

January 30, 2024

**Joint Statement:  
JBIC financing for two gas power projects in Mexico would violate  
the G7 agreement  
- JBIC, NEXI and private banks should stop consideration  
immediately -**

Japan Center for a Sustainable Environment and Society (JACSES)  
Kiko Network  
Friends of the Earth Japan  
Mekong Watch

Two gas-fired combined cycle power projects in Mexico are now under consideration for financing by the Japan Bank for International Cooperation (JBIC). One is in San Luis Potosi and the other one in Salamanca. When Japanese NGOs asked the consistency of these two projects with the agreement reached at G7 Elmau Summit to end new public financing for fossil fuel energy, JBIC did not provide specific rationale on its judgment that the policy of the Mexican government is consistent with the 1.5 degree target. If JBIC provides support, it is highly likely that it constitutes a violation of the G7 agreement, thus JBIC should stop consideration for financing.

JBIC placed these two projects on its list of projects under consideration for financing on November 2, 2023 (\*1). Comisión Federal de Electricidad (CFE), the state owned electric utility of Mexico is the project operator of these two projects. CFE plans to construct two gas-fired combined cycle power plants to replace the existing oil-fired power plants in San Luis Potosi and Salamanca in Mexico, and Mitsubishi Power is expected to provide power plant technology. The Nippon Export and Investment Insurance (NEXI) has also been considering to underwrite for these two projects since December 6, 2023 (\*2).

At the G7 Summit in Elmau in June 2022, the Japanese government committed “to end new direct public financing for the international unabated fossil fuel energy sector by the end of 2022, except in limited circumstances clearly defined by each country consistent with limiting warming to 1.5°C and the goals of the Paris Agreement (\*3)”, and hence in applying the “limited circumstances” exception to these two projects, Mexico’s energy policy as a recipient country is required to be consistent with the 1.5 degree target. However, the analysis published by Climate Analytics (\*4) and Climate Action Tracker (\*5) indicate that Mexico’s NDC (Nationally Determined Contribution) is not consistent with 1.5 degree target.

As for the rationale for adequacy of its support for these two projects, JBIC responded in a meeting with Japanese NGOs that Mexico’s updated NDC 2022 is consistent with the 1.5 degree target. However, no explanation was provided as to the rationale on how JBIC found the Mexican government’s NDC to be consistent with the 1.5 degree target. JBIC loans are usually co-financed with Japanese megabanks, and that private bank loan portion is often insured by the Nippon Export and Investment Insurance (NEXI). So we sent questions to NEXI on December 7, 2023, which is considering underwriting for the projects, however, no

response has yet been received. This violates NEXI's own Guidelines on Environment and Social Consideration in Trade Insurance which stipulates that efforts should be made to ensure accountability.

According to the article of Mexico Business News (\*6), it is pointed out that the generation costs of solar and wind energy are lower than that of gas-fired power, and have a high cost advantage. Providing support for these two gas-fired power projects with a low cost advantage in Mexico, rather than for renewable energy projects with a high cost advantage, is not consistent either with the Infrastructure System Overseas Promotion Strategy 2025 by the Japanese government, which indicates the maximum use of renewable energy.

Based on the above, we urge JBIC, NEXI and private banks (three megabanks: MUFG, Mizuho and SMBC) to stop considering support for these two projects that are highly likely to constitute a violation of the G7 agreement.

Contact:

Japan Center for a Sustainable Environment and Society (JACSES)

Yuki Tanabe

tanabe@jacses.org

Marika Kita

kita@jacses.org

Note:

\*1:

San Luis Potosi gas-fired combined cycle power plant project

[https://www.jbic.go.jp/en/business-areas/environment/projects/page\\_00166.html](https://www.jbic.go.jp/en/business-areas/environment/projects/page_00166.html)

Salamanca gas-fired combined cycle power plant project

[https://www.jbic.go.jp/en/business-areas/environment/projects/page\\_00165.html](https://www.jbic.go.jp/en/business-areas/environment/projects/page_00165.html)

\*2:

San Luis Potosi gas-fired combined cycle power plant project

[https://www.nexi.go.jp/en/environment/a/202312010165\\_02.html](https://www.nexi.go.jp/en/environment/a/202312010165_02.html)

Salamanca gas-fired combined cycle power plant project

<https://www.nexi.go.jp/en/environment/a/202312010165.html>

\*3:

<https://www.mofa.go.jp/mofaj/files/100364051.pdf>

\*4: <https://1p5ndc-pathways.climateanalytics.org/countries/mexico/>

\*5: <https://climateactiontracker.org/countries/mexico/>

\*6:

<https://www.woodmac.com/press-releases/solar-pv-to-overtake-onshore-wind-in-latin-america-from-2023/>