20 July 2018

Dear Mr. Kunibe and Mr. Takashima:

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 Sumitomo Mitsui Banking Corporation (SMBC) has committed. Van Phong 1 would also contribute to a loss of life, health and livelihood in Vietnam, contradicting SMBC’s stated aim of supporting sustainable development in the countries it works in.

SMBC’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.3 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

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Funding Van Phong 1 would be incompatible with SMBC’s Policy for Businesses associated with Environmental and Social Risk published on 18 June 2018. SMBC’s policy states that it will be “limiting financial support to only coal-fired power plants that use USC* or more advanced technologies which are considered highly efficient.” This policy mirrors the international standards set out under the OECD Sector Understanding on Export Credits for Coal-Fired Electricity Generation Projects which rules out export credit finance for all coal-fired power projects in Vietnam with the exception of projects using ultrasupercritical technology or with emissions under 750g CO2/kWh. As a supercritical coal-fired power station, Van Phong 1 would violate SMBC’s stated policy.

SMBC’s policy also states that the bank can exempt projects where they have “already committed support from the perspective of energy shortage solution in emerging countries.” If this exception is being relied on, we seek that SMBC provide evidence that any such energy shortage would be met with this coal-fired power project rather than with renewable energy technology. Such an alternatives analysis is also required by the Equator Principles, discussed below.6

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

SMBC’s role in Van Phong 1 is contrary to its commitment to the Equator Principles

SMBC 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 Principles) countries such as Vietnam, the assessment process for project finance must

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5 Refer to Footnote 3
8 Ibid.
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....”

As a member of the Equator Principles, SMBC 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 SMBC to conduct an independent review of the project, as required under the Equator Principles, 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. That number is estimated by researchers at Harvard University to rise almost five-fold to 19,220 excess deaths annually by 2030. Elsewhere in Vietnam, respiratory illnesses have been reported as resulting from coal-fired power stations and people’s livelihoods reliant on air and water quality, such as fishing or shrimp farming have been significantly harmed by coal power.

SMBC’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 met, unless other electricity infrastructure is retired early or retrofitted with carbon capture.”

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


12 Ibid.


capture technologies.”

In Vietnam, coal-fired power stations representing a combined capacity of approximately 44.8 GW are in active development.

We strongly urge the bank to publicly distance itself from Van Phong 1 and request that SMBC 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

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