

September 30, 2024

Dear Bondholders of Japan Bank for International Cooperation (JBIC),

Request to engage with JBIC to stop financing new fossil fuel projects

Japan Center for a Sustainable Environment and Society (JACSES)
Friends of the Earth Japan
Mekong Watch
Oil Change International
Market Forces

The Japan Bank for International Cooperation (JBIC), a Japanese government-affiliated financial institution, continues to provide significant support for new fossil fuel projects in contradiction to the 1.5-degree goals of the Paris Agreement. We, the environmental organizations, are sending this request to 50 financial institutions that hold bonds issued by JBIC, asking them to engage with JBIC to stop financing new fossil fuel projects to avert the climate crisis.

The Japanese government has committed that “recognising the importance of national security and geostrategic interests we commit 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 (*1).” However, since 2023, JBIC has signed seven loan agreements for fossil fuel projects, with total financing amounting to approximately USD 3.3 billion (JPY 498 billion equivalent).

Table: fossil fuels projects for which JBIC has signed loan agreements after 2023

Date of publication of the press release on JBIC website	Project name	Country	USD loans (in USD million)
March 24, 2023	Syrdarya 2 Natural Gas-Fired Combined Cycle Power Plant Project	Uzbekistan	393
March 26, 2024	Scarborough Offshore Gas Project (JERA's share)	Australia	831
March 28, 2024	San Luis Potosi Gas-Fired Combined Cycle Power Plant Project	Mexico	93
March 28, 2024	Salamanca Gas-Fired Combined Cycle Power Plant Project	Mexico	167
March 29, 2024	Trafigura Pte Ltd (Support for LNG imports by Japanese)	Singapore	390

	companies)		
May 30, 2024	Scarborough Offshore Gas Project (Woodside's share)	Australia	1,000
July 8, 2024	Block B Gas Field Development Project	Vietnam	415
Total loan agreement amount			3,289

The International Energy Agency (IEA) in its report in 2023 titled “Net Zero Roadmap: A Global Pathway to Keep the 1.5 °C Goal in Reach” (*2), reiterated its conclusion in its previous 2021 report that in order to achieve net-zero greenhouse gas emissions by 2050, there is no room for new fossil fuel extraction projects. JBIC financing for several gas projects is not consistent with the 1.5-degree goals of the Paris Agreement.

To meet G7 commitments, the energy policies of supported countries must be aligned with the 1.5-degree goal. Regarding the gas-fired power projects in San Luis Potosi and Salamanca in Mexico, the Japanese government and JBIC have made statements to the effect that there is no problem as the projects are consistent with Mexico's NDC, the National Electric System Development Plan, and five-year business plan of Comisión Federal de Electricidad (CFE). However, Climate Analytics (*3) and Climate Action Tracker (*4) state that the Mexican government's NDC (Nationally Determined Contribution) is not consistent with the 1.5-degree goal, making the Japanese government and JBIC's claims inappropriate. Regarding the financing of the Scarborough gas field, the Japanese government and JBIC have explained that it is not even necessary for the gas field development project to meet a 1.5-degree pathway, as it is about importing LNG from Australia, a like-minded nation, and therefore should be supported from an energy security perspective.

With regard to the JBIC loan to Trafigura, in December 2023 before the loan decision was announced, several media reported that the US and Swiss authorities had accused Trafigura of bribing Angolan public officials for many years, and on the same day the loan was signed, Trafigura was found guilty of bribery in Brazil in violation of the US Foreign Corrupt Practices Act (FCPA), and may have violated the Recommendation of the Council on Officially Supported Export Credits and Bribery, adopted by the OECD Council in March 2019 (*5).

In the future, JBIC is likely to continue financing in the new fossil fuels energy sector. For example, the possibility of it is increasing for the two fossil fuel projects. One is the Cameron LNG expansion project in Louisiana, USA, which is being considered for support by Nippon Export and Investment Insurance (NEXI), another Japanese government-affiliated financial institution, and which is having serious social and environmental impacts on local communities, including emissions of air pollutants (*6). The other one is the Papua LNG project in Gulf Province, south-east Papua New Guinea, where Free, Prior and Informed Consent (FPIC) of affected indigenous peoples has not been secured, which is required by the UN Declaration on the Rights of Indigenous Peoples (*7).

