

United States Position
Proposed International Finance Corporation (IFC) Investment in
PT PANCA AMARA UTAMA (PAU)
(Indonesia)
January 30, 2014

The United States welcomes the potential development impacts of this proposed investment in an ammonia plant in Sulawesi, particularly the prospect of direct and indirect job creation and value addition to natural gas resources. The United States also appreciates the role of the IFC in providing long-term finance and catalyzing other lenders at a time of economic slowdown and foreign capital outflow in Indonesia.

The United States places a very high value on the role of the IFC in raising the environmental and social standards of projects like this one. The EIA Addenda commissioned by the IFC provides analysis to bridge the gap between the locally required EIA and the IFC Performance Standards, and thereby demonstrates how the IFC can contribute to raising standards. The Addenda make clear, however, that significant additional efforts are needed – filling in baseline data and putting in place additional monitoring, mitigation and management across a range of environmental and social impacts.

As this additional work is carried out, the United States urges the IFC and project sponsors to pay due attention to impacts beyond the physical boundaries of the project site. This could include impacts extending to the Banggai Islands local marine protected area in the Peleng Strait, or the primary forest adjacent to the project site.

The United States acknowledges that the terrestrial flora and fauna management plan to be implemented during site clearing will propose supplementary measures should the maleo bird (a red-listed endangered species) be encountered during that time. The United States would underline the importance of strong monitoring by the IFC of this aspect of the plan, because mitigation options decrease dramatically once clearing and construction have already occurred.

Compliance with environmental and social management plans throughout implementation will be critically important. The United States calls on the IFC and Government of Indonesia to play their respective roles in reviewing the semiannual compliance reports to be submitted by PAU and verifying compliance.

A number of IFC requirements (e.g. water quality standards) are more stringent than the Indonesian ones. In addition, the Pollution Controls addendum cites two areas in which the project plans would exceed IFC limits (total nitrogen and temperature increase). Given the potential risks to marine life should these not be kept in check, the United States requests that the IFC verify that appropriate measures have been incorporated into the plans before construction begins.

With these comments, the United States wishes to be recorded as supporting the project.