investment information, IFC gave OCBC NISP a medium-term loan of a total of 2.75 trillion rupiah (US\$200 million) in August 2020. This loan funding is part of the continuation of earlier green bonds that were used to finance environmentally friendly initiatives, such as energy efficiency projects, green building, and bonds for women entrepreneurs and women-owned small and medium enterprises (SMEs).³⁰

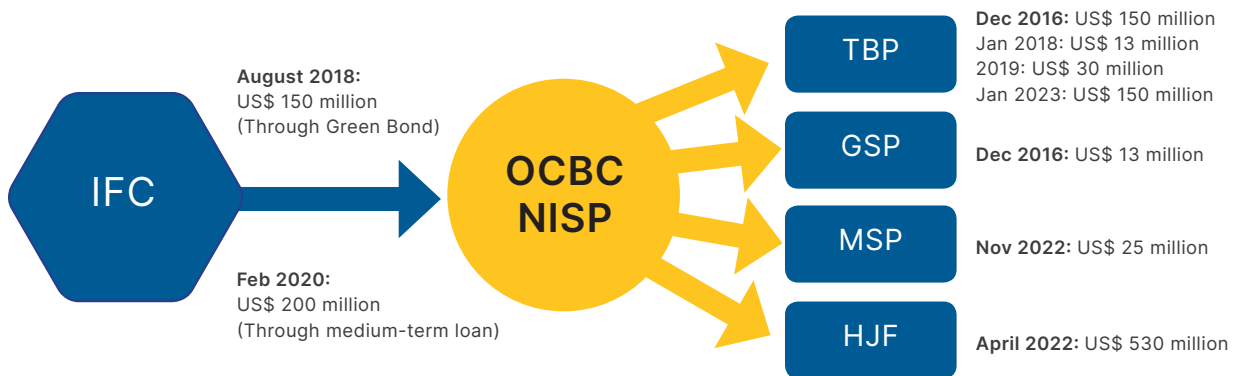
Prior to that, OCBC NISP had issued a green bond purchased by IFC worth US\$150 million in 2018. This is the first green bond issued by a commercial bank in Indonesia. The proceeds from the green bond will be used to support climate projects funded by OCBC NISP, as well as support the government's priority sustainable economic growth in achieving greenhouse gas emission reduction targets.³¹

According to a portfolio review, small-scale hydropower projects, biomass power plants, solar power, energy efficiency, wastewater treatment, and green buildings could all be supported by this funding. The proceeds of this loan cannot be used to finance high risk sub-projects, such as those that pose a risk of forced evictions, a risk of harm to indigenous peoples, to the environment, to public health and safety, to biodiversity, to cultural heritage, or a significant risk to occupational health and safety. Any coal-related projects, such as those connected to mining, transporting, or producing electricity using coal, as well as infrastructure services specifically designed to support these operations

and major dams will also be excluded in this loan.³⁰

Unfortunately, OCBC NISP's commitments are questionable, because it is listed in the loan syndication for Obi Island Nickel Industrial Park to TBP and its entities.²⁰

1. OCBC NISP had previously given loans to TBP and GPS in December 2016 with a total of US\$17 million and US\$13 million, respectively to cover operating capital and general business purposes. TBP obtained an additional US\$13 million in January 2018 to fund the procurement of new machinery and equipment, and an additional US\$30 million loan in 2019 to support the investment of shareholder into the subsidiary company. This was before IFC gave loan funding to OCBC NISP in February 2020.²⁰
2. In the downstream sector, OCBC NISP provided MSP worth US\$25 million in November 2022 in order to finance operating capital, including imports of raw materials, equipment and spare parts.²⁰
3. In the upstream nickel ore mining sector, OCBC NISP and OCBC provided TBP with a term loan facility in the amount of US\$150 million in January 2023 for general corporate purposes, including but not limited to operating capital, capital expenditures, transaction costs and other fees and expenses.²⁰
4. OCBC NISP, OCBC along with, DBS Bank Ltd, DBS Bank Indonesia, Indonesia Eximbank, Bank Mandiri, UOB Bank Ltd, UOB Indonesia and Bank KEB Hana provided term loans to HJF, totaling US\$530 million in April 2022. The funding loan will be utilized to finance the project, and pay for some project expenses, such as the construction of HJF RKEF phase I.²⁰



According to the aforementioned findings, OCBC NISP is involved in financing TBP’s mining operations and MSP’s smelter facility; which rely on coal-fired power plants for their electricity supply. The allegation that OCBC NISP does not adhere to the IFC Performance Standards in managing environmental and social risks is strengthened by the fact that the usage of coal-fired power plants would dramatically increase greenhouse gas emissions that exacerbate climate change and also have negative impacts on the environment, community health and safety, and biodiversity on Obi Island.

