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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!

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On December 17, UK-based Standard Chartered Bank announced that starting in 2021 it will gradually phase-in a policy of not supporting companies whose earnings are highly dependent on coal.[1] It had been considering financing the Vung Ang 2 coal-fired power plant project (Note 1) promoted by OneEnergy,[2] a joint venture that includes a subsidiary 100% owned by Mitsubishi Corporation. But with this new policy it has been reported that Standard Chartered will withdraw from the project. Following Singapore's OCBC Bank,[3] Standard Chartered is now the second bank expected to drop out of lending considerations for this project.[4]

With two international banks withdrawing from Vung Ang 2, the only remaining institutions considering financing the project are the Japan Bank for International Cooperation (JBIC, a publicly-funded financial institution), the MUFJ Bank, Mizuho Bank, Sumitomo Mitsui Banking Corporation, and Sumitomo Mitsui Trust Bank (all major Japanese private-sector banks),[5] and the DBS Bank in Singapore.

CLP Holdings Limited, a Hong Kong based electricity supply company which is in the joint venture with Mitsubishi Corporation, announced a coal exit policy on December 17.[6] Under this policy and

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[1] "We have released our climate change disclosures report and announced bold measures in support of the Paris Agreement" December 27, 2019.
https://www.sc.com/en/media/press-release/weve-released-our-climate-change-disclosures-report-and-announced-bold-measures-in-support-of-the-paris-agreement/

[2] OneEnergy: A joint venture between CLP Holdings (headquartered in Hong Kong) and Mitsubishi Corporation 100% subsidiary Diamond Generating Asia (headquartered in Hong Kong). OneEnergy is headquartered in the British overseas territory of the Cayman Islands.

[3] "OCBC is now coal-free: Singapore bank drops out of final coal project," November 1, 2019. https://www.eco-business.com/news/ocbc-is-now-coal-free-singapore-bank-drops-out-of-final-coal-project/

[4] Project Finance International "Vietnam – OCBC drops out of Vapco 2 - Project Finance International" (December 10, 2019). Standard Chartered Bank indicates it will not support Vinh Tan 3.
https://asia.nikkei.com/Spotlight/Environment/StanChart-exits-three-SE-Asia-coal-plants-worth-estimated-7bn

[5] Press release by 350.org Japan: "Japanese and International Environmental NGOs submit petition to four Japanese banks calling on them not to finance the Vung Ang 2 coal-fired power plant in Vietnam. Signed by over 22,000 individuals in 49 countries." (November 1, 2019). https://350.org/press-release/350-launches-petition-urging-japanese-banks-to-rule-out-funding-vung-ang-2-coal-fired-power-plant/

[6] Media release "CLP Announces New Decarbonisation Actions under Climate Vision 2050"
https://www.clpgroup.com/en/Media-Resources-site/Current%20Releases/20191217_en.pdf, December 17, 2019

its updated "Climate Vision 2050" climate policy, it will not invest in any additional coal-fired power generation capacity and will progressively phase out all of its remaining coal assets by 2050. This new policy means that CLP Holdings will withdraw from Vung Ang 2. That would leave only Mitsubishi Corporation remaining in the project. Besides Vung Ang 2, OneEnergy (in which CLP Holdings is invested) is also investing in the Vinh Tan 3 coal-fired power project (Note 2), but the updated policy would also mean that CLP Holdings will be withdrawing from that project as well.[7]

In the context of a world being buffeted by the climate crisis, the race to exit from coal is accelerating. In particular, a growing number of financial institutions and insurers are updating or tightening their credit policies on coal-related projects, which includes coal power and coal mining projects. The recent decisions by OCBC Bank, Standard Chartered and CLP Holdings are closely aligned with this global trend. But this is in stark contrast with Japanese companies, which have created loopholes in any coal exit policies they have announced to date and, in effect, are promoting new coal-fired power plants.

It has already been shown to be profitable for host countries to shift from coal power to renewable energy. A report released in September by the UK think tank Carbon Tracker showed that by 2022, construction costs for photovoltaic power generation in Vietnam will be lower than operating costs for existing coal-fired power generation.[8] The impacts of climate change are becoming increasingly severe, so in the context of improving economics for renewable energy, the idea of promoting more coal power in Vietnam exposes companies to significant risks.

