

Batang Toru Dam Finance Update

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The Export-Import Bank of China (CHEXIM) has taken over financing of the controversial 510MW Batang Toru Hydropower Project in Indonesia's Northern Sumatra that threatens the Tapanuli orangutan: the world's rarest species of great ape.

The Chinese State Development & Investment Corporation (SDIC) completed acquisition of the project, which is in the early construction stage, in 2022. It holds a 70% stake in PT North Sumatra Hydro Energy (PT NSHE), who own and operate the dam, alongside the Indonesian State-owned electricity monopoly (PT PLN).¹ SDIC has recently agreed to raise USD 1.251 billion to complete the project through a loan syndicate led by CHEXIM.²

This move was approved Dec 13, 2022, in the middle of the CBD COP15 in Montreal, which China was hosting. In the latter stages of the conference, China played a pivotal role in securing an agreement to halt and reverse nature loss by 2030. Chinese President Xi Jinping spoke strongly on the need to protect biodiversity internationally:

"A sound ecosystem is essential for the prosperity of civilization. We must work together to promote harmonious coexistence between man and nature, build a community of all life on Earth, and create a clean and beautiful world for us all."³

The Chinese government has issued guidelines for green overseas investment is part of the Belt and Road Initiative (BRI)⁴ - its massive overseas infrastructure investment strategy. The BRI International Green Development Coalition (BRIGC), a government-backed coalition, classifies investments based on their climate change, biodiversity and pollution impacts. Through this, the government has committed to help other countries achieve the 2030 Sustainable Development Goals. The BRIGC has been criticised as lacking strong enforcement mechanisms to prevent dangerous projects.⁵ Research into the institutional architecture of environmental governance for the 'Green BRI' found that:

"... it relies on voluntary corporate self-governance and a multitude of international and transnational sustainability initiatives, and therefore that the effectiveness of the environmental governance of the BRI not only hinges on China's priorities and commitments, but also on the political willingness and capacity of BRI partner countries to maintain, implement, and enforce stringent environmental laws and regulations".⁶

¹ "[Poor planning causes PLN to pay more for Batang Toru hydropower plant](#)," Jakarta Post, 21 February, 2023.

² DIC Power Holdings CO., LTD. (GDR under the symbol: "SDIC"), "[Notice Of The 2022 Seventh Extraordinary General Meeting](#)," London Stock Exchange, November 24, 2022.

³ "[Xi addresses opening ceremony of high-level segment of COP15 part 2](#)," Global Times, 16 December, 2022.

⁴ Belt and Road Initiative (BRI), EBRD, <https://www.ebrd.com/what-we-do/belt-and-road/overview.html>

⁵ "[Kenyan coal project shows why Chinese investors need to take environmental risks seriously](#)," China Dialogue, 9 March, 2021.

⁶ Coenen, J. et. al., "[Environmental governance of China's belt and road initiative](#)," Environmental Policy and Governance, 31(1), pp.3-17. 2021.

In 2020, the Industrial and Commercial Bank of China (ICBC) pulled out of a coal power plant project in a UNESCO World Heritage Site of Lamu old town, against plans to build the country's first coal-fired power plant on the mainland nearby.⁷ Similarly, in 2016, CHEXIM itself withdrew financing from Egiin Gol Hydropower Plant in Mongolia, which if built would have affected important endangered salmon habitat in Mongolia and the Lake Baikal World Heritage Site in Russia.⁸

During COP15, 90 civil society groups globally called on Chinese authorities to protect biodiversity and people in its overseas investments in an open letter that highlights 37 projects - including the Batang Toru Dam - associated with harmful biodiversity, environmental, and social impacts which Chinese banks and companies are currently supporting as part of the Belt and Road initiative.⁹

The damage that the Batang Toru Dam will do is well documented, as it slices through the habitat of the Tapanuli orangutan.¹⁰ Early construction has already tragically killed 17 workers and local people due to landslides and tunnel collapses.¹¹ Recent investigation has found that the extra peaking capacity that will be produced by the dam, which costs over three times the price of baseload hydropower, is not required to meet energy demand in the region.¹²

The Bank of China pulled out of this project in 2019, citing environmental and social responsibility concerns.¹³ Other major investors, including Goldman Sachs, the International Finance Corporation and the Asian Development Bank, have refused to fund the Dam. The Chinese State Development & Investment Corporation and The Export-Import Bank of China must do the same.

⁷ [“Kenyan coal project shows why Chinese investors need to take environmental risks seriously,”](#) China Dialogue, 9 March, 2021.

⁸ [“Analysis: Mongolia plans ruinous water infrastructure glut.”](#) The Third Pole, 7 June, 2021.

⁹ [“90 Civil Society Groups Call on China to Protect Biodiversity in its Overseas Investments,”](#) Inclusive Development International, 15 December, 2022.

¹⁰ [“Chinese state-owned company accused of endangering rare orang-utans,”](#) Financial Times, 19 June, 2022.

¹¹ [“Tunnel collapse at dam project in orangutan habitat claims yet another life,”](#) Mongabay, 21 November, 2022.

¹² [“Poor planning causes PLN to pay more for Batang Toru hydropower plant,”](#) Jakarta Post, 21 February, 2023.

¹³ [“Bank of China provides loan for 510MW Batang Toru Hydropower Plant Construction Project \[Suspended\],”](#) Aidata, Project ID: 61098.