



January 6, 2022

James G. Burrows  
Acting President and Chair  
Export-Import Bank of the United States  
811 Vermont Avenue, NW  
Washington, D.C. 20571

James Cruse  
Acting First Vice President and Vice Chair  
Export-Import Bank of the United States

Spencer Bachus  
Member of the Board of Directors  
Export-Import Bank of the United States

Cc: Sherrod Brown, Chairman, Senate Banking Committee  
Patrick J. Toomey, Ranking Member, Senate Banking Committee  
Maxine Waters, Chairwoman, House Financial Services Committee  
Patrick McHenry, Ranking Member, House Financial Services Committee  
Ali Zaidi, Deputy White House National Climate Advisor

**Re: EXIM's consideration of financing for a petroleum refinery expansion in Indonesia**

Dear Mr. Burrows, Mr. Cruse, and Mr. Bachus:

Friends of the Earth United States (FOE) and Wahana Lingkungan Hidup Indonesia (WALHI) submit the below comments on the [Environmental and Social Impact Assessment](#) for the PT Kilang Pertamina Balikpapan Petroleum Refinery Expansion in Indonesia. FOE and WALHI urge EXIM to reject any support for this project due to the high risk of fires and oil spills and the negative impacts on the local communities and climate. As the main purpose of the refinery is to produce gasoline and diesel, EXIM support for this project would be in violation of President Biden's climate executive orders and plans, as well as his recent [commitment](#) in Glasgow to end public support for the international fossil fuel projects.

## **Background**

The Refinery Development Master Plan (RMDP) Unit V Balikpapan project is one of the projects to revitalize the five existing refineries, which are located in Cilacap, Central Java; Balongan, West Java; Dumai, Riau; Balikpapan, East Kalimantan; and Plaju, South Sumatra, to increase its oil refinery capacity. This project aims to grow the domestic oil refinery industry. The RMDP project is also implemented in conjunction with a new oil refinery project (Grass Root Refinery) to increase the production capacity of the existing oil refineries in Indonesia.

Pertamina Refinery Unit V Balikpapan operates on the coastal area of Balikpapan Bay. This area was originally a coastal and mangrove area that became a fishing area for the local fishermen but then felled and backfilled for industrial activities. The changes of the coastal landscape and the industrial activities have brought adverse impact to the local fishermen, who experienced a significant decrease in the number of catches and even lost their catchment area, forcing them to search for catchment areas further away to Adang Bay, which is located in Paser Regency, about 80 kilometers (43 nautical miles) from the coastline. The search for catchment locations that are farther away is also impacting the needs for fuel of fishermen and is, therefore, reducing their income. Quoted from Kompas (4/11/2020), the income of coastal fishermen in Balikpapan has decreased by up to 50 percent. In addition, the activities of Pertamina Refinery Unit V Balikpapan have caused a number of incidents and pollution for the environment. There are two main incidents due Pertamina Refinery Unit V Balikpapan activities: fires and oil spills.

### **High Risk for Fires**

Fires in the Pertamina Refinery Unit V Balikpapan have occurred several times, and often panic residents in the surrounding areas. The fire incidents have been documented to have occurred on:

- August 15, 2019: Fire occurred at one of the refinery points.
- June 19, 2020: Fire inside the Hydrocracker Unit Plant 3B area.
- March 26, 2021: Fire occurred in a cooler box or seawater cooler area.

Fires are likely to continue, putting workers and local community members at risk.

### **Oil Spills Responsible for Marine Pollution**

Marine pollution has resulted from oil spills at the refinery. One such incident of an oil refinery spill occurred on March 31, 2018. This incident was caused by a leak in the Pertamina Refinery Unit V Balikpapan pipeline in Lawe-lawe waters, in Penajam Paser Utara (PPU). This oil spill area covered at least 7,000 hectares of the waters. WALHI has filed a lawsuit against this incident and is currently at the Supreme Court. Regarding the marine pollution incidents caused by the oil spill of Pertamina Refinery Unit V Balikpapan on March 31, 2018, WALHI has recorded the following legal facts:

1. On March 31, 2018, there was an oil spill in Balikpapan Bay due to the rupture of the Pertamina Refinery Unit V pipe. This oil spill resulted in the contamination of the affected area reaching 7,000 hectares with the length of the affected beach on the side of Balikpapan City and Penajam Pasir Utara Regency reaching 60 km. According to satellite image analysis by LAPAN, recording dated on April 1, 2018 using Landsat 8 data and Radar Sentinel 1A, the estimated total area of the oil spill in the waters of Balikpapan Bay is 12,987, 2 Ha.
2. The incident has also polluted the mangrove ecosystem in the Kariangau sub-district RT 01 and RT 02, a total of 6,000 mangrove plants in the Atas Air Margasari Village, 2,000 mangrove seedlings from the residents of the Air Marga Sari village and marine life of dead crab species on Banua Patra Beach.

