



**RAINFOREST
ACTION NETWORK**

Nobuyuki Hirano
Representative Executive Officer President Group CEO
Mitsubishi UFJ Financial Group, Inc.
2 No. 7-1, Marunouchi, Chiyoda-ku, Tokyo
Japan, 100-0005

20 July 2018

Dear Mr. Hirano:

Re: Financing the Van Phong 1 coal power station in Vietnam

We, the undersigned organisations, write to raise our concerns, and to further pass on the concerns of Vietnamese community organisations regarding your financing of coal power in Vietnam and the environmental degradation and loss of livelihood that results from the expansion of coal-fired power in that country.

In particular, we draw your attention to significant issues with Van Phong 1, a proposed coal-fired power station in Ninh Phước commune, Khánh Hòa province in Vietnam. The project would be contrary to your June 2018 policy on coal-fired power and the Equator Principles, to which Mitsubishi UFJ Financial Group (MUFG) has committed. Van Phong 1 would also contribute to a loss of life, health and livelihood in Vietnam, contradicting MUFG's stated aim of supporting sustainable development in the countries it works in.

MUFG's role in Van Phong 1 is contrary to its policies

Van Phong 1 is sponsored by Sumitomo Corporation. We understand that the coal-fired power station will be using supercritical technology and have an expected capacity of 2 x 660MW, according to the information published by the project's Engineering Procurement and Construction contractor, Pöyry.¹ Although the Environmental and Social Impact Assessment (ESIA) for the project was concluded in March 2018, the project-affected communities have not been provided this document.²

¹ Pöyry, Pöyry awarded owner's engineer services assignment for Van Phong 1 coal-fired power plant project in Vietnam, Online: <http://www.poyry.com/news/poyry-awarded-owner-s-engineer-services-assignment-for-van-phong-1-coal-fired-power-plant-project-in-vietnam>

² Chủ Nhật, "Sẵn sàng cho Nhiệt điện Vân Phong 1" *Khanh Hoa Online*, (18 March 2018), online: <http://www.baokhanhhoa.vn/kinh-te/201803/san-sang-cho-nhiet-dien-van-phong-1-8072701/>

Funding Van Phong 1 would be incompatible with MUFG's "human rights policy statement", "environmental policy statement" and "environmental and social policy framework" published on 15 May 2018. MUFG's policy states that it will be "refer to international guidelines such as OECD Arrangement on Officially Supported Export Credits, when considering the provision of financing for new coal fired power generation."³ The international standards set out under the OECD Sector Understanding on Export Credits for Coal-Fired Electricity Generation Projects rule out finance for all coal-fired power projects in Vietnam with the exception of projects using ultrasupercritical technology or with emissions under 750g CO₂/kWh.⁴ As a supercritical coal-fired power station, Van Phong 1 would violate MUFG's stated policy.

MUFG's policy also states that "decisions on financing are made following recognition of both the local and the international circumstances surrounding coal fired power generation."⁵ If this exception is being relied on, we seek that MUFG provide evidence that any such circumstances would require this coal-fired power project rather than with meeting any energy needs with renewable energy technology. Such an alternatives analysis is also required by the Equator Principles, discussed below.⁶

We believe MUFG's coal policy applies to Van Phong 1 as we understand that MUFG has not yet signed any legally binding loan agreement committing it to the project.

MUFG's role in Van Phong 1 is contrary to its commitment to the Equator Principles

MUFG is a signatory to the Equator Principles. Equator Principle 5 requires that assessment documentation be readily available to project-affected communities.⁷ As Vietnam's laws do not require that environmental impact assessments ESIA be made publicly available, the communities affected by Van Phong 1 do not have access to this vital document.

Failing to provide project-affected communities access to information about potential impacts and alternatives to the project is also contrary to Equator Principle 3, which clearly indicates that financial institutions cannot use poor regulatory frameworks (in the countries in which they operate) as an excuse for this failure.⁸ While Vietnam does not require disclosure of ESIA, in "non-designated" (as defined in the Equator

³ News Release, "MUFG Adopts Environmental Policy Statement, Human Rights Policy Statement, and Environmental and Social Policy Framework", (15 May 2018), online:

https://www.mufg.jp/english/vcms_lf/news/pressrelease-20180515-005-e.pdf

⁴ OECD Sector Understanding on Export Credits for Coal-Fired Electricity Generation, *OECD*, (27 November 2015), online:

[https://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=TAD/PG\(2015\)9/FINAL&docLanguage=En](https://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=TAD/PG(2015)9/FINAL&docLanguage=En).

⁵ Refer to Footnote 3

⁶ Equator Principles, Equator Principle 2, (June 2013) online: http://equator-principles.com/wp-content/uploads/2017/03/equator_principles_III.pdf.

