

December 29, 2020

Statement:
**NGOs Strongly Oppose Decision by Japan Bank for International Cooperation
to Support Vung Ang 2 Coal-fired Power Generation Project in Vietnam**

Friends of the Earth Japan
Japan Center for a Sustainable Environment and Society (JACSES)
Kiko Network
Mekong Watch
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Today, the Japan Bank for International Cooperation (JBIC), a public financial institution, announced in a press release that it has decided on December 28 to provide project financing of up to US \$636 million to the Vung Ang 2 coal-fired power generation project (hereinafter referred to as "Vung Ang 2") in Vietnam¹. The private-sector financial institutions participating in the cofinancing are believed to include Sumitomo Mitsui Banking Corporation, MUFG Bank, Mizuho Bank and Sumitomo Mitsui Trust Bank². Vung Ang 2 has been criticized internationally, and many problems with the project have been pointed out³. The signatory NGOs strongly oppose JBIC's decision to support the project despite still failing to be accountable to address many criticisms, including the project's inconsistency with climate change measures and inadequate environmental impact assessment. We once again urge the companies and financial institutions involved to withdraw from the project.

Vung Ang 2 plans to build two new 600 megawatt ultra-supercritical (USC) generating units in Hà Tĩnh Province of central Vietnam. Initially, it was planned to be sponsored by Hong Kong-based electric power company CLP Holdings together with Mitsubishi Corporation, but CLP announced its coal phase-out policy in December 2019 and decided to withdraw from the project. Standard Chartered Bank of the United Kingdom, OCBC Bank and DBS Bank of Singapore, all of which had been considering financing, also withdrew from the project. General Electric (GE), which was expected to participate in EPC (engineering, procurement and construction), announced on September 21 this year that it would "exit the new build coal power market"⁴.

The project has raised concerns not only from civil society but also from investors. Nordea Asset Management, the largest asset manager in the Nordic region, disclosed in October 2020 that it had

¹ Japan Bank for International Cooperation, "Project Financing for Vung Ang 2 Coal-Fired Power Generation Project in Vietnam" December 29, 2020 <https://www.jbic.go.jp/en/information/press/press-2020/1229-014147.html>

² Project Finance International, "AP: Vietnam – DBS exits Vapco 2" January 20, 2020

³ Friends of the Earth Japan, "Japanese environmental NGOs urge major investors to divest from Mitsubishi Corporation to protect the climate" December 23, 2020 <https://www.foejapan.org/en/aid/jbic02/va/201223.html>

⁴ General Electric, "GE to pursue exit from new build coal power market" September 21 <https://www.ge.com/news/press-releases/ge-pursue-exit-new-build-coal-power-market>

sent letters to public financial institutions and companies involved or alleged to be involved in the project, jointly signed by Amundi, AP7, Allianz and other institutional investors⁵.

The effects of climate change have become significantly visible worldwide. This year, four typhoons hit central Vietnam in a month, causing flooding and massive damage. Urgent action is necessary for climate change. The construction of new coal-fired power plants is not consistent with the goal of the Paris Agreement to hold the global average temperature increase to well below 2°C relative to preindustrial levels and pursue efforts to limit the increase to 1.5°C. Considering the increasing seriousness of the climate crisis everywhere, including Vietnam, all new construction of coal-fired power plants needs to be halted immediately.

In July 2020, the Japanese government decided on the outline of the Infrastructure System Export Strategy and stated that, in principle, the government will not provide public financial support for overseas coal-fired power plants, while also stating that it will not apply the new policy to Vung Ang 2. However, in light of the fact that the government recognized the importance of decarbonization in dealing with the climate crisis and decided on a new policy, this is a serious double standard that should be criticized, as it is inappropriate to make exceptions for projects that have not started construction or even reached a financial agreement yet. In October 2020, Prime Minister Suga announced a policy of carbon neutrality by 2050. Vung Ang 2 and other projects excluded from the new policy contradict Japan's decarbonization policy.

We again call on the Japan Bank for International Cooperation, Sumitomo Mitsui Banking Corporation, Sumitomo Mitsui Trust Bank, MUFG Bank, Mizuho Bank, Mitsubishi Corporation, and Chugoku Electric Power Company as well as Korea Electric Power Corporation to withdraw from the Vung Ang 2 coal-fired power generation project. We also call on the Export-Import Bank of Korea, which provides co-financing, and Samsung C&T Corporation and Doosan Heavy Industries and Construction Co., which are expected to participate in EPC, to withdraw from the project. We also urge the Nippon Export and Investment Insurance (NEXI), which is currently considering providing insurance for the project (as of December 29, 2020⁶), to make the decision not to be involved.

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⁵ Nordea Asset Management, “Enquiry regarding the Vung Ang 2 coal-fired power plant project in Vietnam” October 2020 https://www.nordea.lu/documents/static-links/Nordea_CEO_letter_on_climate_coal_phase_out_Vung_Ang_2.pdf/

⁶ Nippon Export and Investment Insurance <https://www.nexi.go.jp/environment/info/a/2020013103.html>