



Indonesia: SARULLA GEOTHERMAL POWER GENERATION PROJECT

Project Name	SARULLA GEOTHERMAL POWER GENERATION PROJECT		
Project Number	42916-014		
Borrower/Company	SARULLA OPERATIONS LIMITED		
Country	Indonesia		
Location	Sarulla Geothermal Working Area, North Sumatra Province		
Approval Number	7397/8277, 7397/8278		
Type or Modality of Assistance	7397	Loan	USD 20.00 million Committed
Strategic Agendas	Environmentally sustainable growth Inclusive economic growth		
Drivers of Change	Private sector development		
Sector / Subsector	Energy - Renewable energy generation - geothermal		
Gender Equity and Mainstreaming			
Responsible ADB Department	Private Sector Operations Department		
Responsible ADB Division	Portfolio Management Division, PSOD		
Responsible ADB Officer	Kanda, Masayuki		
Project Sponsor(s)	Itochu Corporation KYUSHU ELECTRIC POWER COMPANY Medco Power Indonesia Ormat International		
Description	SARULLA GEOTHERMAL POWER GENERATION PROJECT The project will develop the steam resources in the Sarulla concession area and construct, operate, and maintain three geothermal power generation units with a total capacity of about 320 megawatts (MW). The units will be powered by steam from production and injection facilities at the Silangkitang and Namora-I-Langit reservoirs, located in North Sumatra. The project will be developed and implemented under a 30-year energy sales contract (ESC) with PLN, a 30-year joint operating contract (JOC) with Pertamina Geothermal Energy (PGE) and a 20-year guarantee from the Ministry of Finance, as stipulated under a business viability guarantee letter (BVGL).		
Objectives and Scope	The project will help the government advance towards its renewable energy and climate change mitigation goals. Successful implementation of the project and deployment of concessional cofinancing will lead to: (i) increased geothermal power generation in Indonesia; (ii) more private sector investment in the geothermal sector; and (iii) increased electrification rate in Indonesia.		
Linkage to Country/Regional Strategy	The Project complies with ADB's energy policy supports the development of clean energy with private sector participation. The Project, which is to generate electric power from renewable resources, will reduce greenhouse gas emission from the use of fossil fuels for power generation, to mitigate climate change. The Project is in line with ADB's Country Strategy and Program for Indonesia 2006-2009, emphasizing physical infrastructure development with private sector investment, strengthening environment and natural resource management, and reducing pollution. As the country's largest single-contract geothermal power project upon completion, the Project is also consistent with ADB's private sector operations in Indonesia, which highlights the development and financing of important infrastructure projects in energy with strong demonstration effect.		
Status of Development Objectives	To be evaluated upon completion of the Project.		

Safeguard Categories

Environment	A
Involuntary Resettlement	A
Indigenous Peoples	A

Summary of Environmental and Social Aspects

Environmental Aspects	In compliance with ADB's Safeguard Policy Statement (2009), the project is classified as category A for environment. The potential environmental and social impacts of the project have been identified and effective measures to avoid, minimize, mitigate, and compensate for the adverse impacts are incorporated in the safeguard reports and plans. SOL's institutional capacity to manage the project's social and environmental impacts is deemed adequate. SOL has prepared an environmental and social impact assessment addendum based on (i) supplemental environmental studies and investigation; ¹⁹ and (ii) an environmental compliance audit report of existing facilities, including a time-bound corrective action plan to meet the Safeguard Policy Statement requirements. An audit of prior land acquisition was conducted and the corrective action plan was prepared to address potential economic impacts on landowners.
Involuntary Resettlement	In compliance with ADB's Safeguard Policy Statement (2009), the project is classified as category A for involuntary resettlement. A resettlement plan was prepared to mitigate any potential economic displacement.
Indigenous Peoples	In compliance with ADB's Safeguard Policy Statement (2009), the project is classified as category A for indigenous peoples. An indigenous peoples plan has been prepared to mitigate impacts on members of the Batak ethnic group and to maximize project benefits for affected communities.
Stakeholder Communication, Participation, and Consultation	Key community concerns raised during consultations included EHS, employment, corporate social responsibility opportunities, and land acquisition impacts. SOL is committed to developing and implementing an EHS management system in line with applicable national legislation and industry codes and standards. Through a contractors' safety management system, SOL has also committed to accord equal priority in the protection of its contractors, vendors, customers, and company employees.

Timetable for assistance design, processing and implementation

Concept Clearance	15 Jul 2013
Due Diligence	
Credit Committee Meeting	14 Oct 2013
Approval	05 Dec 2013
PDS Creation Date	15 Jun 2010
Last PDS Update	29 Sep 2014

Project Page	https://www.adb.org/projects/42916-014/main
Request for Information	http://www.adb.org/forms/request-information-form?subject=42916-014
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