

August 6 2021

Mr. Tadashi Maeda
Governor
Japan Bank for International Cooperation
1-4-1 Otemachi, Chiyoda City,
Tokyo 100-8144

[Letter of Request]
Do Not Finance LNG Canada Project

Dear Mr. Maeda,

We, the undersigned groups, call on your bank not to finance the LNG Canada project that the bank is currently considering financing. We recognize that there are serious problems such as human rights violations of Indigenous Peoples and the risks of worsening climate change.

The LNG Canada project plans to transport shale gas extracted in the Montney Formation in British Columbia (BC) through a 670 kilometer pipeline to Kitimat, where the gas will be liquefied and exported to Asian markets. We understand that your bank has already been financing the gas development project in the Montney. The project will not be made possible without the shale gas or the pipeline development projects, and therefore it is important to carefully consider the impacts of these associated projects when considering financing the LNG Canada project. We request you to review the following concerns carefully and make a sincere decision.

Violations of Indigenous Peoples' rights

1. Pipeline

The Coastal GasLink pipeline project plans to transport gas to the LNG Canada terminal through the lands of the Wet'suwet'en Nation, but traditional chiefs of the nation have not agreed to the pipeline project.

Wet'suwet'en has never given up their rights to the land, claiming that it is unceded land. In fact, in regard to land rights, in 1997 the Supreme Court of Canada ruled that the ownership and use of land belong to Indigenous Peoples, including the land of Wet'suwet'en (Delgamuukw case)¹. The case also confirmed/recognized that the traditional (hereditary) chiefs were the title holders.

Cas Yikh, a house group in the Wet'suwet'en First Nation affected by the pipeline, also submitted a letter to your bank, clearly addressing that they have not given up their rights to the land used for the pipeline. The letter also states that the project has violated the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP)².

In the interim ruling of a 2018 case brought by the Coastal GasLink Pipeline Limited, the BC Supreme Court recognized that the company would suffer losses due to the protest of Indigenous Peoples and permitted the continuation of the Coastal GasLink pipeline

¹ 'We still have title': How a landmark B.C. court case set the stage for Wet'suwet'en protests", <https://www.cbc.ca/news/canada/british-columbia/delgamuukw-court-ruling-significance-1.5461763>, CBC News, Feb. 13, 2020

² Letter to JBIC by Cas Yikh, https://www.foejapan.org/aid/jbic02/Ingcanada/pdf/210327_en.pdf,

project. Coastal Gaslink themselves argued that they had already suffered losses in the ‘tens of millions of dollars’ in the first year of construction³. As mentioned above, Wet’suwet’en have never relinquished their land rights, and the land rights traditionally belong to Wet’suwet’en. There was also a nationwide solidarity strike in Canada when armed police cracked down on Indigenous Peoples protesting peacefully against the pipeline.

2. Gas development

Your bank has already provided financing to Mitsubishi Corporation for the acquisition of its interest in the gas development project in the Montney. The Blueberry River First Nations have filed a lawsuit claiming that their treaty rights have been infringed due to the cumulative effects of development in the area of the Montney shale gas field. The court has found that the rights to traditional land use guaranteed under the Treaty 8 have been violated⁴. As a result, the court ordered the BC government to stop issuing any new permits for oil and gas development. The BC government announced that it will not appeal the case⁵.

In fact, as the Indigenous Peoples have pointed out, serious environmental damage and destruction of their hunting grounds have been reported in the region⁶.

In addition, the project to build an additional pipeline between the gas development site and the Coastal GasLink pipeline that your bank is considering financing⁷ appears to be in an area where The Blueberry River First Nations’ traditional land-use rights are recognized and respected. Building the pipeline could infringe their treaty rights.

3. Site C dam

All trains for the LNG Canada project will be driven by natural gas turbines, and all other facilities will be powered by the British Columbia and Hydro Authority (BC Hydro).

BC Hydro is developing the Site C dam with a generating capacity of 1,100 megawatts (MW) on the Peace River in northwestern BC. According to the company’s website, construction began in December 2014 and is scheduled to be completed in 2024. It is not known from which power plant BC Hydro will supply electricity to the LNG Canada project, but once the dam is completed, it is highly likely that the electricity supplied by the Site C dam will be used in the gas development in the region. In fact it has been pointed out that the Site C dam is actually being constructed for gas development⁸.

The Site C dam project has been in the works for more than 30 years, but it has been rejected twice because of its cost and environmental impact⁹. The construction of the Site C

³ Sunny Deol Affidavit May 10th, 2019 Huson vs CGL

⁴ Yahey v. British Columbia, 2021 BCSC 1287,

https://www.bccourts.ca/jdb-txt/sc/21/12/2021BCSC1287.htm#_Toc75942743

⁵ Government of British Columbia “Attorney general’s statement on Yahey v. British Columbia” 28 July 2021 <https://news.gov.bc.ca/releases/2021AG0117-001488>

⁶ Eliana Macdonald “Atlas of Cumulative Landscape Disturbance in the Traditional Territory of Blueberry River First Nations, 2016”

<https://davidsuzuki.org/wp-content/uploads/2017/09/atlas-cumulative-landscape-disturbance-traditional-territory-blueberry-river-first-nations-2016.pdf>, June 2016.