Near the planned Vung Ang 2 construction site, extensive marine pollution from the existing Vung Ang 1 coal-fired power plant and Formosa Ha Tinh Steel Corporation's steel plant caused a massive fish die-off in 2016. Formosa also has a coal- and gas-fired electricity generation plant here.[9] Environmental pollution from coal ash as well as wastewater and exhaust emissions from these plants has been widely reported, as well as possible links to negative health impacts on local residents. In this context, Vung Ang 2 poses new concerns about increased damage to the environment and human health.

The world is watching to see when Japan, which was given the "Fossil of the Day" award twice at COP25, will make the shift and exit from coal. The scientific community is indicating that no new coal-fired power plants can be constructed anywhere in the world if we are to limit the global temperature rise to below 1.5 degrees Celsius under the Paris Agreement and avoid catastrophic risks for human civilization. Meanwhile, Japan ranks second in the use of overseas public financing for coal power,[10] and it was revealed that three Japanese megabanks were world's top three

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"Hong Kong power giant CLP quits coal" (December 19, 2019) Eco Business, https://www.eco-business.com/news/hong-kong-power-giant-clp-quits-coal/

[7] Market Forces, "Vinh Tan 3 (1980 MW)" https://www.marketforces.org.au/research/vietnam/vinh-tan-3/

[8] Carbon Tracker "Here comes the sun (and wind) Vietnam's low-cost renewables revolution and its implications for coal power investments" (September 2019) https://www.carbontracker.org/reports/here_comes_the_sun/

[9] Mekong Eye " Vietnamese provinces say 'no' to coal plants–government and industry still want more" (March 7, 2019) https://www.mekongeye.com/2019/03/07/vietnamese-provinces-say-no-to-coal-plants-but-the-government-and-industry-build-more/

[10] ODI, "G20 coal subsidies: tracking government support to a fading industry" (June 2019) https://www.odi.org/publications/11355-g20-coal-subsidies-tracking-government-support-fading-industry

financers of coal-fired power plant projects from 2017 to 2019.[11] All of this shows that the Japanese public and private sector are moving in completely the opposite direction from the global coal exit.

It’s now time for Mitsubishi Corporation, Japanese private sector banks and public financial institutions to make the decision to withdraw from plans to finance coal-fired power plant projects, including Vung Ang 2, Vinh Tan 3, and any others they may be considering.

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Note 1:
Vung Ang 2 Coal-Fired Power Plant
Planned for construction in an economic zone of Hà Tĩnh Province in central Vietnam. Construction start expected in 2020, operation start in 2024.
Project size: 1,200 megawatts, ultra-supercritical (USC) technology
Total investment: 2.2 billion dollars (about 250 billion yen)
Lead company: Vung Ang 2 Thermal Power Company (VAPCO), a special purpose vehicle (SPV) 100% owned by OneEnergy Ltd.
Lenders (anticipated): MUFJ Bank, Mizuho Bank, Sumitomo Mitsui Banking Corporation, Sumitomo Mitsui Trust Bank, DBS Bank, Japan Bank for International Cooperation (JBIC)

Note 2:
Vinh Tan 3 Coal-Fired Power Plant
Planned for construction in Bình Thuận Province in southern Vietnam. Construction start expected in 2020, operation start in 2024. Vinh Tan 1, 2, and 4 coal-fired power plants are already operating near the planned site. Environmental pollution is worsening, also affecting a marine protected area.
Project size: 1,980 megawatts, ultra-supercritical (USC) technology
Total investment: 2.0 billion dollars (about 220 billion yen)
Lead company: Vinh Tan 3 Energy Joint Stock Company (VTEC), a special purpose vehicle (SPV) by OneEnergy Ltd. (49%), PACIFIC Corporation-Thai Binh Duong Group (a Vietnamese company, at 22%), and EVN (a Vietnamese public utility, at 29%)
Lenders (anticipated): China Development Bank Corporation (CDB), Bank of Communications, Industrial and Commercial Bank of China (ICBC), China Construction Bank, Bank of China, HSBC

[11] 350.org Japan, Kiko Network joint press release, “Japanese financial institutions and investors monopolize top of the list of coal financing: Revealed at COP25” (in Japanese, December 6, 2019) https://world.350.org/ja/press-release/191205/