Central Java 2000 MW Coal Fired Power Plant

Profile of the new coal-fired IPP project in Indonesia

Location: Batang Regency, Central Java, Republic of Indonesia
Power generation method: Ultra Super Critical (USC) coal-fired power generation
Capacity: 2,000 MW (2 x 1,000 MW)
Fuel: Sub-bituminous coal produced in Indonesia
Scheme: BOOT (Build-Own-Operate-Transfer)
Ownership:
- J-POWER: 34%
- ADARO: 34%
- ITOCHU: 32%
Electric power sales destination and contract period:
Sales destination: PT. PLN (PERSERO)
Period: 25 years
Maintenance and operation: PT. BHIMASENA POWER INDONESIA
October 2012: Commencement of construction
Mid 2017: Unit 2 Commercial Operation
Schedule (tentative):
PT. BHIMASENA POWER INDONESIA
Company name: PT. BHIMASENA POWER INDONESIA
Headquarters: Jakarta, Republic of Indonesia
Business: Sale of power to PLN (IPP)
Established: July 2011
Investors:
- J-POWER 34%
- ADARO 34%
- ITOCHU 32%

Power Plant Location Map
PROJECT SPONSORS:

ITOCHU Corporation (headquartered in Minato-ku, Tokyo; Masahiro Okafuji, President and CEO; hereinafter “ITOCHU”), Electric Power Development Co., Ltd. (headquartered in Chuo-ku, Tokyo; Masayoshi Kitamura, President; hereinafter “J-POWER”), and PT ADARO POWER, which is a wholly owned subsidiary of PT. ADARO ENERGY Tbk. (IDX: ADRO) (headquartered in Jakarta, Indonesia; Garibaldi Thohir, President Director; hereinafter “ADARO”), announced the execution of a long-term Power Purchase Agreement (“PPA”) between PT. BHIMASENA POWER INDONESIA (headquartered in Jakarta, Republic of Indonesia; Kenichi Seshimo, President; hereinafter “BPI”), a company established by the three-company consortium, and Indonesia’s state-owned electricity company, PT. PLN (PERSERO) (“PLN”), this afternoon in Jakarta. The PPA includes the construction of a coal-fired power plant with a total capacity of 2,000 MW in the province of Central Java (“Central Java Power Plant”/“CJPP”) and a 25-year supply of electricity to PLN. The total project cost is approximately US$4 billion.

In addition to the PPA, a Guarantee Agreement (“GA”) was also signed by and among the Government of the Republic of Indonesia (represented by the Ministry of Finance), PT PENJAMINAN INFRASTRUKTUR INDONESIA (PERSERO) (“PII”) or also known as the INDONESIA INFRASTRUCTURE GUARANTEE FUND (“IIGF”) and BPI. IIGF was established by the Government of the Republic of Indonesia to provide guarantees for Government Contracting Agencies’ contractual obligations under cooperation agreement between the Government and private sector, in this case, guarantee of PLN’s payment obligation for the CJPP project under the PPA. This is the first actualized public-private partnership (“PPP”) in Indonesia under a guarantee provided by the IIGF. This initiative is also part of the Master Plan for Acceleration and Expansion of Indonesian Economic Development (“MP3EI”).

J-POWER-ADARO-ITOCHU consortium established a project company, BPI, in July 2011 to build, own and operate a coal-fired power plant, which would be amongst the largest in Asia. On June 17th 2011, the three company consortium received a Letter of Intent (“LoI”) after winning an international competitive tender process. It is the first power plant in Indonesia to use advanced environmentally friendly, ultra-supercritical (“USC”) technology and will serve as a model of high-efficiency power generation. An important feature of the project is it will utilize Indonesian sub-bituminous coal as fuel.

The Engineering, Procurement and Construction (“EPC”) contractor will soon be appointed and shall use Japanese advanced technology. It is expected the financial closure will be completed next year. The construction is expected to begin in October 2012 and commercial operations are expected to start in late 2016.

J-POWER has been actively engaged in the overseas power generation business (approximately 3,700MW net capacity of 29 projects under the operation that produce approximately 15,000MW gross capacity) while owning and operating coal-fired power plants with a total capacity of approximately 8,400MW in Japan. In addition to this model project for development of high efficiency coal-fired power generation in Asia, J-POWER is developing nine projects in Thailand to produce about 4,000 MW, and will continue to steadily engage in the power generation business abroad.
ADARO is an integrated coal mining and energy company, which currently operates the largest single-site coal mine in the Southern hemisphere and is the largest coal supplier to the Indonesian domestic market. In 2010, ADARO produced and sold 42.2 million tones and 43.8 million tonnes respectively. As the only local company in the consortium, ADARO’s contribution will mainly be as regards the local market expertise and logistics, as well as the coal procurement. Adaro Energy’s President Director, Mr. Garibaldi Thohir, said, “We are delighted to take part in this 2,000MW power plant project to help boost Indonesia’s power generation capacity and contribute to national development. We expect good returns and more predictable cash flow and demand for Adaro’s E 4000 (Wara) coal. This project is part of our vision to be a leading Indonesian mining and energy group.”

ITOCHU has defined the IPP business as a priority area in its medium-term management plan Brand-New Deal 2012, given its potential to generate sustainable earnings over the long term. In addition to North America, where it has consistently accumulated prime assets, ITOCHU will be working actively to add prime power generation assets in Indonesia, where the PPA was executed, as well as in the rest of Asia, Europe, the Middle East, and other regions. In parallel with that, ITOCHU will be moving forward with power generation projects using more environmentally friendly technologies including wind, biomass, and geothermal power generation as well as the high efficiency coal-fired technology used, for instance, in this Indonesian project.

The signing ceremony in Jakarta (October 6, 2011)