3. After the oil spill incident in Balikpapan Bay Pertamina Refinery Unit V on March 31, 2018, there was no early warning information system on health impacts and environmental impacts which resulted in the death of five people in the area affected by the oil spill in Balikpapan Bay.
4. The oil spill incident in Balikpapan Bay Pertamina Refinery Unit V on March 31, 2018 has also caused a decrease in the quality of public health. Affected people experienced nausea and dizziness due to the strong smell of oil for days, especially in areas where their settlements are still exposed to oil spills.
5. To date there has been no test performed on the affected fresh food and no announcement regarding the impact of the oil spill on fresh food affected by the oil spill that occurred on March 31, 2018 in Balikpapan Bay. (It should be worth noting that the oil entering the waters will be diluted because of its hydrophilic nature or easily mixed with water and turn into PAHs/Polycyclic Aromatic Hydrocarbons. PAHs are a group of typical persistent organic pollutants whose compounds are toxic and carcinogenic/can cause cancer. With their toxic and carcinogenic nature, this oil PAH is harmful to marine life creatures.)

This oil spill incident was not the only one. From the data analysis conducted by the Ministry of Marine Affairs and Fisheries (KKP), the marine pollution incidents due to oil spills are as follows:

- In November 2014 there were five oil spill incidents, covering an area of 0.4 km<sup>2</sup>; 0.3 km<sup>2</sup>; 0.09 km<sup>2</sup>; 0.22 km<sup>2</sup>; and 0.27 km<sup>2</sup>.
- In January 2015 there were 11 oil spill incidents, covering an area of 5.7 km<sup>2</sup>; 1.1 km<sup>2</sup>; 1 km<sup>2</sup>; 0.2 km<sup>2</sup>; 0.9 km<sup>2</sup>; 0.2 km<sup>2</sup>; 0.1 km<sup>2</sup>; 0.8 km<sup>2</sup>; 0.27 km<sup>2</sup>; 0.19 km<sup>2</sup>; and 0.3 km<sup>2</sup>.
- In March 2015, there were 2 oil spill incidents, covering an area of 0.8 km<sup>2</sup> and 0.3 km<sup>2</sup>.
- In April 2015, there were three oil spill incidents, covering an area 0.6 km<sup>2</sup> and 0.3 km<sup>2</sup>, and 0.15 km<sup>2</sup>.

### **Contribution to Climate Change**

The historical emissions data provided in the ESIA demonstrates an incredibly polluting project that will have a detrimental impact on the climate. From 2012 to 2016, table 4.2 and table 9.4 of the ESIA estimates the greenhouse gas emissions to be over 8.5 million tons of carbon dioxide equivalent. This amount is [equivalent](#) to burning over 8.5 billion pounds of coal.

The ESIA uses outdated data when calculating future emissions, which grossly underestimate the climate impact of this project. When calculating the projected greenhouse gas emissions in sec. 9.2.1, the ESIA uses the American Petroleum Institute's [2009 Compendium of Greenhouse Gas Emissions](#). This document is more than a decade old and uses inaccurate data, including a global warming potential of 25 for methane, based on the outdated 2007 Intergovernmental Panel on Climate Change (IPCC). According to the more recent [IPCC report](#), methane is 87 times as

potent as carbon dioxide over a 20 year timeframe.<sup>1</sup> Therefore, the ESIA underestimates the true climate impact of the expansion of this petroleum refinery.