⁷ Equator Principles, Equator Principle 5, (June 2013) online: http://equator-principles.com/wp-content/uploads/2017/03/equator_principles_III.pdf.

⁸ *Ibid.*

Principles) countries such as Vietnam, the assessment process for project finance must comply with the International Finance Corporation's Performance Standard 1, which requires the project sponsor to provide affected communities with access to relevant information on: "(iii) any risks to and potential impacts on such communities and relevant mitigation measures; (iv) the envisaged stakeholder engagement process...."⁹ As a member of the Equator Principles, MUFG should be making this information available.

Without the ESIA and the information it contains about risks and potential impacts, it is impossible for communities affected by Van Phong 1 to make informed decisions about the project.

Van Phong 1 will cause hardship to the project-affected communities and to Vietnam

The communities in the vicinity of Van Phong 1 have expressed concern to Vietnamese community organisations about mitigating coal ash and the potential impact of discharging coolant water on fishing in the bay. Vietnamese community organisations report that while communities on the site of the proposed power station have been resettled, there has been little consideration of alternative livelihoods for farmers (whose main income is from farming bean, garlic and onion) and nearshore fisherfolk. We strongly urge MUFG to conduct an independent review of the project, as required under the Equator Principles,¹⁰ to ascertain these harms for itself.

In addition to local impacts, coal-fired power is more broadly harmful, causing 4,300 premature deaths in Vietnam in 2011.¹¹ That number is estimated by researchers at Harvard University to rise almost five-fold to 19,220 excess deaths annually by 2030.¹² Elsewhere in Vietnam, respiratory illnesses have been reported as resulting from coal-fired power stations¹³ and people's livelihoods reliant on air and water quality, such as fishing or shrimp farming have been significantly harmed by coal power.¹⁴

MUFG's continued support of coal-fired power stations in Vietnam and elsewhere will prove catastrophic to global efforts to mitigate climate change. Published peer-reviewed academic research from Oxford University has shown that "...even under the very optimistic assumption that other sectors reduce emissions in line with a 2°C target, no new emitting electricity infrastructure can be built after 2017 for this target to be

⁹ International Finance Corporation, Performance Standard 1, online: https://www.ifc.org/wps/wcm/connect/3be1a68049a78dc8b7e4f7a8c6a8312a/PS1_English_2012.pdf?MOD=AJPERES.

¹⁰ Equator Principles, Equator Principle 7, (June 2013) online: http://equator-principles.com/wp-content/uploads/2017/03/equator_principles_III.pdf.

¹¹ Shannon Koplitz, Daniel Jacob, Melissa Sulprizio, Lauri Myllyvirta, and Colleen Reid, "Burden of disease from rising coal emissions in Asia", *Environ. Sci. Technol.*, 2017, 51 (3), pp 1467-1476.

¹² *Ibid.*

¹³ Van Nam, *The Saigon Times*, "Vinh Tan 2 power plant pollutes air again" (15 July 2015), online: <http://english.thesaigontimes.vn/41969/Vinh-Tan-2-power-plant-pollutes-air-again.html>.

¹⁴ Change VN, "Warnings from Vietnam Coal Power" (2 Aug 2016), online: <https://youtu.be/7VOi6Uphn3c?t=438>.

met, unless other electricity infrastructure is retired early or retrofitted with carbon capture technologies.”¹⁵ In Vietnam, coal-fired power stations representing a combined capacity of approximately 44.8 GW are in active development.¹⁶

We strongly urge the bank to publicly distance itself from Van Phong 1 and request that MUFG provide project affected communities with the ESIA for the project.

We are available to discuss this letter and any questions that you may have. Please feel free to contact julien@marketforces.org.au, and we can set up a telephone meeting at your earliest convenience.

Sincerely,

350.org Japan
Friends of the Earth Japan
Japan Center for a Sustainable Environment and Society (JACSES)
Market Forces
Mekong Watch
Rainforest Action Network

cc: Corporate Communications Division, Planning Department Senior Manager, Mr. Mitsuru Miyasaka

Equator Principles Secretariat

¹⁵ Alexander Pfeiffer, Richard Millar, Cameron Hepburn, and Eric Beinhocker, “The ‘2°C capital stock’ for electricity generation: Committed cumulative carbon emissions from the electricity generation sector and the transition to a green economy”, *Applied Energy*, 2016, 179, pp 1395-1408.

¹⁶ Christine Shearer, Nicole Ghio, Lauri Myllyvirta, Aiqun Yu, and Ted Nace, “Boom and Bust 2017 Tracking the Global Coal Plant Pipeline” (2017), online: <http://endcoal.org/wp-content/uploads/2017/03/BoomBust2017-English-Final.pdf>.