

(This is a translation by WALHI Central Sulawesi- The original document was written in Indonesian.)

June 24, 2026

Mr. Kazuhiko Amakawa, Governor, Japan Bank for International Cooperation (JBIC)
Mr. Atsuo Kuroda, Chairman and CEO, Nippon Export and Investment Insurance (NEXI)
Mr. Katsuya Nakanishi, Representative Director, President and Chief Executive Officer, Mitsubishi Corporation
Mr. Toru Nakashima, President and Group CEO, Sumitomo Mitsui Financial Group, Inc.
Mr. Junichi Hanzawa, President & Group CEO, Mitsubishi UFJ Financial Group, Inc.
Mr. Masahiro Kihara, President & Group CEO, Mizuho Financial Group, Inc.

Re: On the Adverse Impacts on Local Communities Caused by the Donggi-Senoro LNG Project in Central Sulawesi, Indonesia, and the Need for Effective Measures

We are a group of civil society organizations concerned about the various impacts that industrial development in Banggai Regency, Central Sulawesi, has had on local communities. In this letter, we specifically address the Donggi-Senoro LNG Project (DSLNG), which has been in operation in the same regency since 2015. We request that you, the key Japanese stakeholders deeply involved in this project, recognize the issues outlined below and develop, implement, and monitor effective measures (including appropriate and adequate compensation for all affected local communities) in a transparent manner to ensure these problems are resolved. Furthermore, unless effective measures are taken to address the adverse impacts on local communities, related projects—such as the development of new upstream gas fields, which would lead to the continuation and prolongation of DSLNG’s operational period—should not be promoted.

More than 10 years have passed since LNG production began at DSLNG in June 2015. During this period, local communities have suffered from adverse effects on their livelihoods, both at sea and on land, and have been forced to endure severe living conditions. Furthermore, concerns have been raised regarding health impacts. The following explains **each issue and the required direction for solutions**.

(1) Impact on Fishery Activities

Along the coast of Uso Village, Batui District—where the DSLNG is located—a coastal area extending approximately 1 km radius from the DSLNG project site and the LNG tanker shipping lanes have been designated as No-Entry Zones. As a result, all fishing activities within these zones are prohibited. Fishing communities are also not permitted to pass through these zones even when heading to adjacent fishing grounds. If fishing communities enter the area even slightly, security personnel arrive in speedboats and demand that they leave.

Furthermore, even when fishing communities attempt to fish in the areas surrounding the no-entry zones, the intense light emitted from the DSLNG project site extends over a wide area, making it difficult to attract fish at night using only a small light source such as a torch, as was done in the past. When venturing to fishing grounds farther away, there are cases where net profits have decreased significantly compared to before due to increased fuel costs.

Along the coast of Uso Village, numerous “rumpon” (fish aggregating devices) were once widely installed, yielding abundant catches of a variety of fish species, including skipjack tuna. Some fishing communities utilized small rowboats with one to three persons aboard, while others earned their livelihood by boarding medium-sized fishing boats (known as “pajala,” carrying about 15 crew members) to haul up fishing nets.

However, many of these fishing communities report that they only learned of the no-entry zones established by the DSLNG operator in coastal waters when they actually went out to fish. Many fishing communities were not given adequate opportunities for public consultation to express their concerns or opposition regarding the establishment of no-entry zones in fishing grounds—zones that have a serious impact on their livelihoods—either before or during the construction of the DSLNG.

As a result, fishing has become economically unviable, and the number of residents engaged in fishing in Uso Village has clearly decreased. Fishing communities who continue to fish today are desperately seeking **the restoration of free and safe fishing grounds without no-entry zones.**

In the coastal areas surrounding the gas production facilities of the Senoro Gas Field—which, as an upstream project of the DSLNG, owns port facilities—similar impacts have been reported by fishing communities in Sinorang Village, South Batui District, due to the establishment of no-entry zones. Not only are fishing activities constantly prohibited within these zones, but fishing boats are not even permitted to pass through them when large vessels enter the port.

