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# North Kalimantan develops downstream industry for CPO

September 8, 2022 (<https://indonesiabusinesspost.com/2022/09/>)

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North Kalimantan, supported by the Investment Coordinating Board (BKPM), has been establishing a downstream industry of crude palm oil (CPO) in Bulungan regency since 2020. The industry has an investment worth IDR 269.62 billion. The project is feasible to investors since there are supports in infrastructure, geography, transportation and a strategic location.

North Kalimantan, which was established in October 25, 2012, borders with Malaysia's Sabah and Sarawak states. The capital is in Tanjung Selor. The province has two investment opportunities, with zero industrial centers, 13 airports, 3 ports, 3 education facilities, 58 hotels and six hospitals as of 2022.

The BKPM is currently chaired by Investment Minister Bahlil Lahadalia since 2021. The board is a government institution that deals with investment projects in Indonesia. It was established in 1973 with the responsibility of implementing policy and coordinating investments.

## Opportunities in palm oil investments

The downstream CPO industry will be developed in Tanah Kuning Industrial Estate, which covers three subdistricts of Tanah Kuning, Mangkupadi and Binai, in Tanjung Palas Timur district, Bulungan regency. The project started in 2020 with an investment worth IDR 269.62 billion, an interest rate of return (IRR) of 18%, a net present value (NPV) of IDR 77.52 billion and a payback period of 7.4 years.

The downstream project of the palm oil industry is situated on the eastern coast of North Kalimantan, a geographically strategic location and potentially profitable area to distribute goods by ships.

The project also focuses on a factory development, which will take two years, with a capacity of 5,000 tons per month. The factory will then support the production of CPO and goods will be sent downstream toward the port.

## Infrastructure support and investors

The project soon will be supported by energy infrastructure in Tanah Kuning, such as Kayan I hydropower plant with a capacity of 900MW (megaWatts) and a coal-fired steam power plant (PLTU) in Bulungan regency with a smaller capacity. For more information, please contact us at <https://wa.me/6287772101080>

transportation, there will be an international seaport built in the region with an investor from South Korea. For now, the distribution of goods could be carried out through Kayan 2 port in Tanjung Selor with an alternative route being built at a distance of 50 kilometers from the industrial estate.

Kayan Hydro Energy (KHE) Operational Director, Khaeroni, said that the construction of the hydropower plant was on schedule.

“*Alhamdulillah* [Thank God] the construction of the largest hydropower project in Southeast Asia is on schedule... The work process is now heading for expansion such as road construction,” he said on October 27, 2021, as quoted by Antara news agency.

## Risks in palm oil industry

The new CPO factory still needs land for the factory’s construction in the region. Bulungan Regent Syarwani said there were already dozens of oil palm plantations in Bulungan, seven of which already have CPO processing plants. CPO production now reaches 26,000 tons per month. Currently, the construction of the factory is still in early stages, such as mechanisms and potential mapping. However, the location of the construction will be decided by the investors.

According to Bulungan regency administration, there is widespread environmental pollution due to operational activities carried out by PT Prima Bahagia Permai (PBP) in Binai subdistrict, Bulungan regency. According to him, the monitoring results found that on January 14, 2022, there was water pollution from palm oil management waste.



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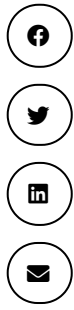
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
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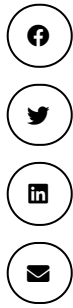
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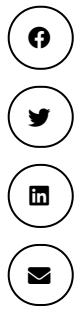
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Indonesia and China have reached an agreement on the cost overrun for the Jakarta-Bandung High Speed Train (KCJB) project of US\$ 1.2 billion, or IDR 18.24 trillion, from the previous estimation of IDR 113 trillion to IDR 131 trillion.



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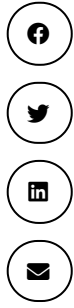
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Sugar plantation company PT Aman Agrindo Tbk (GULA) is budgeting Capital expenditure (Capex) in 2023 for about IDR 40-50 billion (US\$ 2.6-3.3 million) for the construction and establishment of a factory in Banten.

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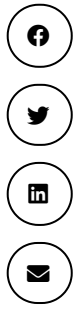
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Heavy equipment distributor PT Kobexindo Tractors Tbk (KOBX) has allocated US\$ 4 million Capital expenditure (Capex) in 2023 for operations and heavy equipment rejuvenation.



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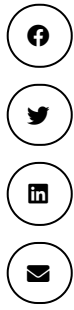
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Leading digital communications provider PT Indosat Ooredoo Hutchison Tbk (ISAT) will allocate Capital expenditure (Capex) worth IDR 13 trillion (US\$ 857 million) in 2023 for digitalization process and customer experience.



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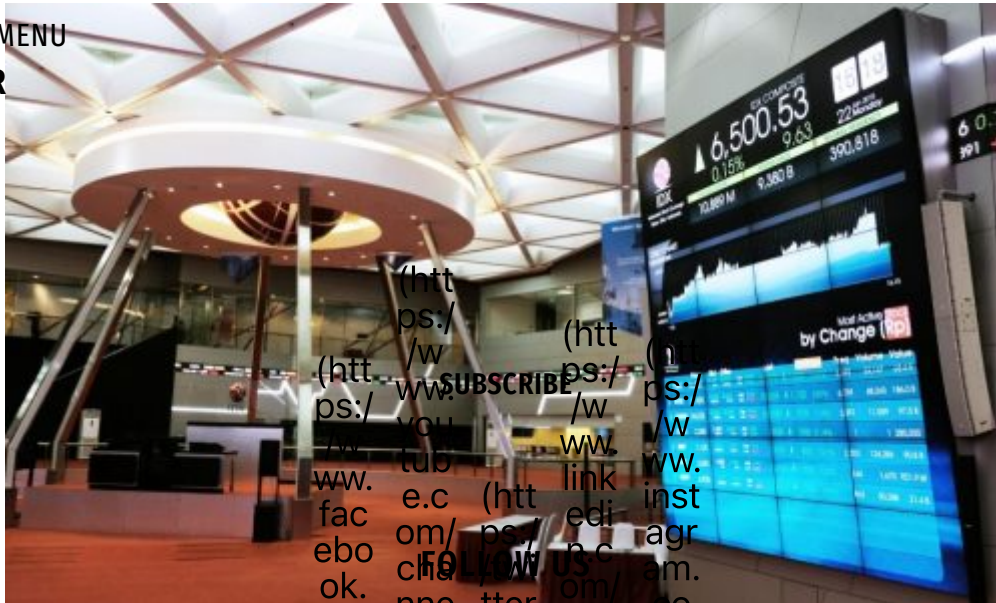
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PT Teknologi Karya Digital Nusa Tbk (TRON) will go public later in February and release about 750 million shares worth IDR 165 billion (US\$ 10.9 million), with 30% of the fund will be used for Capital expenditure (Capex) and the rest for working capital.

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