

FLASH NOTE: Batang IPP Project Site Visit

Visit to Batang IPP Project Site

We visited Batang Independent Power Plant (IPP) project site in Batang Regency, Central Java Province. It is located at North Coast of Java Island, around 350km east of Jakarta and 90km west of Semarang. Basically, there are two main areas in the project site which are the power plant area and the special facilities area to be used for the switching station. The power plant is built with its total capacity of 2x1,000 MW and is claimed to be the biggest power plant project in South East Asia. Moreover, it is also claimed to be the first infrastructure project in Indonesia that is implemented in Public-Private Partnership scheme. The total investment is US\$ 4 billion which will be funded from Japan Bank for International Cooperation (JBIC) and a syndicate of international commercial banks. In addition, the company relocated the farmers, who used to make their livelihood in the land plant, to a 30Ha replacement land near to the power plant site.

The On-Site Construction Progress

Since the construction began in June 2016, the overall progress has reached 16.9% as of 25 September 2016, while the initial plan was supposed to reached 20.1%. Thus, that showed a bit delay in the progress. The three main reasons behind the delay were because of the bad weather condition, the equipment late arrival and the preparation delay. By far, they have already started the piling in both of power plant and special facilities areas.

The Power Plant Site

In the power plant layout, there will be a coal jetty with 2.5km north of the site which will be able to accommodate 2 vessels with 14,000 DWT each, equipped with 2 unloading machineries with each unload capacity of 700 tons of coal per hour. Moreover, on the site, there will be a coal yard used for coal stock pile with maximum capacity of 600,000 tons of coal which is claimed enough for a month of power plant supply. Also, they will build 3 ponds which will be used for ash pond, ash run-off sedimentation pond, and coal run-off sedimentation pond. For future development, the company provide a vacant land area right beside the main site which is claimed the area is for future expansion, if needed.

PT Bhimasena Power Indonesia (BPI)

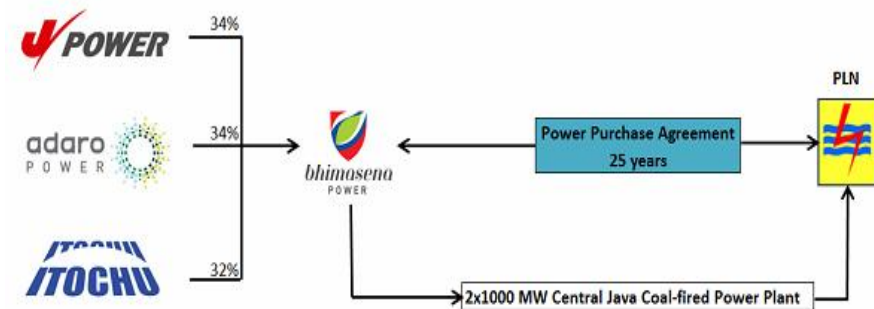
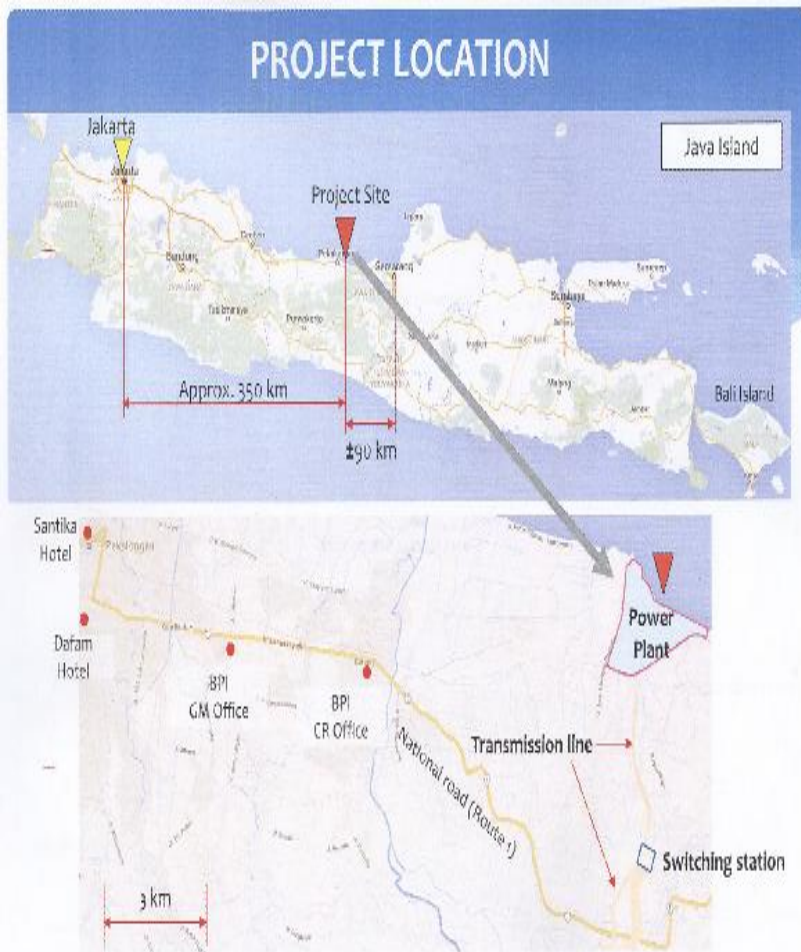
BPI is a joint venture company established in July 2011 by a consortium of three companies of Electric Power Development Co. Ltd. (J-Power), PT Adaro Power (Adaro Energy/ADRO.II), and Itochu Corporation with their share ownerships of 34%, 34%, and 32% in respectively. BPI develops, constructs and operates Coal Fired Power Plant 2x1,000 MW which supplies electricity to PT Perusahaan Listrik Negara (PLN) under power purchase agreement of 25 years.