Fishing communities in Sinorang Village, for whom fishing in coastal waters has become difficult, are now forced to venture into more distant waters or detour around the no-entry zones to reach their fishing grounds. As a result, while fuel consumption has increased, catch volumes have not matched this increase, often leading to economic losses.

Furthermore, the first explanation session (Socialisasi) held by the company for the Sinorang Village fishing group took place only after construction of the gas production facilities had already been completed. Consequently, they were not given the opportunity to express their concerns or opposition in advance regarding the establishment of the no-entry zones, which affect their livelihoods. A group of fishing communities in Sinorang Village have called for **the lifting of the no-entry measures, at least during periods when there is no vessel traffic, and for permission to conduct their fishing activities around the relevant facilities.** If this situation is not improved, the gas production operator should provide appropriate and adequate compensation to the fishing communities.

(2) Impact on Agriculture

In Uso Village, where the DSLNG is located, a diverse range of crops—including coconut, banana, cashew, cacao, chili peppers, corn, taro, and pineapple—have long been cultivated. However, there have been a steady stream of reports that many of these crops, which previously bore lush green leaves and grew vigorously before the start of DSLNG operations, are now experiencing reduced yields and stunted growth. For some crops, although fertilizers were not necessary prior to the DSLNG, they are now required; furthermore, there have been confirmed cases where the situation does not improve even after increasing the amount of fertilizer applied. As a

result, there are households for whom it has become difficult to make a living through agriculture.

The main reported cases of damage are as follows:

- Coconut: Decreased yield, smaller fruit, etc.
- Banana: Leaves turn yellow starting from the top, eventually drying out and dying, etc.
- Cashew: Fruit appears scorched, yield decreases, etc.
- Chili Pepper: Poor growth (stunted height), need for fertilizer application, decreased yield, drying out and dying, etc.
- Corn: Poor growth (stunted height), need for additional fertilizer, reduced yield, etc.
- Taro: Leaves turn yellow and eventually dry out and die, etc.

These crop damages have generally been reported in areas within a radius of approximately 2 km from the DSLNG project site. Although a cause-and-effect relationship has not yet been clearly established, **an independent investigation should be conducted in a transparent manner to analyze and identify the causes of crop damage and clarify effective measures necessary to resolve the issue**, taking into account the potential impact of flaring activities occurring within the DSLNG site.

(3) Lack of Effective Livelihood Restoration Measures

As part of its CSR (Corporate Social Responsibility) program, the DSLNG operator has provided boat engines to some fishing communities and seeds and fertilizers to some farmers. However, none of these initiatives have fundamentally resolved the impact on the livelihoods of fishing communities and farmers.

In addition, while some residents were employed as laborers during the DSLNG construction period, only a limited number of residents remain employed in DSLNG-related jobs after LNG production began. Moreover, even when employed, these are non-regular jobs with subcontractors—such as security or cleaning—and stable employment is not guaranteed.

According to residents of Uso Village, the DSLNG operator had promised to improve their living conditions prior to construction. However, while the villagers were able to lead self-sufficient lives before the DSLNG, they now face restrictions on fishing activities in the sea, and on land, it has become difficult to obtain sufficient harvests from their farmland. Furthermore, with insufficient employment opportunities and combined with soaring prices in the region, they find themselves in an extremely difficult living situation. Not a few households are struggling with the burden of expenses such as children's education costs. Thus, it is evident that the livelihoods and income opportunities of local communities have not only failed to improve to pre-DSLNG levels but have not even been restored. In response to these circumstances, **the development, implementation, and monitoring of effective measures (including permanent worker status and capacity building training) are required in a transparent manner.**

(4) Impact on Health

Some residents in villages surrounding the DSLNG site have pointed out an increase in cases of respiratory and skin diseases over the past few years. Several reports have suggested a link to rainfall, such as residents experiencing skin itching when doing farm work during rainy weather. Additionally, some households are concerned about potential air pollution, leading them to

avoid going outside on rainy days or to stop using rainwater that was previously used for drinking and domestic purposes.

