

October 2, 2023

To: Mr. Nobumitsu Hayashi
Governor
Japan Bank for International Cooperation

Letter of Request
Japan Bank for International Cooperation (JBIC) should forgo support of the
Block B Gas Field Development Project in Vietnam

Friends of the Earth Japan
Mekong Watch
Japan Center for a Sustainable Environment and Society (JACSES)
Kiko Network
Market Forces
Oil Change International

In the face of the accelerating climate crisis, the G7, including Japan, expressed their commitment in 2022 to "end new direct public support for the international unabated fossil fuel energy sector by the end of 2022, except in limited circumstances clearly defined by each country consistent with a 1.5°C warming limit and the goals of the Paris Agreement"¹. However, the Japan Bank for International Cooperation (JBIC) has continued to finance new fossil fuel projects even after the G7 commitment was announced in 2022. Halting investment into fossil fuel projects is essential to mitigate the climate crisis and prevent further loss and damage.

We are deeply concerned that JBIC is currently considering investment into a gas development project in Vietnam². The Block B Gas Project spearheaded by Mitsui Oil Exploration Co., Ltd. (MOECO), a wholly owned subsidiary of Mitsui & Co., is set to construct pipelines to, and develop and produce gas from the offshore Block B gas fields (Block B & 48/95 and 52/97)³. We understand that JBIC is considering financing the construction of the pipelines from these gas fields.

The O Mon Power Complex to which the gas will be delivered is scheduled to have four power plants with a total capacity of 3,810 MW. One of these power plants (660 MW) has already been built and runs on fuel oil in emergency situations⁴ but three others are still at the planning stage. Gas combustion at these large-scale power plants will generate huge amounts of greenhouse gasses for decades to come, further contributing to the climate crisis.

In 2021, International Energy Agency (IEA) indicated that no new oil and gas fields could be approved for development from 2021 if the world was to reach net zero by 2050⁵. This

¹ G7 Leaders' communique, <https://www.mofa.go.jp/mofaj/files/100364051.pdf>, 28 June 2022

² JBIC, "Projects Already Classified into One of the Environmental Categories and Currently under Screening Process", "Natural gas field development project, Socialist Republic of Vietnam, Off the southwestern part of Vietnam, Reference no. 2022-0020", <https://www.jbic.go.jp/en/business-areas/environment/projects/project.html>

³ Mitsui Oil Exploration Co., Ltd. (MOECO), <https://www.moeco.com/en/project/vietnam.html>, accessed September 2023

⁴ Japan International Cooperation Agency (JICA), FY2018 External Post-Evaluation Report International Loan, "O Mon Thermal Power Plant Construction Project (E/S)" "O Mon Thermal Power Plant Mekong Delta Power Transmission and Substation Network Construction Project (I)~(IV)" "O Mon Thermal Power Plant Unit 2 Construction Plans (I), (II)" https://www2.jica.go.jp/ja/evaluation/pdf/2018_VNV-2_4_f.pdf (in Japanese)

⁵ IEA, "Net Zero by 2050 - A Roadmap for the Global Energy Sector", <https://www.iea.org/reports/net-zero-by-2050>, 2021

was reconfirmed in IEA's newly published 2023 updated Net Zero Emission by 2050 Scenario⁶, as “no new conventional long lead time oil and gas projects are approved for development after 2023.” The 2023 update further stated that, “the rate of reduction in oil and gas demand necessary to reach net zero emissions by 2050 is now so fast that it may imply the early closure of some existing oil and gas fields.” At the time when even early closure of existing fields are implicated, the Block B as a new gas project obviously deviates from the pathway to 2050 net zero.

Furthermore, this gas is composed primarily of methane, a greenhouse gas 80 times more potent in Global Warming Potential (GWP) than carbon dioxide over a 20-year span⁷. Methane is leaking at various points throughout the gas industry's supply chain⁸, and atmospheric methane concentrations have reached record highs⁹. The IPCC reported that the next few years will be critical for limiting global warming to approximately 1.5°C, which includes a significant reduction in methane emissions, by about a third by 2030¹⁰. In Japan, climate change is beginning to be recognized as a relevant and urgent issue, as the country has experienced consecutive days of extreme heat and frequent flooding this summer. Vietnam also experienced an unprecedented heat wave in May. Both Japan and Vietnam are participants to the Global Methane Pledge¹¹, thus are aware of the necessity to reduce methane emissions. There is an extremely urgent need to reduce the use of fossil fuels, including gas, and to transition to alternative energy sources.

On May 15, 2023, Vietnam's Eighth National Power Development Plan (PDP 8) came into effect. In order to fulfill the international commitment to achieve carbon neutrality by 2050, PDP8 indicated not only the target of 2030 but also of 2050¹². There are reports of growing concerns about the possibility of recovering investments from these gas fields, after seeing the target of having domestic gas power generation near zero by 2050 and reduction in dependence on gas power generation after 2031 in PDP8¹³. There are currently significant delays with O Mon Power Plant Units 2-4, which will likely result in a further shortening of the payback period for this project.

