

Joint Statement **We stand against JICA and ADB's financing of Hin Kong Gas Power Project in Muang Ratchaburi, Thailand**

We, the forty eight joint signatories to this statement, urge the Japan International Cooperation Agency (JICA) and the Asian Development Bank (ADB) to reject financing of the Hin Kong Gas Power Project in Thailand. This project will lock in greenhouse gas emissions and stifle the just transition to renewable energy that is needed to address the climate crisis..

On January 8, 2021, JICA revealed at a meeting of its Environmental and Social Considerations Advisory Committee that it is considering a plan to finance the Hin Kong Gas Power Project¹ in Muang Ratchaburi, Thailand, jointly with ADB. The project proposes to construct a power plant in Muang District of Ratchaburi Province in Thailand, using land adjacent to the site of an existing power plant that has ceased operation. It is planned that the project is to be funded through syndicated loan agreement with ADB.

In the scope of the project, JICA states that the project seeks to "construct two 700-megawatt gas turbines (1,400 MW in total) and ancillary facilities that together supply electricity to the grid, which will ensure stable power supply to meet the increasing demand for electricity across Thailand, thereby contributing to the country's sustainable economic development."

JICA further explains that:

- In Thailand, the demand for electricity has grown by an average of 3.3% per year over eight years (2010-2017);
- This upward trend in electricity demand in Thailand is expected to continue at a pace of around 4.0% per year not only due to economic growth but also as a result of structural changes caused by digitalization and increasing adoption of electric vehicles (EVs). In order to ensure stable power supply, it is necessary to develop new power sources.
- The 2018 Power Development Plan (PDP2018) published by the Thai government sets out the country's ambition to increase its power production capacity by 60% from the 2018 baseline of 47,354 MW to 77,211 MW by 2036. The government intends to expedite the addition of renewable power capacity to replace coal-fired power plants, and gas-fired power plants are required to provide electrical load balancing in introducing renewables².

However, there are several issues with this explanation.

Thailand currently has a considerable power surplus that exceeds demand. This surplus is driving an increase in electricity prices.³ The optimal level of power reserve margin for Thailand is said to be around 15-17%.⁴ Despite this, the impact of the COVID-19 pandemic has pushed up the reserve margin to as high as 50% in 2020.⁵

JICA's says the projected increase in electricity demand will come from digitalization and wider adoption of EVs. However, many corporations are seeking to purchase electricity sourced from

¹ Hin Kong Gas Power Project is a project to build a gas-fired combined cycle plant in Hin Kong Sub-district, Muang District, Ratchaburi Province. The site is located about 100km west of Bangkok. It is a project by Hin Kong Power Company Limited, 100% owned by Hin Kong Power Holding Company Limited, a special purpose joint venture between Thailand's RATCH Group Public Company Limited (51%) and Gulf Energy Development Public Company Limited(49%).A three-company group comprising MHI Power Project (Thailand) Company Limited, Sino-Thai Engineering & Construction Public Company Limited and Mitsubishi Power Limited is delivering a power generation facility on a full turnkey basis and has signed a 25-year Long Term Program Service Agreement.

<http://gulf.listedcompany.com/newsroom/290920201717270337E.pdf>

<https://power.mhi.com/jp/news/20200930.html>

² https://www.jica.go.jp/environment/advice/ku57pq0000nalsb-att/advice120_data.pdf

³ Prachachart Turakit, June 17, 2018. The newspaper reported that the country's power reserve margin was 30% with a 10,000 MW power surplus even before the impact of COVID-19 hit (in Thai)

<https://www.prachachat.net/columns/news-175805>

⁴ Krungtheap Turakit (Bangkok Biznews), May 27, 2020 (in Thai)

<https://www.bangkokbiznews.com/news/detail/909967>

⁵ Krungtheap Turakit (Bangkok Biznews), May 27, 2020 (in Thai)

Prachachart Turakit, August 13, 2020 (in Thai)

<https://www.prachachat.net/economy/news-505362>

renewable energy. It is expected that the program of wide-scale EV adoption is likely to be designed as a measure to mitigate global warming, where EVs are used to store power generated by solar and other renewable sources, which have variable power output depending on environmental conditions. The project cannot be justified on the basis of a projection that does not take account of the global consensus on the need to stop global warming or the continuing technological innovation.

There is no clear evidence that there are coal-fired power plants that need to be replaced by gas-fired plants. The document states that PDP2018 sets out a plan to introduce more renewable energy generation in place of coal-fired power plants. However, the reality is that it is practically impossible to build new coal-fired power plants in Thailand due to negative public opinion. A plan to build a coal-fired power plant in the south of the country has been repeatedly pushed back by strong opposition from local residents for the past 20 years. There is no upward trend in the number of coal-fired plants in the country. In 2019, only 17.14% of electricity generated in Thailand came from lignite or coal, whereas 61.21% came from natural gas.⁶ The current version of PDP2018, Revision-1⁷, projects that the use of coal is expected to rise only slightly by 2037 while lignite is flat-lining.⁸

Furthermore, with natural gas-fired power plants already producing 60% of electricity, it is not logical to build more of the same kind of power plants for the purpose of electrical load balancing in introducing renewables. The only justifiable reason for this project to go ahead would be to replace an existing gas-fired plant that has reached the end of its life. However, faced with the increasingly clear threat of climate crisis and considering the abundant potential of solar power generation in Thailand, the Japanese government should instead use public funds to support projects that increase the capacity of solar power (which achieves the highest generation efficiency in the dry season, when the demand is also high), especially in suburban areas. Other areas that merit public financial support include the smoothing of electricity demand and energy saving measures on the demand side such as the promotion of social behavioral change to stop excessive air conditioning (which anyone who has ever visited Bangkok must be familiar with) and the improvement of poorly insulated buildings.