JBIC has a net zero GHG emissions target for its investment portfolio by 2050, however, has not set a GHG reduction target for its investment portfolio for 2030. Meanwhile, three

Japanese megabanks, MUFG, Mizuho and SMBC, have already announced reduction targets for their lending portfolio for 2030, although private banks' 2030 targets are not on a 1.5-degree aligned pathway. JBIC has issued green bonds a total of three times since January 2022 and may issue again this October. The issuance of specific green bonds does not require the issuer's overall portfolio to be aligned with the 1.5-degree goal. Therefore, purchasing green bonds issued by JBIC could free up capital that JBIC can allocate to fossil fuel projects. As a consequence, investors could unintentionally contribute to JBIC's greenwashing efforts in a broader sense.

Therefore, we request bondholders of JBIC to undertake the following engagement with JBIC, and if these are not achieved after a certain period of time, to divest from the JBIC bonds.

- To stop supporting new fossil fuel projects that are inconsistent with the 1.5-degree goal of the Paris Agreement.
- To set and disclose emission target for JBIC's lending and investment portfolio for 2030 that is aligned with 1.5-degree pathways.

Also as to this request, we would appreciate an opportunity for dialogue (e.g. online meeting) to hear your institution's policy and opinion. May we request you to let us know any convenient dates by October 30, for that opportunity? In case it is difficult to have a meeting with us, we would still be grateful to receive information about how you responded to our request in writing.

Thank you for your consideration and we look forward to receiving your response.

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Note

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

*2:

<https://www.iea.org/reports/net-zero-roadmap-a-global-pathway-to-keep-the-15-0c-goal-in-reach>

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

*4: <https://climateactiontracker.org/countries/mexico/>

*5: <https://foejapan.org/issue/20240524/17759/>

*6: https://sekitan.jp/jbic/wp-content/uploads/2023/06/20230627_Cameron_-comments.pdf

*7: <https://jacses.org/2446/>

List of recipients:

1. Vanguard
2. BlackRock
3. California Public Employees' Retirement System (CalPERS)

4. Fidelity Investments
5. Capital Group
6. JP Morgan Asset Management
7. Government Pension Fund Global (GPF)
8. New York State Teachers' Retirement System (NYSTRS)
9. TIAA
10. Lord, Abbett & Co
11. Florida State Board of Administration (FSBA)
12. State Street
13. Charles Schwab Investment Management, Inc. (Charles Schwab Corp/The)
14. UBS Asset Management
15. Colorado Public Employees' Retirement Association (Colorado PERA)
16. PIMCO (US)
17. California State Teachers' Retirement System (CalSTRS)
18. Mellon Investments Corporation
19. Groupe BPCE
20. Reuss Private Group
21. Oregon Public Employees Retirement System
22. HSBC Global Asset Management (UK) Limited (HSBC)
23. Brown Advisory
24. Power Corporation of Canada
25. Schroders
26. Deka Group
27. Abrdn
28. Northern Trust
29. Pacific Century Group
30. Safra Group
31. Aargauische Kantonbank
32. Voya Financial
33. Minnesota State Board of Investment (MSBI)
34. T. Rowe Price
35. Massachusetts Pension Reserves Investments Management
36. Dimensional Fund Advisors
37. Crédit Agricole
38. Prudential Financial (US)
39. Nomura Asset Management
40. Legal & General
41. Longfellow Investment Management
42. Pension Fund Association for Local Government Officials
43. Equitable Holdings
44. State of Wisconsin Investment Board
45. Fonds de Compensation de la Sécurité Sociale, SICAV-FIS (FDC)
46. Metropolitan Life Insurance Co (US)
47. Zürcher Kantonbank
48. Franklin Resources
49. Kommunal Landspensjonskasse (KLP)
50. Lazard