

January XX, 2021

Yoshihide Suga, Prime Minister of Japan

Taro Aso, Minister of Finance

Hiroshi Kajiyama, Minister of Economy, Trade and Industry

Tadashi Maeda, Governor, Japan Bank for International Cooperation

Atsuro Kuroda, Chairman and CEO, Nippon Export and Investment Insurance

Takehiko Kakiuchi, President and CEO, Mitsubishi Corporation

Mareshige Shimizu, President and CEO, Chugoku Electric Power Co.

Kanetsugu Mike, President and CEO, MUFG Bank

Koji Fujiwara, President and CEO, Mizuho Bank

Makoto Takashima, President and CEO, Sumitomo Mitsui Banking Corporation

Masaru Hashimoto, President, Sumitomo Mitsui Trust Bank

### **Appeal for Japanese government and private sector to withdraw from Vung Ang 2 coal power plant project in Vietnam**

We, the undersigned **XX** organizations from **X** countries call upon the Japan Bank for International Cooperation (JBIC) to reverse its decision to provide financing for the Vung Ang 2 coal-fired power plant project in Vietnam. We also call upon all companies involved to withdraw from the project.

On December 28, 2020, the publicly-funded financial institution JBIC signed a loan agreement for up to approximately US \$636 million (approx. 60 billion yen) for Vung Ang 2 (1). Private sector financial institutions believed to be participating in co-financing include MUFG Bank, Mizuho Bank, Sumitomo Mitsui Banking Corporation (SMBC), and Sumitomo Mitsui Trust Bank (SMTB). Mitsubishi Corporation, Chugoku Electric Power Company, and Korea Electric Power Corporation are believed to be investing in the project (2).

Vung Ang 2 has been the target of international criticism, which has raised many problems with the project. We strongly protest JBIC's decision to support this project despite the fact that it has still failed to show accountability for the many concerns that have been raised, including the project's conflict with measures to fight climate change, and a deficient environmental impact assessment.

#### **Accelerating climate change**

Japan has signed the Paris Agreement, which requires efforts to limit the global average temperature increase to 1.5° C relative to pre-industrial levels. This goal will be impossible to achieve if new coal-fired power plants are built. It is not acceptable for the Vung Ang 2 project to continue, considering the context that the Paris Agreement target of 1.5° C cannot be achieved unless coal-fired power

generation is phased out worldwide by 2040, including the retirement of existing coal power plants (3).

Vietnam is one of the world's most vulnerable countries to the impacts of climate change. The global average temperature has already increased by about 1° C. In October 2020, during the course of a single month, four typhoons struck central Vietnam, where the planned site for Vung Ang 2 is located, causing significant damage. As the climate crisis intensifies worldwide, the construction of a new coal-fired power plant poses greater risks not only to the people of Vietnam but to everyone in the world, particularly the vulnerable in the global south.

Coincidentally, in the same month of October, Japanese Prime Minister Yoshihide Suga declared Japan's goal of carbon neutrality (net zero greenhouse gas emissions) by 2050. It is a serious double standard if a country declares a commitment to climate action while still exporting coal-fired power plants, undermining its sincerity.

Meanwhile, MUFG Bank, Mizuho Bank, SMBC, and SMTB are believed to have made co-financing decisions for the project along with JBIC, even though they have adopted policies, in principle, of not providing investment and financing for new coal-fired power plants; each banking group has also endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and the UN Principles for Responsible Banking, etc. Moreover, Mitsubishi Corporation, an investor in the project, declared in October 2019 that, in principle, it will no longer engage in the development of new coal-fired power generation. As companies declare their commitments to address the climate crisis and disclose the relevant information, there is a growing movement of shareholders, investors, and customers to assess their actions, but the continued promotion of Vung Ang 2 would expose the fact that each company's real actions are in contradiction with their policies. Also, considering the fact that overseas institutional investors have expressed their concerns about Vung Ang 2, these companies will inevitably increase their reputational risk if they continue supporting the project.

Around the world, there is talk about a "green recovery" with strategies to recover from the COVID-19 pandemic that does not conflict with climate change countermeasures, and we can see examples in other countries where assistance is not offered unconditionally to industries that have high GHG emissions. In this context, any provision of public funds to a project that will intensify climate change is moving in the opposite direction from the global trend to seek a green recovery.

### **Causing more pollution**

It is also known that the concentrations of air pollutant emissions from Vung Ang 2 would be several times higher than emissions from power plants built in Japan. Analysis by the Centre for Research on

Energy and Clean Air showed that projected emissions from this plant if built will be five to ten times higher than Japanese standards (4).