Supporting this refinery is not in keeping with climate goals of the Biden Harris Administration and commitments of the Paris Agreement. President Biden issued the [Executive Order on Tackling the Climate Crisis at Home and Abroad](#), which aims to put the climate crisis at the center of U.S. foreign policy and national security and to take a government-wide approach to the climate crisis. The executive order directs EXIM and other agencies to “promote ending international financing of carbon-intensive fossil fuel-based energy while simultaneously advancing sustainable development and a green recovery.” The subsequent U.S. [International Development Climate Finance Plan](#) requires Department of Treasury to “spearhead efforts to modify disciplines on official export financing provided by OECD ECAs, to reorient financing away from carbon-intensive activities.” At the UNFCCC COP 26 in Glasgow, President Biden [committed](#) to “end new direct public support for the international unabated fossil fuel energy sector by the end of 2022.” To support this project would directly contradict these goals, putting the Biden Harris Administration’s reputation as a climate leader at risk. Oil refineries are the world’s third-largest stationary emitter of greenhouse gases with carbon dioxide emissions from oil refineries [having risen 24 percent from 2000 to 2018](#). Refineries can operate for more than 50 years, meaning that supporting an oil refinery now will lock in levels of emissions incompatible with the Paris Agreement commitments. The Biden Harris Administration should support Indonesia to transition away from such a polluting industry, rather than encourage Indonesia to double down on it.

### **Inadequacy of the Assessment**

The ESIA provided by the company is wholly insufficient as it is too old to be helpful and lacks key pieces of analysis. First, the ESIA is from 2017 – almost five years old. The data in the ESIA is, therefore, outdated. For example, as discussed above, the assessment only provides the historical greenhouse gas data through 2016, rather than through 2021. This is five years of missing data that would help to better understand the true climate impact of this refinery. EXIM cannot properly assess the impacts of the project when the assessment of those potential impacts are so out of date. Climate science and knowledge of environmental and social risks has improved and changed greatly in the past five years. To make a decision based on such outdated information is to ignore the most recent science and current levels of risk tolerance.

Second, the ESIA fails to conduct an analysis of the alternatives to expanding this petroleum refinery. The ESIA specifically states, “no analysis of alternatives regarding the refinery processing technologies emitting less greenhouse gas emissions has been conducted to date” (sec. 3.3, p. 3-59). A rigorous analysis of alternatives should consider whether the current refinery actually needs to be expanded. The analysis should consider the environmental and

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<sup>1</sup> Some calculations of methane’s impact look at the longer timeframe of 100 years, but the shorter 20-year timeframe is more appropriate to properly reflect methane’s stronger impact in the short-term due to its atmospheric lifespan of about 12 years. Considering that scientists have concluded that significant reductions must take place in the next decade in order to limit the worst impacts of climate change, it is imperative to take into account this warming impact of methane in the short-term.

social risks in determining whether the current proposed addition is necessary. Investing in alternative industries could provide cleaner, more sustainable growth opportunities that better protect the local communities. In order for EXIM to approve the project given the government-wide guidance restricting fossil fuel support, Pertamina must prove through a rigorous alternatives assessment that there are no feasible alternatives to meet the development or national security exceptions, which the ESIA has not done.

### **Failure to Properly Engage with the Local Communities**

The ESIA illustrates how the company has failed to sufficiently and continuously engage with the communities impacted by the project. Table 7.2 lays out the meetings that the company or its representatives have had with local communities (Table 7.2). These two days of meetings took place over five years ago. Community engagement must be continuous and sustained. In addition, the majority of the engagement has been mainly with government officials. The table lists “representatives of the community” as being present, but there are no details on how many and if it was just community leadership or broader representation from the community. Experiences from other projects, such as the gas development in northern Mozambique that EXIM is supporting, has shown that meeting with village heads is insufficient to ensure that impacted community members are sufficiently made aware, kept informed, and understand the impacts of a project. The ESIA presents no plan for keeping communities informed and involved as the project has moved forward.

### **Conclusion**

The Biden Harris Administration has put forward guidance forbidding support for fossil fuel projects except where there is a strong natural security interest or where the projects will improve access to electricity with no cleaner alternative options. This project fails to meet either of these exceptions as it appears to be of no geostrategic importance, nor is it an electricity project that would improve energy access. Therefore, to support this petroleum refinery would directly contradict the commitments and climate goals of the Biden Harris Administration, putting the administration’s reputation as a climate leader at risk. FOE and WALHI request to meet to discuss this petroleum refinery. We appreciate your consideration of our concerns.

Sincerely,

Kate DeAngelis  
Friends of the Earth U.S.  
1-202-222-0747  
[kdeangelis@foe.org](mailto:kdeangelis@foe.org)

Fanny Tri Jambore  
Campaigner on Mining and Energy issues  
WALHI  
[trijambore@walhi.or.id](mailto:trijambore@walhi.or.id)