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Joint Statement:
Japanese government should recall its interpretation of OECD rules on coal — official support should not be provided for ammonia co-firing

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The Organisation for Economic Co-operation and Development (OECD)'s Working Party on Export Credit and Credit Guarantees reached an agreement on new rules (OECD Export Credit Arrangement) on official support for coal-fired power plants in November 2021. We, 5 environmental NGOs, condemn the Japanese government's interpretation of these new rules, which is that the rules allow supporting ammonia or hydrogen co-firing with existing coal-fired power plants. This interpretation is incorrect and we demand the government not to provide support for the introduction of ammonia or hydrogen co-firing with overseas existing coal-fired power plants.

At the 77th regular dialogue between the Japan Ministry of Finance (MoF) and NGOs, held on December 23, 2021, a MoF official in charge of matters relating to the OECD Arrangement provided a view, which is that the OECD Arrangement allows supporting technologies for CO2 emission reduction as long as they don't extend the lifetime of or increase a capacity of existing coal-fired power plants; the Arrangement doesn't specifically mention ammonia co-firing, but doesn't excluded it either; therefore the Arrangement does not mean that the government cannot support the co-firing technologies at all at this point [1].

However, the paragraph d) of Article 6 of the OECD Arrangement states that CO2 emission abatement technologies other than CCUS (Carbon Capture, Utilization and Storage) would be put on the table upon request by OECD countries and the inclusion of such technologies shall be based on a consensus decision [2]. In other words, the CO2 emission abatement technology permitted to provide export credits or tied aid for existing coal-fired power plants, defined in paragraph d) of Article 6, is limited to CCUS, hence official support is not permitted for the introduction of ammonia or hydrogen co-firing equipment. Therefore, the interpretation of the Japanese government, which is that official support for introducing ammonia and hydrogen co-firing with existing coal-fired power plants is not excluded from the OECD Arrangement, is incorrect.

Since ammonia and hydrogen do not emit CO2 when combusted, emissions from electricity generation will be reduced if they are co-fired with coal power. However, ammonia and

hydrogen today are mainly produced from fossil fuels. During the production, CO2 will be emitted in producing countries. CCS/CCUS, which are expected to be measures to capture CO2, are highly unlikely to become commercially viable by 2030, hence co-firing with ammonia or hydrogen will not be a sustainable solution. Furthermore, the emission reduction effects of co-firing are limited - it is estimated that CO2 emissions at coal-fired power plants would only be reduced by 4% when co-fired with 20% ammonia produced from fossil fuels (blue ammonia) [3].

A report released by the International Energy Agency (IEA) in May 2021 [4] makes it clear that achieving net zero emissions by 2050 requires net zero emissions in the power sector globally by 2040. When there is an increasing urgency to phase out of coal power, supporting the introduction of ammonia and hydrogen co-firing technology, which extends the life of coal power, is not consistent with the 1.5 degree Celsius goal of the Paris Agreement and goes against the global effort to tackle climate change.

Therefore, the Japanese government should review its interpretation of the OECD Export Credit Arrangement, and declare that it will not support the introduction of ammonia and hydrogen co-firing with overseas existing coal-fired power plants.

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Footnotes:
[1] http://jacses.org/1599/
[2] https://www.oecd.org/trade/topics/export-credits/documents/Participants%20agreement%20on%20coal-fired%20power%20plants%20(02-11-2021).pdf
[3] https://www.kikonet.org/info/publication/hydrogen-ammonia-English
[4] https://www.iea.org/reports/net-zero-by-2050