

July 9, 2024

Joint Statement

Violation of G7 Agreement!

**We Condemn JBIC's Lending Decision to Provide Support for
Vietnam's Block B-O Mon Project (Upstream and Midstream)**

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

On July 8th, the Japan Bank for International Cooperation (JBIC) announced that it has signed loan agreements on July 5th with three companies Mitsui Oil Exploration Co. (MOECO) invests in, intending to provide necessary funding for development of Block B gas field located off the southwest coast of Vietnam and building pipelines to transport fuel gas to a thermal power complex in the southwest area of the country (*1). We, environmental NGOs strongly condemn this decision to provide financing. Both Japan and Vietnam have pledged to achieve net zero by 2050, meanwhile International Energy Agency (IEA) has in its publication indicated that there should in 2021 already be no new oil and gas fields approved for development in its pathway to net zero by 2050 (*2), and that indication stayed the same in its 2023 updated version (*3). Also, as we state below, JBIC's decision to provide the loans, as well as Japan Organization for Metals and Energy Security (JOGMEC)'s decision to invest and to provide loan guarantees are violating a G7 agreement.

JBIC announced that it has signed loan agreements with MOECO Vietnam Petroleum Co., Ltd. (MVP), MOECO Southwest Vietnam Petroleum Co., Ltd. (MSVP), and MOECO Southwest Vietnam Pipeline B.V., all of which are invested in by MOECO, amounting to up to approximately USD167 million, approximately USD161 million, and approximately USD87 million, respectively (JBIC portions). The announcement also said the loans are co-financed with private financial institutions, bringing the total co-financing amounts to USD335 million, USD322 million, and USD175 million, respectively.

MVP and MSVP are companies that are equity invested by MOECO and JOGMEC. MVP and MSVP own interests in the Block B gas field, the upstream project (*4). Southwest Vietnam Pipeline B.V. is a company wholly owned by MOECO and it has interests in the midstream project (*5), which is the transportation of gas from the Block B gas field to the O Mon power complex, where O Mon I already is in operation but up to date only at emergency situations using fuel oil, while O Mon II, III, IV are still at planning stage, with the total capacity of the complex expected to become 3,810MW. The midstream project, that supplies gas to this power complex, includes construction of over 400 km pipeline (*6).

The decision by JBIC this time is intended to enable these upstream and midstream projects, in the meantime, JBIC claims that their support will contribute to the promotion of energy transition in Vietnam. But if JBIC is to make such a claim, they should support renewable energy and not the gas projects that further exacerbate climate change. If these

upstream and midstream projects realize supply of gas, then the downstream power generation by gas-firing is enabled, locking-in greenhouse gas (GHG) emissions from the power generation, too. When humans must transition away from fossil fuels, why does JBIC provide loans to the companies and make them carry out fossil fuel projects that increase GHG emissions? In 2015, the percentage of likelihood was zero for the average global temperature to exceed 1.5°C in at least one of the next five years but is now increased to 80% for the next five years (2024 to 2028) (*7). The Paris Agreement sets 1.5°C as a limit of the temperature rise, but with 2023 recorded as the hottest year, the global temperature is now reaching so close to this limit. And one factor is JBIC's continued support for fossil fuel projects, infringing the Paris agreed "making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development."

The operator for both upstream and midstream projects of Block B-O Mon is Petrovietnam (PVN) while other than the above-mentioned companies invested by MOECO and JOGMEC, project proponents are PVN's subsidiaries and Thai state-owned PTT's wholly owned subsidiary PTT Exploration and Production (PTTEP).

