

Public Information Summary

Host Country	Indonesia
Name of Borrower	PT Medco Cahaya Geothermal
Project Description	Direct loan to PT Medco Cahaya Geothermal for the development of an up to 31.4 MW net geothermal power unit for the first phase of the planned 110 MW Blawan Ijen Geothermal Power Plant in East Java.
Proposed DFC Loan	\$126,000,000
All-Source Funding Total	\$238,900,000
Policy Review¹	
Developmental Objectives	The Project is expected to have a positive development impact in Indonesia by expanding access to renewable energy via the construction of a geothermal energy plant. According to the International Energy Agency, coal, oil and natural gas combined account for approximately 80% of Indonesia’s energy supply, whereas geothermal represents less than 5%. The Government of Indonesia has estimated that the country’s potential geothermal capacity is approximately 24 gigawatts, yet a number of factors have inhibited development, including high-risk exploration processes, substantial up-front capital costs, and long timelines needed to obtain investment returns. Further, Indonesia’s greenhouse gas emissions have increased and are projected to rise along with energy demand. The DFC-supported Project is expected to add geothermal energy to the East-Java-Bali region and support climate objectives through the avoidance of CO2 emissions. U.S.-based and New York Stock Exchange listed Ormat Technologies Inc is a part owner and developer of the Project.
Environment and Social Assessment	SCREENING: The Project has been reviewed against DFC’s categorical prohibitions and determined to be categorically eligible. The Project is screened as Category A because it involves greenfield development of a geothermal power generation project. The Project is located near a protected area and may result in economic displacement and impacts to Indigenous Peoples and critical habitat.

¹ If a clearance is not complete at the time that a report is circulated to a particular approver or approver group, simply state “Clearance is in process.” Please ensure, however, that the section is updated with the ODP language prior to posting of the public information summary on DFC’s external website.

APPLICABLE STANDARDS: The Project is subject to DFC’s 2020 Environmental and Social Policy and Procedures (“ESPP”). Under DFC’s ESPP, the Project Sponsor is required to comply with applicable national laws and regulations related to environmental and social performance. In addition, DFC’s preliminary environmental and social due diligence indicates that the Project will have impacts that must be managed in a manner consistent with the following of the International Finance Corporation’s (IFC) 2012 Performance Standards:

- PS 1: Assessment and Management of Environmental and Social Risks and Impacts;
- PS 2: Labor and Working Conditions;
- PS 3: Resource Efficiency and Pollution Prevention;
- PS 4: Community Health, Safety, and Security;
- PS 5: Land Acquisition and Involuntary Resettlement;
- PS 6: Biodiversity Conservation and Sustainable Management of Living Resources; and
- PS 7: Indigenous Peoples
- PS 8: Cultural Heritage

The ESIA identified no cultural heritage within the Project footprint, but some areas of cultural heritage importance are located within 1km of Project works. The potential for impacts to these sites will be further evaluated during due diligence. Therefore, PS 8 is triggered at this time but subject to further confirmation. In addition to the Performance Standards listed above, the World Bank Group’s Environmental, Health, and Safety (EHS) General Guidelines (April 30, 2007), EHS Guidelines for Geothermal Power Generation (2007); and EHS Guidelines for Electrical Power Transmission and Distribution (2007) are applicable to the Project.

ESIA Disclosure: The ESIA package was posted on DFC’s website for public disclosure on September 22, 2023 and is available for public comment until November 21, 2023. No comments had been received at the time this summary was drafted. If any comments are received, they will be shared with the Board along with DFC’s responses at least seven days prior to the Board meeting.

Environmental and Social Risks and Mitigation Measures: The key environmental and social risks of the Project are those related to economic displacement and potential impacts to Indigenous Peoples, critical habitat, tourist sites, and community health and safety.

The Project is located within the Kawah Warang (Wurung) Park which is a tourism hiking area known for scenic views and a number of crater features such as Kawah Wurung and Kawah Ilalang, which are adjacent to the Project’s access road and transmission line. The Project is also

located near Kawah Ijen Crater Park, which is located within the Kawah Ijen Nature Reserve, an IUCN Category III legally protected area. The Kawah Ijen Carter Park is another popular tourism site, which hosts the Kawah Ijen crater and the largest natural acidic lake in the world. At its closest point, the park is located 300 m from the transmission line route and around 2.5 km from the main construction area. The Project may result in potential visual and nuisance impacts to the tourism area and landscape that are used for panoramic views. The Project will be required to implement mitigation measures to reduce these impacts.

The critical habitat screening for the Project determined that the Project's ecologically appropriate area of analysis (EAAA) potentially qualifies as critical habitat under IFC PS 6 criteria 1, 2 and 4. A total of seven species (one insect species, one mammal species, and five bird species) have been identified as potentially critical habitat-qualifying biodiversity features. In addition, the forest ecosystem present in the EAAA is recognised as a high priority for conservation at the national level and is also likely to qualify the area as critical habitat. The Project will be required to develop a Biodiversity Action Plan that demonstrates no net loss of natural habitat and net gain in biodiversity for critical habitat.

Impacts to community health and safety resulting from worker influx and increase in traffic due to Project vehicles will be mitigated through implementation of a traffic management plan, Workforce Code of Conduct, and robust stakeholder engagement and community grievance mechanism.

Land for Project is in the process of being acquired from parcels associated with 250 households, resulting in economic displacement. There is no physical displacement anticipated. The Project is in the process of determining potential livelihood impacts associated with the establishment of the transmission line. The Project has provided a draft land acquisition and livelihood restoration plan which is still being reviewed by DFC and its Independent Environmental and Social Consultant.

Of the 250 households affected by economic displacement, 18 households identify as Osing, a recognized Indigenous group in Indonesia. While ongoing stakeholder engagement has been implemented by the Project in the area in general, specific engagement with the Osing has not adequately addressed potential language and literacy limitations or governance processes that would comply with IFC PS 7. The Project is expected to undertake further Osing-specific consultations, disclosures and socialization to appropriately identify impacts specific or particular to the Osing people and to develop any

	differentiated mitigation plans that are identified through this process. This will be further assessed in ongoing due diligence.
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