According to IPCC's report *Global Warming of 1.5°C*,⁹ in order to limit global warming to below or close to 1.5°C, [ENW1] fossil fuel power plants without CCS must stop operation by 2050. Building of a new gas-fired power plant does not align with the 1.5°C target of the Paris Agreement. It also contradicts the policy address by Prime Minister Yoshihide Suga, in which he committed to the goal of net zero greenhouse gas emissions by 2050.

JICA's own guidelines for the selection of overseas projects for investment and lending require that the projects must be "pioneering", and we believe that this project fails to meet this criterion. The document defines a pioneering project as: "in principle, there has been no previous non-concessional financing of similar projects in the host country or, even if there have been cases where similar projects received funding, it is currently not possible to fund the project through any existing non-concessional private-sector financing."¹⁰

In 1992, Thailand opened the electricity market to independent power producers (IPPs) and small power producers (SPPs, up to 90,000 kW¹¹) and, in 2019, as much as 33% of the total power output was produced by IPPs and 20.97% by SPPs.¹² This means that the private sector has accumulated considerable experience in the area. The basic rule of overseas investment and lending is to direct funds to areas where they can achieve maximum development effect, and the financing of this project goes against this principle.

It is assumed that JICA is considering this project as a case where "it is currently not possible to fund the project through any existing non-concessional private-sector financing." However, what is likely

⁶ 2019 Annual Report EGAT (Electricity Generating Authority of Thailand). Page 134

<https://www.egat.co.th/en/images/annual-report/2019/annual-report-2019-en.pdf>

⁷ <https://policy.thinkbluedata.com/node/4347>

⁸ PDP2018 Revision-1, Appendix 4

⁹ <https://www.ipcc.ch/sr15/download/>

Page 135

¹⁰ https://www.jica.go.jp/activities/schemes/finance_co/loan/ku57pq00001g88hk-att/shishin.pdf

Page 4-5 (in Japanese)

¹¹ https://www.meti.go.jp/medi_lib/report/H29FY/000885.pdf

¹² 2019 Annual Report EGAT. Page 132.

putting private-sector financial institutions off from funding this project is their business judgment that Hin Kong is unlikely to be profitable as an IPP or the project poses political risks described below. With the existing power surplus in the country, it is unjustifiable to subject the people of Thailand to the economic impact of a 1400 MW natural gas-fired power project with low profitability over 25 years, stifle the growth of solar power generation, which has a great potential for success in Thailand, and hinder the country's climate action.

Furthermore, Thailand's opposition lawmaker has pointed out in parliamentary deliberation on February 18, 2020¹³, that illegality is suspected since no bid was placed when the RATCH Group received an order for this project. In addition, when Gulf Energy Development Public Company Limited acquired 49% ordinary shares of this project from RATCH, Gulf only paid about 2 million baht on January 3, 2020¹⁴. It is highly questionable why RATCH agreed to sell at such a low price.

Henceforward, there is likely to be growing concern about this project from many Thai citizens.

We strongly urge JICA and ADB to abandon plans to finance the Hin Kong gas power project and divert the funds to projects that benefit the people of Thailand and protect the global environment.

Contact:

Yuki Tanabe, Japan Center for a Sustainable Environment and Society (JACSES) tanabe@jacses.org

Signatory organizations (48 organizations):

International / Regional

APRN
Asian Energy Network (AEN)
Asian Peoples' Movement on Debt and Development (APMDD)
Fair Finance Asia
Friends of the Earth Asia Pacific
Mekong Energy and Ecology Network (MEENet)
NGO Forum on ADB
Project SEVANA South-East Asia
Rivers without Boundaries international coalition

Australia

Friends of the Earth Australia

Bangladesh

Bangladesh Environmental Lawyers Association
CLEAN (Coastal Livelihood and Environmental Action Network)
Initiative for Right View

Cambodia

Sahmakum Teang Tnaut - STT Cambodia

Germany

urgewald

India

Environics Trust
Growthwatch
Indian Social Action Forum (INSAF)
Movement for Advancing Understanding of Sustainability And Mutuality MAUSAM

¹³ Video recording of parliamentary deliberation on YouTube.
<https://www.youtube.com/watch?v=eDqNeCoM9wQ>

¹⁴ <http://gulf.listedcompany.com/newsroom/030120201230190657E.pdf>

Indonesia

debtWATCH Indonesia
WALHI

Japan

350.org Japan
Fridays For Future Tokyo
Friends of the Earth Japan
Fukuoka NGO Forum on ADB
Japan Center for a Sustainable Environment and Society (JACSES)
Japan International Volunteer Center (JVC)
Mekong Watch
Women's Democratic Club Femin

Malaysia

Friends of the Earth Malaysia

Mongolia

Centre for Human Rights and Development
Oyu Tolgoi Watch
Rivers without Boundaries Coalition- Mongolia

Netherlands

Both ENDS
Recourse

Pakistan

Pakistan Fisherfolk Forum

Philippines

Center for Energy, Ecology and Development (CEED)
Legal Rights and Natural Resources Center-FoE PH
People of Asia for Climate Solutions
WomanHealth Philippines

Sri Lanka

Centre for Environmental Justice

Thailand

ETOs Watch Coalition
Greenpeace Thailand
Human Rights and Environment Association
Rak Chaing Kong Group

USA

Friends of the Earth United States
International Accountability Project
Oil Change International