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Joint Statement

Japanese NGOs protest Korea Electric Power Co.'s decision to participate in Vung Ang 2 coal-fired power plant in Vietnam: Japanese public and private sector should also withdraw

Friends of the Earth Japan
Japan Center for a Sustainable Environment and Society (JACSES)
Mekong Watch
350.org Japan
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Today the board of Korea Electric Power Co. (KEPCO) gave its approval for the state utility to invest in the Vung Ang 2 coal-fired power plant project in Vietnam (Note 1). We wish to register our strong protest for this decision to invest in a project that has been the subject of international criticism and rife with many problems, and we call upon public and private sector interests in Japan and Korea to withdraw from the project.

Vung Ang 2 is a new-build project for two 600 megawatt ultra-supercritical (USC) coal-powered generating units in Vietnam's Hà Tĩnh Province. Mitsubishi Corporation and Hong Kong-based CLP Holdings originally planned to invest in the project, but CLP withdrew when it announced a coal exit policy in December 2019. Banks that had been previously considering the project then withdrew from the financing consortium, including Standard Chartered Bank (UK), OCBC Bank (Singapore), and DBS Bank (Singapore) (Note 2). More recently, GE (General Electric), which was expected to be involved in engineering, procurement, and construction (EPC) for the project, announced on September 21, 2020 that it intends to exit from the new-build coal power market (Note 3).

New construction of coal-fired power plants is not consistent with the Paris Agreement's goal of limiting the global average temperature increase to "well below 2°C" above preindustrial levels, and pursuing efforts to limit the increase to 1.5°C. The world has no leeway to build new coal-fired power plants. In fact it must close down existing plants globally by 2040.

When KEPCO was considering its participation in the project, a pre-feasibility study by the government think tank Korea Development Institute (KDI) concluded that for the period of KEPCO's expected involvement (2020 to 2048), KEPCO's share of total project losses (158 million dollars, about 17 billion yen), calculated as net present value of revenues minus expenditures, would be a loss of 79 million dollars (95.8 billion won, or about 8.6 billion Japanese yen) (Note 4). The project raises concerns about not only economic risks, but also significant impacts on the local environment and communities. The environmental and social impact assessment (ESIA) prepared by proponents has been slammed by experts for its numerous flaws, including the failure to adequately consider environmental impacts (Note 5).

An analysis issued last month by US think tank the Institute for Energy Economics and Financial Analysis (IEEFA) (Note 6) identified financial risks for state utility Electricity of Vietnam (EVN), which would purchase the electricity. One factor was the electricity purchase contracts that would require it to guarantee power purchases at fixed prices from coal-fired independent power producers (IPP). EVN might be able to raise electricity tariffs to limit its debt risk, but the ultimate burden would fall on electricity consumers in Vietnam. Japanese and Korean interests should not be building high-cost and polluting coal-fired power plants in Vietnam and failing to adequately consider options such as inexpensive and clean renewable energy.

Considering the climate, environment, community, and economics, the Vung Ang 2 coal-fired power project clearly does not deserve support. Once again, we call upon Mitsubishi Corporation (which intends to invest) and Chugoku Electric Power Co. (which is still considering) to withdraw from the project. The Japan Bank for International Cooperation (JBIC) and Nippon Export and Investment Insurance (NEXI) are also considering involvement in the project. In addition, private sector banks considering the provision of financing include the Mitsubishi UFJ Financial Group, Mizuho Financial Group, Sumitomo Mitsui Financial Group, and Sumitomo

Mitsui Trust Holdings. They should not be financing projects that will accelerate climate change. We also call upon Tokio Marine, MS&AD, and SOMPO not to provide insurance underwriting for this project.

Notes:

1.

“Kepco greenlights controversial Vung Ang 2 coal power plant project,” The Korea Herald, 5-Oct-2020
<http://www.koreaherald.com/view.php?ud=20201005000779>

2. Joint Statement: Mitsubishi Corporation increasingly isolated on coal-fired power plant in Vietnam. As major international banks and partners pull out, Japanese public and private sector must join the coal exit, 20-Dec-2020
<https://www.foejapan.org/en/aid/jbic02/va/191220.html>

3. “GE to pursue exit from new build coal power market,” GE Press Release, 21-Sep-2020,
<https://www.ge.com/news/press-releases/ge-pursue-exit-new-build-coal-power-market>

4. “Negative profitability” found for planned Vung Ang 2 coal-fired power plant in Vietnam by Korean government think tank: Japanese corporations and banks may risk lawsuits if they move ahead with project despite projected losses, 12-June-2020, <https://www.foejapan.org/en/aid/jbic02/va/200612.html>

5 Evaluation of the 2018 Environmental Impact Assessment (EIA) Report for the Vung Ang II Thermal Power Plant Project,” ELAW, April 2020
https://elaw.org/VN_VungAngII_2018EIAResult

6 “Vietnam’s new power development plan must optimize renewables and avoid fossil fuel lock-in,” IEEFA, 22-Sep-2020, <https://ieefa.org/ieefa-report-vietnams-new-power-development-plan-must-optimize-renewables-and-avoid-fossil-fuel-lock-in/>

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