PTT is excluded from the investment universe of the Norwegian Government Pension Fund, as PTTEP's conduct is one source of funding for the Myanmar military which continues to commit inhumane acts (*8). Providing loans to enable the projects that have a company questioned from the perspective of business and human rights may impact credibility of investment and loan decision standards of JBIC as well as the Government of Japan. Besides, in Vietnam, multiple environmental defenders have been arrested in the last few years and citizens have been unable to speak freely about environment and energy policy (*9). JBIC in its own Guidelines for Confirmation of Environmental and Social Considerations states in its basic principles to "take note of the importance of transparent and accountable processes, as well as the participation in those processes of stakeholders in the project concerned, including local residents and local NGOs affected by the project." However, we cannot see the act of JBIC as following this basic principles.

Furthermore, the decision by JBIC this time does not align with the commitment the Government of Japan made at the 2022 Elmau G7 Summit, committing to "end new direct public support for the international unabated fossil fuel energy sector by the end of 2022, except in limited circumstances clearly defined by each country consistent with a 1.5°C warming limit and the goals of the Paris Agreement." It is analyzed by the Climate Action Tracker that Vietnam is planning for a rapid growth in fossil gas consumption, though the massive efforts Vietnam's government is directing towards the gas sector development are not 1.5°C compatible and raise the spectre of significant stranded asset risks (*10).

The loan provision decision by JBIC that violates Japan's G7 commitment is not acceptable. JBIC should retract the decision. JOGMEC's investment in the project and its final investment decision announced in the end of March with a plan to provide loan guarantees is also violating this G7 commitment. Thus JOGMEC should also retract their decision. Climate change is a man-made disaster. We could further exacerbate it, but we could in the opposite, prevent it also. JBIC and JOGMEC should reconsider and come up with wise decisions.

Contact:

Mekong Watch

info@mekongwatch.org

Notes:

*1: JBIC, Press Release “Loans for Block B Gas Field Development Project in Vietnam : Contributing toward Resources Development by Japanese Companies and Promotion of Energy Transition in Vietnam” July 8, 2024
https://www.jbic.go.jp/en/information/press/press-2024/press_00038.html

*2: IEA, “Net Zero by 2050”, May 2021
<https://www.iea.org/reports/net-zero-by-2050>

*3: IEA, “Net Zero Roadmap: A Global Pathway to Keep the 1.5 °C Goal in Reach (2023 Update)” , September 2023
<https://www.iea.org/reports/net-zero-roadmap-a-global-pathway-to-keep-the-15-0c-goal-in-reach>

*4: JOGMEC, “Provision of Loan Guarantee for Natural Gas Development and Transportation Project in the Socialist Republic of Vietnam by Mitsui Oil Exploration Co., Ltd. - Contribution to Energy Transition in Asia -” March 29, 2024
https://www.jogmec.go.jp/english/news/release/news_10_00061.html

*5: MOECO, “Final Investment Decision for the Vietnam Block B Gas Field Development” March 29, 2024
<https://www.moeco.com/en/news/2024/03/final-investment-decision-for-the-vietnam-block-b-gas-field-development.html>

*6: Mitsui & Co., “Vietnam Block B Gas Field Development Final Investment Decision”, April 1, 2024
https://www.mitsui.com/jp/en/release/2024/_icsFiles/afieldfile/2024/04/01/en_240329_Mitsui_ppt.pdf

*7: World Meteorological Organization, “Global temperature is likely to exceed 1.5°C above pre-industrial level temporarily in next 5 years” June 5, 2024
<https://wmo.int/media/news/global-temperature-likely-exceed-15degc-above-pre-industrial-level-temporarily-next-5-years>

*8: NBIM, Observation and exclusion of companies,
<https://www.nbim.no/en/responsible-investment/ethical-exclusions/exclusion-of-companies/>

*9: OHCHR, Press Briefing Notes “Sentencing of environmental human rights defenders in Viet Nam”, September 29, 2023
<https://www.ohchr.org/en/press-briefing-notes/2023/09/sentencing-environmental-human-rights-defenders-vietnam>

*10: Climate Action Tracker, Viet Nam 20 Nov. 2023 Update,
<https://climateactiontracker.org/countries/vietnam/policies-action/>