Although a cause-and-effect relationship remains unclear at this time, given that residents' rights to health and a sound environment may be threatened by the impacts of activities such as flaring occurring within the DSLNG site, **an independent investigation should be conducted in a transparent manner to scrutinize and analyze the incidence and trends of respiratory and skin diseases in the areas surrounding DSLNG. This investigation should identify the causes and clarify the effective measures necessary to resolve the issues.**

The issues outlined above (1) through (4) constitute serious concerns that cannot be overlooked in light of applicable environmental, social, and human rights guidelines and international standards; as shown in the table attached at the end of this letter, potential violations have been identified in multiple areas. Therefore, we strongly urge all Japanese stakeholders deeply involved in this project to implement immediate and effective corrective measures to ensure strict compliance with relevant guidelines and international standards, so that the serious problems faced by local communities surrounding DSLNG for over a decade are definitively resolved.

We firmly add that if these measures are not taken promptly, those responsible for this matter should be held strictly accountable.

Sincerely,

SIGNATORIES:

Serikat Nelayan Uso (SNU) (Uso Fishers' Union)
Serikat Petani Uso (SPU) (Uso Farmers' Union)
Masyarakat Nelayan Sinorang Pantai (Fishers' Community of Sinorang Coast)
WALHI Central Sulawesi
Wahana Lingkungan Hidup Indonesia (WALHI)
Friends of the Earth Japan

Cc:

Ms. Satsuki Katayama, Minister of Finance
Mr. Ryosei Akazawa, Minister of Economy, Trade and Industry

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Table: Main Violations of Environmental, Social, and Human Rights Guidelines and International Standards by DSLNG

(For each guideline and international standard, the version in effect as of 2014, when DSLNG entered into a loan agreement with the bank syndicate, is referenced.)

Guidelines / International Standards	Japan Bank for International Cooperation Guidelines for Confirmation of Environmental and Social Considerations (July 2009)	Guidelines on Environmental and Social Considerations in Trade Insurance (July 2009)	The International Finance Corporation (IFC) "Performance Standards on Environmental and Social Sustainability" (PS) (2012)	The Equator Principles (June 2013)	OECD Guidelines for Multinational Enterprises (2011)
Issue (1) Masalah (1)	<p>(Social Acceptability and Social Impacts)</p> <ul style="list-style-type: none"> - sufficient consultations with stakeholders, such as local residents, must be conducted via disclosure of information from an early stage where alternative proposals for the project plans may be examined. The outcome of such consultations must be incorporated into the contents of the project plan • Appropriate consideration must be given to vulnerable social groups, such as women, children, the elderly, the poor, and ethnic minorities, all of whom are susceptible to environmental and social impact and who may have little access to the decision-making process within society. 		<p>PS1: Assessment and Management of Environmental and Social Risks and Impacts</p> <p><u>Consultation</u> 30.</p> <ul style="list-style-type: none"> - (i) begin early in the process of identification of environmental and social risks and impacts; (ii) be based on the prior disclosure and dissemination of relevant, transparent, objective, meaningful and easily accessible information which is in a culturally appropriate local language(s) and format and is understandable to Affected Communities. - The client will tailor its consultation process to the language preferences of the Affected Communities, their 	<p>Principle 5: Stakeholder Engagement</p> <ul style="list-style-type: none"> - For Projects with potentially significant adverse impacts on Affected Communities, the client will conduct an Informed Consultation and Participation process. The client will tailor its consultation process to: the risks and impacts of the Project; the Project's phase of development; the language preferences of the Affected Communities; their decision-making processes; and the needs of disadvantaged and vulnerable groups. - The client will take account of, and document, 	<p>II. General Policies</p> <p>11. Avoid causing or contributing to adverse impacts on matters covered by the Guidelines, through their own activities, and address such impacts when they occur.</p> <p>14. Engage with relevant stakeholders in order to provide meaningful opportunities for their views to be taken into account in relation to planning and decision making for projects or other activities that may significantly impact local communities.</p> <p>IV. Human Rights</p>

