

June 23, 2022

**Joint Statement:
Victory for local people and civil society! Japanese
government announced to halt its supports for Matarbari 2 and
Indramayu coal plants - Conversion to the false solutions,
such as ammonia co-firing and gas-fired power, should be
avoided -**

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On June 22, it has been reported that the Ministry of Foreign Affairs announced to halt Official Development Assistance (ODA) to the Matarbari 2 in Bangladesh and the Indramayu coal-fired power project in Indonesia. Both projects have been strongly criticized internationally with repeated calls for the suspension of support, as they not only exacerbate the climate crisis, but also have a huge impact on the livelihoods of local people and worsen the oversupply of electricity in the two countries.

The decision by the Japanese government to finally halt its supports for both projects, albeit a late decision, is one victory for local residents who have continued to raise their concerns about the projects despite the harsh conditions of possible repression and human rights violations. It is also an achievement for international civil society who have consistently demanded climate justice and human rights protections.

However, in Bangladesh, the construction of Matarbari 1 coal-fired projects which have already been supported by Japan International Cooperation Agency (JICA), has caused unemployment of many local people who made their livelihoods by salt pans and farming shrimp, and delays in compensation payments and alternative housing have forced their lives more difficult. There has also been unauthorized reclamation of riverbed due to dumping sediments which was associated with the construction of an access road. These sites and structures were also planned to be used in Matarbari 2.

In Indonesia, the acquisition of agricultural land including rice paddies and fields has been already underway due to the Indramayu project, and local residents have been strongly opposed to the project for more than six years, with the concerns that many farmers will lose their means of livelihoods and air pollution will get worsen. However, there have been serious human rights violations, including the unjust arrest and six-month imprisonment of farmers who raised such voices, as well as attempts to divide local communities.

We welcome the announcement by the Ministry of Foreign Affairs and call on JICA to take appropriate actions for the damage already suffered by the local residents in accordance with its own Guidelines for Environmental and Social Considerations.

Bangladesh government is seeking to change its plans for Matarbari 2 to gas-fired power project by using imported LNG (*1). However, Institute for Energy and Economic and Financial Analysis (IEEFA), the U.S.-based think tank, states that the electricity in Bangladesh is already in oversupply and there is a risk that the further construction of fossil-fueled power plants will have a serious impact on the financial status of Bangladesh as well as the cost of electricity (*2). It has also been pointed out that if the capacity of LNG-fired power plants increases, there is a risk that Bangladesh's exposure to the volatile LNG market will increase and gas prices will soar further. In fact, Bangladesh was subsequently forced to pay LNG spot which soared to record highs in 2021 and this has resulted in gas distributors proposing a more-than-doubling of tariffs to BERC. IEEFA proposed that new power capacity growth should be limited by 2025 and fossil-fueled power plants that have not begun construction should be halted. From the reasons above, it is clear that the construction of new LNG-fired power plants is not an economically rational option for Bangladesh.

In Indonesia, in the "Memorandum of Cooperation between the Ministry of Economy, Trade and Industry of Japan and the Ministry of Energy and Mineral Resources of the Republic of Indonesia on the Realization of Energy Transitions" (*3) signed in January 2022, it was confirmed that Japan will support technological innovations such as hydrogen, fuel ammonia, CCS/CCUS, etc. to achieve "realistic energy transitions." Since then, a series of Japanese companies have announced plans to conduct related feasibility studies in Indonesia. For example, Mitsubishi Heavy Industries, Ltd. (MHI) has begun a feasibility study on the use of ammonia as fuel for existing coal-fired power plants, commissioned by the Ministry of Economy, Trade and Industry (METI) (*4). Since the Suralaya coal-fired power plant, which is the subject of the study, has already exposed local residents to high levels of pollution, and damage to fishing and other livelihoods has been reported, the support which extends the life of coal power is questionable. Supporting technologies such as hydrogen, ammonia and CCS which are uncertain for practical and commercial viability (*5) and whose abatement effects are questionable, as essentials to promote energy transition, is nothing short of imposing a false solution.

In the G7 Climate, Energy and Environmental Ministers' Meeting held in Berlin, Germany in May 2022, it has been committed to end new direct public support for international unabated fossil fuel energy sector by the end of 2022 (*6). Although the statement itself is problematic in that it contains exceptions for limited circumstances that are consistent with the 1.5°C warming limit and the goals of the Paris Agreement, new gas-fired power plants do not fall within the exceptions, and arbitrary interpretations of the exceptions are not permitted. Moreover, ammonia and hydrogen co-firing technologies are not certified as "abatement technologies" in new rules (OECD Export Credit Arrangement) on official support for coal-fired power plants, which was revised in November 2021 on the Organization for Economic Co-operation and Development (OECD)'s Working Party on Export Credit and Credit Guarantees (*7).

We call on the Japanese government to take seriously its commitment to halt public support for fossil fuels by 2022, as the G7 summit is coming up this weekend. That is, we demand not only for the suspension of supporting coal-fired power plants, but also not to support false energy transitions such as new gas-fired power projects and thermal power projects using ammonia and hydrogen co-firing technologies.

Notes:

*1:

<https://www.thedailystar.net/news/bangladesh/news/matarbari-plant-govt-wont-implement-phase-2-3054276>

*2: IEEFA, Bangladesh Power Development Board Financial Results FY2020-21 Growing Independent Power Plant Costs Threaten to Overwhelm Power System

https://ieefa.org/wp-content/uploads/2022/02/Bangladesh-Power-Development-Board-Financial-Results-FY2020_21_February-2022.pdf

*3: <https://www.meti.go.jp/press/2021/01/20220113003/20220113003-1.pdf>

*4: <https://www.mhi.com/news/220607.html>

*5: TransitionZero, "Report: The role of advanced coal technologies in decarbonising Japan's electricity sector," February 14, 2022,

<https://www.transitionzero.org/reports/advanced-coal-in-japan>

*6: <https://www.meti.go.jp/press/2022/05/20220530005/20220530005-1.pdf>

*7:

[https://www.oecd.org/trade/topics/export-credits/documents/Participants%20agreement%20on%20coal-fired%20power%20plants%20\(02-11-2021\).pdf](https://www.oecd.org/trade/topics/export-credits/documents/Participants%20agreement%20on%20coal-fired%20power%20plants%20(02-11-2021).pdf)

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