⁷ “RE: Determination of Application Number 10011026”

https://www.jbic.go.jp/ja/business-areas/environment/projects/pdf/62412_5.pdf

⁸ “To understand B.C.’s push for the Coastal GasLink pipeline, think fracking, LNG Canada and the Site C dam”

<https://thenarwhal.ca/to-understand-b-c-s-push-for-the-coastal-gaslink-pipeline-think-fracking-lng-canada-and-the-site-c-dam/>, The Narwhal, March 3 2020, <https://www.sitecproject.com/faq> FAQ on Site C dam by the BC Hydro clearly mentions “The electricity needs of Liquefied Natural Gas (LNG) facilities would further increase demand.”

⁹ See footnote 4

dam will submerge the land of the West Moberly First Nations and result in the loss of biodiversity land and wetland called tufa seep. This has led to strong opposition from environmental groups and Indigenous Peoples.

Concerns about the weak foundation in the area where the project will be carried out are also significant¹⁰. West Moberly has requested BC Hydro and the BC state government to disclose their safety documents to the BC court. In May 2021, the BC Supreme Court granted the appeal of West Moberly and ordered BC Hydro and the state government to disclose the documents¹¹.

Furthermore, the area where the Blueberry River First Nation is entitled to traditional land use overlaps with the Site C dam site, and the aforementioned ruling may affect the Site C dam project.

On December 13, 2019, the United Nations Committee on the Elimination of Racial Discrimination adopted a resolution calling on the federal government to immediately suspend the construction of the Coastal GasLink pipeline project, the Trans-Mountain pipeline project and the Site C dam project until free prior, informed consent (FPIC) is obtained¹².

The Japan Bank for International Cooperation (JBIC)'s Guidelines for Confirmation of Environmental and Social Considerations (the guidelines) state that the scope of impacts to be examined includes the impact of associated facilities. Again, the LNG Canada project would not be able to proceed without the shale gas development project and the Coastal GasLink pipeline project. It is also undeniable that power generation at the Site C dam is constructed for the LNG project. In the environmental review of the LNG Canada project, JBIC should carefully review the environmental, social, and human rights considerations of each of the above-mentioned associated projects in accordance with your guidelines, and make a careful decision on whether to provide financing.

In particular, the JBIC guidelines stipulate that the rights of Indigenous Peoples in relation to land and resources "must be respected in accordance with the spirit of the relevant international declarations and treaties, and free, prior, and informed consents must be obtained." The United Nations Committee on the Elimination of Racial Discrimination clearly states that Indigenous Peoples' FPIC has not been obtained for the projects associated with the LNG Canada. Your bank should not provide financing for the project that does not meet the requirements of your guidelines.

In addition, regarding the pipeline construction project that connects the gas development site and the Coastal GasLink pipeline, which is one of the subjects of JBIC's loan consideration, only the environmental permit certificate is currently available on JBIC's website, but not the Environmental and Social Impact Assessment Report (ESIA report) or equivalent. Documents required under the guidelines, such as its Indigenous People's plan

¹⁰ "Top B.C. government officials knew Site C dam was in serious trouble over a year ago: FOI docs" <https://thenarwhal.ca/site-c-dam-geotechnical-problems-bc-government-foi-docs/>, The Narwhal, Oct 21 2020,

¹¹ "BC Hydro, province ordered to release secret Site C dam docs to West Moberly First Nations" <https://thenarwhal.ca/bc-supreme-court-site-c-documents/>, The Narwhal, May 5 2021,

¹² Committee on the Elimination of Racial Discrimination "Prevention of racial discrimination, including early warning and urgent action procedure" https://tbinternet.ohchr.org/Treaties/CERD/Shared%20Documents/CAN/INT_CERD_EWU_CAN_9026_E.pdf?_ga=2.171294304.1158930249.1618324061-1016472279.1618324061, Dec 13 2019

and the ESIA report, have not been provided to your bank by the company nor been disclosed by your bank; that is a clear violation of JBIC's guidelines.

As of July 2021, your bank has been monitoring the shale gas project in the Montney. Before your bank decided to finance this project in 2012, the only data that was disclosed during the environmental review was the environmental permit issued by the Oil and Gas Commission of BC, and neither an ESIA report nor an Indigenous People's plan was released. Your bank stated that it reviewed the information equivalent to the content of the ESIA report individually with the authorities and relevant parties. However, your bank clearly violated your guidelines by not meeting the requirements for information disclosure required for Category A projects.