2. DBS Bank Ltd

The Global Trade Liquidity Program (GTLP), an IFC program initiative, partners with international and regional private banks that have strong commitments to supporting trade in emerging markets, particularly with Small and Medium Enterprises (SMEs) and IDA (International Development Association) countries. The main objective of the GTLP is to boost private sector trade in developing economies by mobilizing funded and unfunded financing and loans for trade transactions to targeted sectors and regions to expand its development’s scope.³²

IFC intends to invest US\$250 million in a portfolio of trade asset projects with Emerging Market Issuing Banks (EMIBs) under this initiative, sharing the risk 50:50 with DBS Bank Ltd. In the best-case sce-

nario, the Project portfolio will consist of a number of developing market financial institutions from all over the world and will include climate-qualified transactions (20% of the portfolio).³²

The trade finance activities that the project will support must adhere to the IFC Exclusion List’s standards as well as any other exclusions, such as those for palm oil (unless they are RSPO certified) and coal . The project will not support higher risk activities, such as those that involve a) forced evictions, b) risks of negative effects on Indigenous Peoples, c) significant risks or impacts on the environment, community health and safety, biodiversity, or cultural heritage, or d) significant occupational health and safety risks.³²

Unfortunately, DBS Bank Ltd and its subsidiaries in several countries such as Indonesia and Singapore are involved in funding high-risk project activities in the Obi Island Nickel Industrial Park, as follows:

1. DBS Bank Ltd and DBS Bank Indonesia along with Indonesia Eximbank, OCBC, OCBC NISP, Bank Mandiri, UOB Bank Ltd, UOB Indonesia and Bank KEB Hana provided term loans to HJF, totaling US\$530 million in April 2022. The funding loan will be utilized to finance the project, and pay for some project expenses, such as the construction of HJF RKEF phase I.²⁰



2. In July 2019, HPL received loan funding from DBS Singapore, BNP Singapore, OCBC Singapore, OCBC and Bank Mandiri totaling IDR 3.567.250.000.000. In June 2020, HPL again secured more loans totaling US\$330 million for project finance.²⁰
3. In February 2021 HPL again applied loan financing to DBS Singapore, UOB Singapore, Eximbank, Mandiri, BNI, BCA, OCBC, OCBC Singapore, and Maybank worth US\$605 million to finance projects and operating capital²⁰. There are indication that a portion of this funds will utilized to support 360 MW worth of captive coal power plants that are presently under construction.³³

The aforementioned findings show that DBS is engaged in high-risk activities that will result in greenhouse gas emissions that exacerbate climate change, have a negative impact on the environment, community health and safety, and biodiversity on Obi island, in contravention of IFC Performance Standards. IFC's involvement in Obi island's destruction has increased because of funds approved for DBS.

Civil society reports on the negative impact of the nickel industrial park on Obi Island emerged prior to TBP's IPO on the Indonesian stock exchange. The Harita Group, investors, buyers and IPO underwriters - including DBS, were invited by the Business & Human Rights Resource Center (BHRRRC) to comment on these reports. However, DBS did not respond to the findings at all.³⁴

3. Bank KEB Hana Indonesia

PT Bank KEB Hana Indonesia became IFC's first client to pilot GEA in 2019, with IFC providing a US\$15.36 million equity investment. The project document for this investment states that it aims to support the bank's digitalization strategy to be able to deliver credit services in all business segments, especially Small and Medium Enterprises (SMEs), and utilize its equity to increase the SME loan portfolio in a sustainability and will limit its exposure to large corporations.³⁵

The Green Equity Approach (GEA) is IFC's commitment to support equity FI clients to reduce their coal exposure to zero or near zero by 2030 and increase lending to climate-related projects.³⁶ Yet, this commitment has remaining loopholes, as it explicitly does not apply to captive coal power plants used for industrial applications such as mining, smelters, cement, or chemical industries, etc.

Unfortunately, KEB Hana did not live up to its commitments. Less than a year after the GEA agreement, KEB Hana Indonesia, together with its parent company KEB Hana Korea and other lenders, provided debt facilities for the \$3.5 billion Java 9-10 coal-fired power plant project in Banten Province.³⁷ This project is one of the largest coal-fired power plant developments in Indonesia with a total capacity of up to 2,000MW, which has the potential to increase premature deaths and increase ARI diseases due to worsening air quality, exacerbate environmental damage, which will in-

crease the rate of CO2 emission release and thwart the government's efforts to achieve the Paris Agreement.