Furthermore, major environmental pollution incidents have already occurred near the planned site of Vung Ang 2. The release of pollutants in 2016 from a steel plant operated by Formosa Ha Tinh Steel Corporation has been described as Vietnam's worst environmental disaster, polluting up to 200 kilometers of coastline and having a devastating impact on fisheries. Also, the Vung Ang 1 coal-fired power plant is already operating near the planned site of Vung Ang 2, having received financing in 2011 from JBIC and SMBC, and there have been reports of damage from dust and negative health impacts from the plant (5).

The Environmental Law Alliance Worldwide (ELAW) analyzed the environmental and social impact assessment (ESIA) prepared by Vung Ang 2 proponents, and identified numerous problems (6), but the concerns raised have still not been addressed.

### **Citizens will pay the price of this project**

Vietnam already has an electrification rate above 99%, and the price of renewable energy there is lower than coal power. In September 2020, the Institute for Energy Economics and Financial Analysis (IEEFA), a US think tank, identified financial risks for the state utility Electricity of Vietnam (EVN), which would purchase the electricity (7). One risk factor is the electricity purchase contracts that would require EVN to guarantee power purchases at fixed prices from independent power producers (IPP) that generate electricity from coal. As a means of limiting its debt risk EVN might be able to raise electricity rates, but citizens forced to bear the burden would inevitably be opposed; thus, it has been pointed out that this means should be revisited, in the light of the current socio-political situation in Vietnam and the perspective of an economic recovery from the impacts of COVID-19. A pre-feasibility assessment by a Korean government think tank found that the project represented a loss of 158 million dollars (approx. 17 billion yen) (8), and if the loss were to be realized, or if electricity prices had to be raised, the ultimate burden would fall on the people of Vietnam.

The government of Japan should listen sincerely to the voices of citizens calling for climate action and a coal exit, and withdraw public support from the Vung Ang 2 project. We also call for clear declarations that no public funds will be used to support new coal power plant construction projects that Japan International Cooperation Agency (JICA) is considering, including Matarbari Phase 2 (Bangladesh) and Indramayu (Indonesia).

In closing, we again call upon the Japan Bank for International Cooperation (JBIC) to reverse its decision to support Vung Ang 2, and for the companies and banks involved to withdraw from the project.

End

cc:

Katsunobu Kato, Chief Cabinet Secretary

Toshimitsu Motegi, Minister of Foreign Affairs

Shinjiro Koizumi, Minister of the Environment

Wataru Ito, State Minister of Finance

Kenji Nakanishi, State Minister of Finance

Yasumasa Nagasaka, State Minister of Economy, Trade and Industry

Kiyoshi Ejima, State Minister of Economy, Trade and Industry

Eiichiro Washio, State Minister of Foreign Affairs

Takashi Uto, State Minister of Foreign Affairs

Hiroyoshi Sasakawa, State Minister of the Environment

Noriko Horiuchi, State Minister of the Environment

Shinichi Kitaoka, President, Japan International Cooperation Agency

Sponsor Organizations:

Friends of the Earth Japan

Japan Center for a Sustainable Environment and Society (JACSES)

Kiko Network

Mekong Watch

350.org Japan

Organizational Sign-ons:

Footnotes:

1. JBIC, "Project Financing for Vung Ang 2 Coal-Fired Power Generation Project in Vietnam Supporting Power Development Project under the Growth Investment Facility", 29 Dec 2020, <https://www.jbic.go.jp/en/information/press/press-2020/1229-014147.html>
2. IJGlobal, "UPDATE: JBIC signs debt for Vietnam coal-fired", 05 Jan 2021
3. Climate Analytics, "Coal phase out", <https://climateanalytics.org/briefings/coal-phase-out/>
4. Market Forces, "Vung Ang 2", <https://www.marketforces.org.au/research/vietnam/vung-ang-2/>,

5. Los Angeles Times, “GE says it’s going green. Overseas, it’s still pushing coal”, 02 Mar 2020, <https://www.latimes.com/world-nation/story/2020-03-02/ge-green-overseas-pushing-coal>
6. The Environmental Law Alliance Worldwide (ELAW), “Evaluation of the 2018 Environmental Impact Assessment (EIA) Report For the Vung Ang II Thermal Power Plant Project”, 28 Apr 2020, [https://elaw.org/VN\\_VungAngII\\_2018EIARReview](https://elaw.org/VN_VungAngII_2018EIARReview)
7. Institute for Energy Economics and Financial Analysis (IEEFA), Vietnam’s EVN Faces the Future: Time to Get Renewables Right” September 2020, [https://ieefa.org/wp-content/uploads/2020/09/Vietnams-EVN-Faces-the-Future\\_September-2020.pdf](https://ieefa.org/wp-content/uploads/2020/09/Vietnams-EVN-Faces-the-Future_September-2020.pdf)
8. Kyunghyang Shinmun, 11 Jun 2020, “KDI: ‘KEPCO coal-fired power plant project in Vietnam expected to have negative earnings’” (in Korean)