Our Comment

We are very impressed with the masterplan of Batang IPP project development. In relation to ADRO, the Batang IPP business segment will add a positive contribution to ADRO's performance in the long-term as the IPP business is a quite sustainable business model and also the majority needs of coal in the power plant will be supplied by ADRO. However in the short-term, there might be a minimum impact due to the progress of building this IPP is now still in early stage. Upside risk: a successful development progress inline with the initial plan.

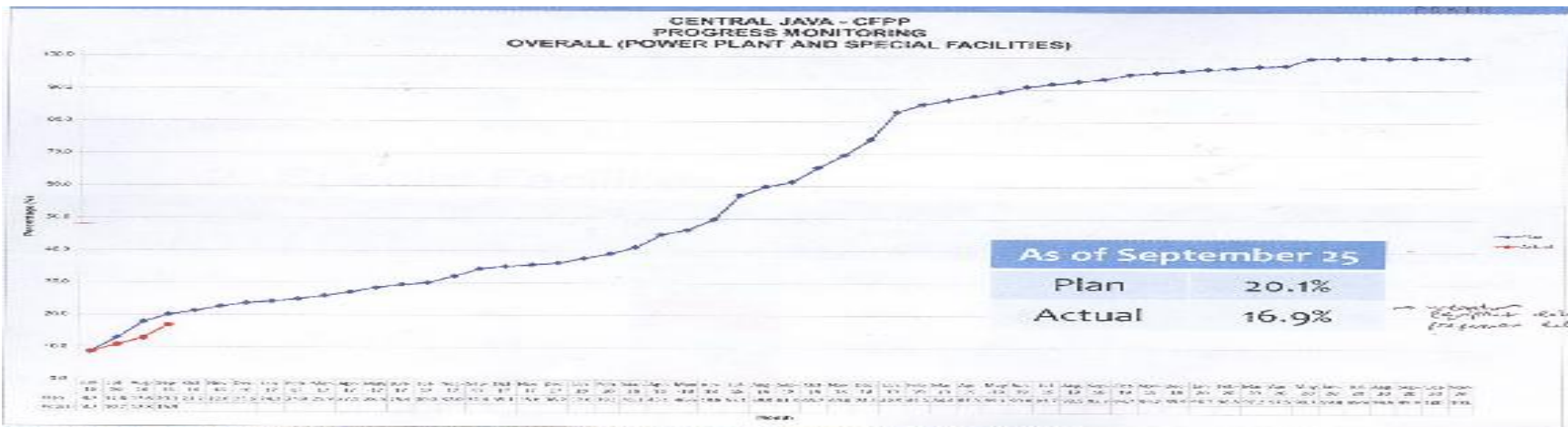
Main Features of CFPP	
Type of CFPP	Ultra Super Critical Coal Fired Power Plant
Capacity	2,000 MW (1,000 MW/unit)
Contractor	1) Engineering and Equipment Supplier: Consortium of MHPS & GN Power Ltd. 2) Construction Contractor: Sumitomo Corporation Main Sub-Contractor: MES, Black & Veach International Co.,
Construction Completion	Year 2020
Power Purchase Agreement	PLN buys during 25 years since COD
Operation & Maintenance	Management of PT Bhimasena Power Indonesia
Coal Supply	Sub-bitumen of coal from Kalimantan (using barge 14,000 DWT)
Coal Ash Handling	Taken by cement company, some will be disposed into ash pond of power plant
Special Facility (Transmission Line & Swiching Station)	500 kV new transmission lines of 7 km and 500 kV switching station will be constructed between CFPP and Transmission Lines belongs to PLN. After construction, transmission line and switching station will be operated by PLN.

Source: Adaro Energy, Bhimasena Power Indonesia



Source: Adaro Energy, Bhimasena Power Indonesia

Please see important disclaimer and disclosure at the end.



(Source: Monthly Progress Report No. 40 period August 26th – September 25th, 2016.)

Construction Status					
1. Power Plant					
Contract	Contractor	Status	Plan %	Actual %	This week update
Cut and Fill Work	MES	On Schedule	35.58%	26.81%	8.84%
PVD* Soil Improvement	MES	A bit Delay	5.17%	1.05%	4.12%
2. Special Facilities					
Contract	Contractor	Status	Plan %	Actual %	This Week Update
Reroute Road	AG	On Schedule	100%	98%	Major portion completed
Reroute Channel	AG	Big Delay	100%	63%	-17%
Cut and Fill Work	AG	On Schedule	100%	89%	Major portion completed
Stone Masonry Work	AG	Big Delay	59%	32%	-27%

On Schedule
A bit Delay
Big Delay

Source: Weekly Construction Report (Date: 23/09/16 – 30/09/16)

Source: Adaro Energy, Bhimasena Power Indonesia

Pictures Taken on the Power Plant Site



Pictures Taken on the Switching Station Site



Pictures Taken on the Replacement Site



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