		<p>decision-making process, and the needs of disadvantaged or vulnerable groups.</p> <p><u>Informed Consultation and Participation</u> (ICP) 31.</p> <p>- ICP involves a more in-depth exchange of views and information, and an organized and iterative consultation, leading to the client's incorporating into their decision-making process the views of the Affected Communities on matters that affect them directly</p>	<p>the results of the Stakeholder Engagement process, including any actions agreed resulting from such process. For Projects with environmental or social risks and adverse impacts, disclosure should occur early in the Assessment process, in any event before the Project construction commences, and on an ongoing basis.</p>	<p>1. Respect human rights, which means they should avoid infringing on the human rights of others and should address adverse human rights impacts with which they are involved.</p> <p>2. Within the context of their own activities, avoid causing or contributing to adverse human rights impacts and address such impacts when they occur.</p>
<p>Issues (1), (2), (3)</p>	<p>(Involuntary Resettlement)</p> <p>- loss of means of livelihood are to be avoided where feasible, exploring all viable alternatives. When, after such examination, it is proved unfeasible, effective measures to minimize impact and to compensate for losses must be agreed upon with the people who will be affected</p> <p>- The project proponents, etc. must make efforts to enable the people affected by the project, to improve their standard of living, income opportunities and production levels, or at least to restore them to pre-project levels.</p>	<p>PS 5: Land Acquisition and Involuntary Resettlement <u>Objectives</u></p> <p>- To avoid, and when avoidance is not possible, minimize displacement by exploring alternative project designs.</p> <p>- To anticipate and avoid, or where avoidance is not possible, minimize adverse social and economic impacts from land acquisition or restrictions on land use by (i) providing compensation for loss of assets at replacement cost and (ii) ensuring that</p>	<p>Principle 3: Applicable Environmental and Social Standards</p> <p>- For Projects located in Non-Designated Countries, the Assessment process evaluates compliance with the then applicable IFC Performance Standards on Environmental and Social Sustainability (Performance Standards) and the World Bank Group Environmental, Health and Safety Guidelines (EHS</p>	<p>5. Carry out human rights due diligence as appropriate to their size, the nature and context of operations and the severity of the risks of adverse human rights impacts.</p> <p>6. Provide for or co-operate through legitimate processes in the remediation of adverse human rights impacts where they identify that they have caused or contributed to these impacts.</p>

		<p>resettlement activities are implemented with appropriate disclosure of information, consultation, and the informed participation of those affected.</p> <ul style="list-style-type: none"> - To improve, or restore, the livelihoods and standards of living of displaced persons. 	Guidelines)	<p>VI. Environment</p> <p>3. Assess, and address in decision-making, the foreseeable environmental, health, and safety-related impacts associated with the processes, goods and services of the enterprise over their full life cycle with a view to avoiding or, when unavoidable, mitigating them.</p>
<p>Issues (2), (3), (4)</p>	<p>(Scope of Impact to be Examined)</p> <ul style="list-style-type: none"> - Environmental impact to be investigated and examined includes factors that impact human health and safety as well as the natural environment, such as: air, water, soil, waste, accidents, water usage, ecosystem and biota. Social concerns include: involuntary resettlement of the population 	<p>PS 3: Resource Efficiency and Pollution Prevention</p> <p><u>Objectives</u></p> <ul style="list-style-type: none"> - To avoid or minimize adverse impacts on human health and the environment by avoiding or minimizing pollution from project activities. 	<p>Principle 3: Applicable Environmental and Social Standards</p> <ul style="list-style-type: none"> - For Projects located in Non-Designated Countries, the Assessment process evaluates compliance with the then applicable IFC Performance Standards on Environmental and Social Sustainability (Performance Standards) and the World Bank Group Environmental, Health and Safety Guidelines (EHS Guidelines) 	