

Mr. Shinzo Abe, Prime Minister of Japan
Mr. Taro Aso, Minister of Finance
Mr. Hiroshige Seko, Minister of Economy, Trade and Industry
Mr. Tadashi Maeda, Governor of Japan Bank for International Cooperation
Mr. Kazuhiko Bando, Chairman and CEO of Nippon Export and Investment Insurance

Japan, Stop financing Van Phong 1 coal power plant project in Vietnam

February 14 2019

We, undersigned organizations, urge Japan not to finance the Van Phong 1 coal power plant project in Vietnam. Japanese export credit agencies, the Japan Bank for International Cooperation (JBIC) and the Nippon Export and Investment Insurance (NEXI) are currently considering to support this project, in contradiction to Japan's OECD commitments and their own policies.

Van Phong 1 is a 2 x 660MW coal-fired power project in Ninh Phước commune, Ninh Hòa township, Khánh Hòa province in Vietnam, proximate to Van Phong Bay. The project sponsor is Sumitomo Corporation. The funding is anticipated to involve JBIC, and Sumitomo Mitsui Financial Group (SMFG), Mitsubishi UFJ Financial Group (MUFG) and Mizuho Financial Group (Mizuho). SMFG is providing financial advisory services¹.

On 4 February 2019, JBIC and NEXI officially began considering providing finance and insurance to Van Phong 1, and disclosed the Environmental and Social Impact Assessment (ESIA), completed in November 2017. The project is anticipated to use supercritical technology, which would be expected to have an emission intensity of between 750g and 850g CO₂/kWh.

Breach of the OECD Sector Understanding

Under the OECD Sector Understanding on Export Credits for Coal-Fired Electricity Generation (OECD Sector Understanding)², to which Japan is a party, export credit finance can only be provided to projects larger than 500MW that either 1) use ultrasupercritical technology, or 2) have an emission intensity lower than 750g CO₂/kWh. As neither criteria applies to Van Phong 1, JBIC and NEXI must not support this project.

The transitional clause of the OECD Sector Understanding states that:

The transitional clause of the OECD Sector Understanding exempts projects which have a “fully completed technical feasibility study and environmental and social impact assessment”

¹ Minerva Lau, *Project Finance International*, ‘Van Phong IPP into due diligence’ (22 June 2018).

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[https://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=TAD/PG\(2015\)9/FINAL&docLanguage=En](https://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=TAD/PG(2015)9/FINAL&docLanguage=En)

by January 1, 2017, “and provided that an application for export credit support for any such project is submitted and acted upon expeditiously.”

Although there were initial ESIA's completed in 2011 and 2015, the most recent ESIA was completed in November 2017. As Van Phong 1 has a completely new, further developed ESIA that supersedes the previous documents, it does not fall into the this exception. Furthermore, the earlier 2011 and 2015 ESIA's were completed 8 and 4 years ago respectively. Therefore, it cannot be argued that the project has been “submitted and acted upon expeditiously.”

JBIC and NEXI are attempting to misconstrue the OECD Sector Understanding.

Human rights and other environmental concerns

In addition, there are human rights concerns associated with Van Phong 1. The communities in the area have expressed concern to Vietnamese civil society organisations about the effect of the coal ash and the impact of discharge of cooling water on the fish in the bay. The Vietnamese civil society organisations report that while the communities on the site of coal-fired power station have been resettled, there has been little thought about alternative livelihoods for farmers and nearshore fisherfolk.

Since January 2017, JBIC and NEXI have agreed to support five coal-fired power projects, and are expected to support another seven (including Van Phong 1) in the world. They would emit up to 71.3 million metric tons of CO₂ in total annually — equivalent to the per capita emissions of 7.4 million people in Japan³. The construction of these would defeat the goals of the Paris Agreement. In order to limit temperature rises to 2°C, let alone the 1.5°C goal the IPCC now recommends, the Executive Director of the International Energy Agency has stated, “We have no room to build anything that emits CO₂ emissions.”⁴

The Japanese government is openly seeking to limit global warming. Prime Minister Abe himself has publicly committed to halting runaway climate change, which he linked to the unprecedented devastation in 2018 from torrential rain in western Japan, heatwaves in North America and Europe, and typhoons in the Philippines⁵. Japan's latest Basic Energy Plan states that the Government of Japan “*supports the introduction of power generation equipment that is in principle at or above ultra-supercritical pressure, the global state-of-the-art, taking into account OECD rules*”⁶. Funding the Van Phong 1 project blatantly contradicts Japan's own energy plan and its commitments under the Paris Agreement.

³ Friends of the Earth U.S. “Violations of International Coal Financing Restrictions by Japan's Export Credit Agencies”<https://foe.org/news/japan-supports-millions-tons-carbon-pollution/> Nov 13 2018

⁴ The Guardian “World has no capacity to absorb new fossil fuel plants, warns IEA”
<https://www.theguardian.com/business/2018/nov/13/world-has-no-capacity-to-absorb-new-fossil-fuel-plants-warns-iea> Nov 13 2018

⁵ https://www.mofa.go.jp/p_pd/ip/page4e_000904.html

⁶ Japan's 5th Basic Energy Plan, 2018

http://www.enecho.meti.go.jp/en/category/others/basic_plan/5th/pdf/strategic_energy_plan.pdf

We urge JBIC and NEXI to stop further consideration of Van Phong 1, and urge Japan not to support any new coal power projects.

Cc:

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Mr. Koji Fujiwara, President & CEO, Mizuho Bank, Ltd.

Mr. Makoto Takashima, President and Chief Executive Officer, Sumitomo Mitsui Banking Corporation

Mr. Masayuki Hyodo, Representative Director, President and Chief Executive Officer,
SUMITOMO CORPORATION

Signatories

BankTrack

Friends of the Earth France

Friends of the Earth Japan

Friends of the Earth United States

Japan Center for a Sustainable Environment and Society (JACSES)

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