The fact that KEB Hana got involved in a loan syndication with DBS Singapore, UOB Singapore, Eximbank, Mandiri, BNI, BCA, OCBC, OCBC Singapore, and Maybank to HJF's construction of smelter for US\$530 million to pay off debt and build the first phase of the HJF RKEF smelter in April 2022, it is further evidence of the KEB Hana failure to uphold its commitments.²⁰ It is unknown what percentage of this loan will be used to build a coal-

fired power plant that will run the HJF smelter.

The aforementioned findings show that KEB Hana is violating the spirit of the Green Equity Approach commitments by engaging in high-risk activities that will result in high greenhouse gas emissions that exacerbate climate change, have a negative impact on the environment, community health and safety, and biodiversity on Obi island. This commitment contains a loophole in that it does not apply to captive coal power plants used for industrial applications such as mining, and smelters. This loophole must be closed.



Peaceful protest at the Indonesia Stock Exchange (IDX) tower, Jakarta right on the initial public offering (IPO) of PT Tri-megah Bangun Persada Tbk (NCKL)

Unalignment of IFC Commitments

The World Bank Group has committed to aligning its financial flows to the Paris Agreement by providing financial support to its clients that is consistent with financing technically and economically low-carbon and climate-resilient development; preventing carbon lock-in; and ensuring climate change risks are assessed and mitigated to acceptable levels through project design. IFC targets 85% alignment of financial flows with the Paris Agreement by July 1, 2023, and 100% by July 1, 2025.³⁸

Coal Captive Power Plants Undermine Climate Commitments

Electricity demands for mining are met by diesel generators, but for processing operations at the nickel smelters, the demand is met by coal power plants installed at each facility, as follows:

1. A 114 MW power plant was installed to supply electricity at MSP's smelter. Coal demand for this CFPP reached 600,000MT in the April 2021 contract and revised in November 2022 for a delivery term until March 2023 to reach 900.000MT or an increase of 50% from the prior quantity. The coal is supplied by Pesona Khatulistiwa Nusantara (PKN).²⁰
2. HJF's smelter is also equipped with a coal-fired power plant, as follows:²⁰
 - a. At HJF RKEF's phase I smelter, 2x150MW power plants using circulating fluidized bed power plant technology will be installed. Other than the MSP, PKN also provides 1,066,500 MT of coal for the captive power plant at

HJF until December 2023.

- b. At HJF RKEF's phase II smelter will be installed 4x150MW power plants, along with this will increase coal demand.

3. HPL's smelter is also equipped with a coal-fired power plant, as follows:
 - a. HPAL Phase I is equipped with a captive power plant with a capacity of 30 MW.²⁰
 - b. HPAL Phase II will build a 60 MW captive power plant which is expected to be completed in early 2023.²⁰
 - c. Data from the Global Energy Monitor (GEM) publication shows that there is still a total of 360 MW to be built. The captive's total capacity is still below the targeted 4,200 MW installed to meet the demands of the smelters facility.³³
4. ONC's smelter is also equipped with 4x380 MW power plants, all of which are still in the permit submission.³³

The search results reveal that PKN is affiliated to Hasta Panca Mandiri Utama (HPMU), which has a business affiliation with TBP's parent company Harita Jayaraya. Additionally, President Commissioner of TBP is also President Director of PKN.²⁰

Through its FI clients, IFC is involved in the development of projects in the Obi island nickel industrial park. This is a step backwards for IFC in aligning with the Paris Agreement and its greenhouse gas emission reduction commitments. This is because the GHG emissions generated from the Obi island nickel industrial park reached 3,489,944 tons of CO₂e²² in 2022, equivalent to six times the emissions of Timor Leste in 2021.³⁹ These emissions are also fed by the total installed capacity of captive power plants in operation and those under construction is estimated to be 2,984 MW; however, given the lack of publicly available data, it is probable that the actual total capacity will be greater which will also increase the release of GHG emissions.

Mining and nickel ore smelters account for 79% of direct emissions, while electricity use accounts for 0.02% of indirect emissions and for employee travels, as well as emissions from products and services to upstream and downstream transportation and distribution accounted for 20.9% of all indirect emissions. TBP used 25,173,696 GJ in total in 2022, of which 91% came from the usage of coal, 6% from fuel, 3% from renewable energy sources, 0.01% from electricity, 0.008% from LPG and 0.007% from peralite.²²

Failure of IFC to Meet Environmental and Social Sustainability Policy

Prior to approving financing for its clients, IFC must verify that those clients will effectively apply the Performance Standards to the high-risk business activities it will finance by managing through an Environmental and Social Management System (ESMS), in accordance with IFC's Environmental and Social Sustainability Policy.