Environmental impact of shale gas development

The environmental impact of shale gas extraction cannot be overlooked. Much of the gas is stored in underground sandstone, but shale gas is contained in shale layers hundreds to a thousand meters underground, which require drilling down to the shale layers to create cracks (fracks) in the rock and break it up under high pressure. This method is called hydraulic fracturing (fracking) and causes a high environmental impact. There are various risks, such as seismic risk, water pollution from water injected for fracking, air pollution risk, and global warming risk from methane emission. Because of these risks, fracking has been banned in France in 2011 and Bulgaria in 2012, and a ban on fracking is being implemented in more countries and cities these days¹³. Fracking is the method used for gas extraction in the Montney, and operations in parts of the Montney have been suspended due to earthquakes believed to have been triggered by fracking¹⁴.

As mentioned above, your bank continues to monitor the gas development project in Montney without disclosing documents equivalent to an Indigenous People's plan and an ESIA report. Your bank should thoroughly examine the environmental and social impacts of gas development caused by fracking to date and in the future, as well as the measures to avoid and reduce such impacts, and the status of implementation. At the same time, you should fulfill its accountability to stakeholders. In addition, when your bank finds that the borrower fails to make appropriate consideration on the environmental and social impacts of gas development, you must take necessary action according to the guidelines, including declaring all the outstanding principal at the time, with interest and any other charges thereon, to be payable immediately.

Inconsistency with climate targets

The Paris Agreement, an international treaty on climate change, sets a goal of limiting global average temperature increase to 1.5 degrees Celsius. To achieve this goal, global greenhouse gas emissions must be reduced to net zero by 2050. In other words, the development of new gas fields, mining, and construction of gas-related facilities will lead to

¹³ GNHRE "The legal status of fracking worldwide: An environmental law and human rights perspective."
<https://gnhre.org/2020/01/06/the-legal-status-of-fracking-worldwide-an-environmental-law-and-human-rights-perspective/> Jan 6 2020

¹⁴ Natural Gas Intelligence "Montney Fracking Suspended at Least 30 Days Pending Earthquake Investigation"
<https://www.naturalgasintel.com/montney-fracking-suspended-at-least-30-days-pending-earthquake-investigation/>, Dec 7th 2018, NGI "Further Research Exposes Montney Shale Earthquake Risks" <https://www.naturalgasintel.com/further-research-exposes-montney-shale-earthquake-risks/> Sep 26 2019

the long-term lock-in of new greenhouse gas emissions, and do not meet the goals of the Paris Agreement. The LNG Canada Project is scheduled to start operation in fiscal 2024 for 40 years. If the project proceeds as planned, liquified natural gas (LNG) production will continue even after 2050.

The Japanese government has pledged to be carbon neutral by 2050. Gas from the project will be sold mainly in Asian markets including Japan. When it is necessary to reduce demand for gas and eventually phase out in Japan to achieve the 2050 target, supporting new gas projects with public money goes against the government's policy.

Financial risks

If regulations and restrictions on the use of fossil fuels including gas are promoted in the future as a measure against climate change, assets related to gas may become stranded assets in the future¹⁵.

The costs of the pipeline and the dam projects have already increased due to opposition from Indigenous Peoples, lawsuits and construction delays caused by the spread of COVID-19. The Coastal GasLink pipeline project is already facing cost overruns and is currently in dispute over the cost of gas with LNG Canada due to these extra costs and delays¹⁶. The Site C dam's construction costs have doubled from an initial estimate of CAD 8.8 billion to CAD 16 billion¹⁷.

Moreover, according to a report by Global Energy Monitor, the LNG business in Japan has been exposed to risks even before the spread of COVID-19. According to data published by trading companies in 2020, the LNG-related businesses of ITOCHU, Marubeni, Mitsubishi Corporation, Mitsui, and Sojitz together experienced a US \$625 million year-on-year decline in profit.

Japan's public funds should not be exposed to these risks.

Because of these problems, we urge your bank not to finance the LNG Canada project.

Sincerely,

Friends of the Earth Japan
Cas Yikh (Gidimt'en Clan, Wet'suwet'en Nation)
Wilderness Committee
Japan Center for a Sustainable Environment and Society (JACSES)
Mekong Watch

¹⁵ "Gas is the new coal with risk of 100 billion in stranded assets"
"<https://www.bloomberg.com/news/articles/2021-04-17/gas-is-the-new-coal-with-risk-of-100-billion-in-stranded-assets>. Bloomberg, April 17 2021.

¹⁶ "LNG Canada project threatened amid cost dispute over Coastal GasLink pipeline" Financial Post 29 July 2021
<https://financialpost.com/commodities/energy/oil-gas/shell-lng-project-threatened-amid-cost-dispute-over-gas-pipeline>

¹⁷

Global Energy Monitor "Gambling On Gas: Risks Grow For Japan's \$20 Billion LNG Financing Spree"
https://globalenergymonitor.org/wp-content/uploads/2020/07/JapanLNG_2020_r2.pdf July 2020.

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