Vietnam has a population of 98.18 million (2022), a GDP of \$366.2 billion USD (2021), and an installed power generation capacity of 80.7 million kW (2022)¹⁴. On the other hand, Thailand, a neighboring country within the ASEAN region, has a smaller population of 71.69 million (2022), but a GDP of 495.2 billion USD (2022), about 1.3 times that of Vietnam. However, Thailand's installed power generation capacity is only 42.86 million kW (2022)¹⁵, or a little more than 50% of that of Vietnam. Although electricity shortages have been a longstanding problem in

⁶ IEA, “Net Zero Roadmap: A Global Pathway to Keep the 1.5°C Goal in Reach - 2023 Update”, <https://www.iea.org/reports/net-zero-roadmap-a-global-pathway-to-keep-the-15-0c-goal-in-reach>, September 2023

⁷ Nature, “Control methane to slow global warming fast”, <https://www.nature.com/articles/d41586-021-02287-y>, August 25, 2021

⁸ IEA, “Methane Tracker 2021”, <https://www.iea.org/reports/methane-tracker-2021>, January 2021

⁹ NOAA, “Increase in atmospheric methane set another record during 2021”, <https://www.noaa.gov/news-release/increase-in-atmospheric-methane-set-another-record-during-2021>, April 7, 2022

¹⁰ IPCC, “The evidence is clear: the time for action is now. We can halve emissions by 2030.”, <https://www.ipcc.ch/2022/04/04/ipcc-ar6-wgiii-pressrelease/>, April 4, 2022

¹¹ Global Methane Pledge, <https://www.globalmethanepledge.org/>

¹² JOGMEC, “Briefing on Vietnam's PDP8” (in Japanese) https://oilgas-info.jogmec.go.jp/info_reports/1009585/1009795.html, June 2, 2023

¹³ NNA ASIA, “Huge gas field development approaches deadline O Mon power generation project to start (Part 1)” (in Japanese) <https://www.nna.jp/news/2524718>, June 2, 2023

¹⁴ Japan Electric Power Information Center, “Vietnam” (in Japanese) <https://www.jepic.or.jp/data/asia06vtm.html> Accessed September 2023

¹⁵ Japan Electric Power Information Center, “Thai” (in Japanese) <https://www.jepic.or.jp/data/asia03thai.html> Accessed September 2023

Vietnam, these figures suggest that there is room for improvement in other areas, such as the development of the power transmission network, rather than increasing power generation.

Furthermore, southern Vietnam, which the gas from the Block B gas fields is scheduled to be supplied with, is considered to have high potential for solar, wind, and offshore wind power¹⁶. Providing public funds for gas field development without considering such potential is inconsistent with JBIC's 2018 announcement¹⁷ to include investment finance in its global environment conservation operations, in which JBIC is to identify projects with high global environmental conservation benefits, such as significant greenhouse gas emission reductions and it makes difficult to achieve JBIC's own 2050 net zero portfolio target stated in their ESG policy¹⁸. It is also inconsistent with the Japanese government's G7 commitment as we mentioned earlier in this letter.

The project is also problematic from a human rights perspective. In Vietnam, multiple environmental activists have been arrested in recent years, and citizens have been unable to speak freely about environment and energy policy¹⁹. These circumstances suggest that it may be difficult for JBIC to "involve stakeholders, including local residents and NGOs, who will be affected by the project," as stated in the *JBIC Guidelines for Confirmation of Environmental and Social Considerations*.

Furthermore, in May 2022, the Norwegian Government Pension Fund excluded the Petroleum Authority of Thailand (PTT) from its investments due to human rights violations in Myanmar. This was because of PTTEP's involvement with the Myanmar Oil and Gas Corporation, which is one of the sources of funding for Myanmar's military, which continues to engage in inhumane acts²⁰. PTTEP Kim Long Vietnam, a subsidiary of PTTEP, is an active member of this project. JBIC has a responsibility to strengthen its human rights due diligence by closely examining whether the investors in this project are complicit in serious human rights violations.

The financing of new gas projects is not compatible with the Paris 1.5 degree goal and contradicts G7 commitments. We strongly urge JBIC to withhold from financing this project in order to respond to the climate crisis and to avoid becoming indirectly complicit in human rights violations.

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¹⁶ Global Solar Atlas, <https://globalsolaratlas.info/>, Global Wind Atlas, <https://globalwindatlas.info/>

¹⁷ JBIC, "Promoting the overseas business having the purpose of preserving the global environment, such as preventing global warming (GREEN)" <https://www.jbic.go.jp/en/information/news/news-2018/0702-011178.html>, July 2, 2018

¹⁸ JBIC, "ESG Policy" <https://www.jbic.go.jp/en/information/press/press-2021/1028-015365.html>, Oct 28, 2021

¹⁹ NPR "Vietnam faces criticism for arresting climate activist as it closes clean energy deal" <https://www.npr.org/2023/06/03/1179728649/hoang-thi-minh-hong-arrest-vietnam-climate-deal>, June 3, 2023

OHCHR, Press Briefing Notes "Sentencing of environmental human rights defenders in Viet Nam" <https://www.ohchr.org/en/press-briefing-notes/2023/09/sentencing-environmental-human-rights-defenders-viet-nam>, September 29, 2023

²⁰ Council on Ethics, The Government Pension Fund Global, "Recommendation to exclude PTT PCL and PTT Oil and Retail Business PCL from investment by the Norwegian Government Pension Fund Global (GPF) (May 10, 2022, Unofficial Translation)" <https://files.nettsteder.regjeringen.no/wpuploads01/sites/275/2022/12/Rec-PTT-ENG.pdf>