IFC's commitment to combating global climate change is jeopardized by its financial intermediary clients funding developments in the Obi Island Industrial Park. In this context, IFC should ensure the following relating to assessing and mitigating climate change impacts as required by its Environmental and Social Sustainability Policy and Access to information Policy while reviewing the actions of its clients:

1. Ensure its financial intermediary clients, prior to financing of a project, adhere to the requirements of IFC Performance Standard 1, that requires as consistent with good international industry practices, disclosure, distribution and publication of comprehensive and supported climate change and GHG environmental

and social impact assessment information and studies public review, containing the following: full quantification of all scope 1, 2, and 3 project GHG emissions during the project's lifecycle; consultation with affected communities on GHG emissions impact assessment and mitigation; adoption of mitigation hierarchy for GHG emissions; and an adequate analysis of GHG emissions alternatives, including for fossil fuel projects and projects with fossil fuel energy components, which includes an assessment supported by study of whether it is technically and economically feasible for renewable to meet energy demand instead of fossil fuels, full quantification scope 1, 2, and 3 emissions, and monetization of societal cost of each ton of GHG emissions for the proposed project (e.g., including physical damages from sea-level, infrastructure damage, human health effects, etc.) in comparison to renewable energy alternatives. The full requirements of the IFC's Performance Standards that apply prior to financing approvals, including by financial intermediaries, can be found in our May 1, 2023 Request for Corrective Action to IFC Management and September 1, 2023 Reply to IFC Management's Response submitted with Additional Civil Society Organizations to the IFC.⁴⁰

2. The adoption of a mitigation hierarchy as required by Performance Standard 1 for all environmental and social im-

pacts, including GHG emissions, requires avoidance of GHG emissions as far as economically and technically feasible, followed by further reducing GHG emissions and impacts to the furthest extent economically and technically feasible through minimization measures and then securing offsets¹ as far as economically feasible after all other technically and economically feasible GHG emissions avoidance and minimization measures have been adopted.

Unfortunately, the aforementioned data showed that projects financed by IFC clients OCBC NISP and KEB Hana on the Obi Island industrial park have negative social and environmental impacts. It indicates that IFC did not successfully ensure that its clients implemented and followed through with an Environmental and Social Management System (ESMS) that adhered to the Performance Standards to manage risks and failed to fulfill its commitment to reduce GHG emissions.

If IFC is sincere in committing to align its funding streams to fulfill the Paris Agreement and assist nations in to overcome poverty, it is essential to make sure that loan funding to its clients—whether through the FIs or not—does not have a high risk exposure to the use of fossil fuels like coal for captive power plants and extractive industries like nickel.

¹ Carbon offsets must respect and protect Indigenous Peoples' and affected communities' full rights, territories, sovereignty, and jurisprudence over the land, air, water, and biodiversity they depend upon. They must also meet environmental integrity requirements, including additionality, permanence, not overestimated, not claimed by another entity, and not associated with significant social and environmental harms.



Recommendations

- IFC should immediately conduct a thorough evaluation of its clients, OCBC NISP, DBS Bank Ltd, and KEB Hana Bank for their involvement in the syndicated financing of the Nickel Industrial Park on Obi Island.
- IFC should urgently close the loopholes that allow FIs to invest in high coal dependent, high carbon and socially and environmentally damaging nickel industry that undermines almost every aspect of its own guidelines. It should drop the exclusion of captive coal from its definition of coal exposure in the GEA.
- Given the damaging impact of nickel industry in Indonesia, IFC should put a moratorium on all new direct and FIs investment in nickel mining and processing that does not meet transparent, high standards for carbon reduction, environmental protection and community engagement and protection
- IFC should ensure that the Green Equity Approach and Paris Alignment methodologies must apply to all dirty technologies including oil, gas and in addition captive coal-fired power plants, and should add these to the IFC's Exclusion List as projects that will not be financed by the IFC.
- Ensure the environmental and social impact assessments and mitigation requirements in IFC's Performance Standards are implemented and are disclosed to the public.
- Ensure that all requirements of the IFC's Performance Standards, Environmental and Social Sustainability Policy, and Access to Information Policy that apply to financial intermediary projects before and after IFC investment, are implemented.

ENDNOTES

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