

Coal Financing Takes Our Future Away

Japanese Private Financial Institutions' Current Investments In Overseas Coal-fired Power Generation Projects

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There are several surveys regarding the specific amount of Japanese private financial institutions' coal-related investments. However, because the subjects of these surveys are financial institutions' investment in coal extraction and power generation company itself, these previous surveys do not focus on the specific amount of individual projects' investments. In our report, therefore, we survey the amount of large Japanese private financial institutions' investments in individual previously-contracted overseas coal-fired power generation projects, based on the press releases of the Japan Bank for International Cooperation (JBIC) and Nippon Export and Investment Insurance (NEXI), etc.

Our survey's conclusion is written below (Table 1). Mitsubishi UFJ Financial Group (FG) gave the largest loan (2.1 billion USD), followed by Sumitomo Mitsui FG (1.6 billion USD), Mizuho FG (800 million USD), Sumitomo Mitsui Trust Holdings (600 million USD) and the Norinchukin Bank (400 million USD).

Table 1: List of the Amount of Japanese Private Financial Institutions' Overseas Coal-fired Power Generation Projects (Unit: Million USD)

Date of Press Release	Project Name (Country)	Mitsubishi UFJ	Mizuho	Sumitomo Mitsui	Sumitomo Mitsui Trust	The Norinchukin Bank
November 15, 2005	Hai Phong Units 1-2 (Vietnam)		13			
March 29, 2007	Hai Phong Units 3-4 (Vietnam)		13			
December 20, 2007	Barh Units 1-3 (India)	48	48	48	48	
December 30, 2008	Tanjung Jati B Units 3-4 (Indonesia)	292		292		
March 8, 2010	Paiton 3 (Indonesia)	76	76	76	76	
March 8, 2010	Cirebon Unit 1 (Indonesia)	76	76	76		
March 23, 2010	Pacifico (Petacalco) Unit 1 (Mexico)	169		169		
April 1, 2011	Jaypee Nigrie Units 1-2 (India)	55				
August 12,	Vung Ang 1 Units			38		

2011	1-2 (Vietnam)					
December 28, 2011	Rajpura Units 1-2 (India)	54				
March 28, 2013	Cochrane Units 1-2 (Chile)	100	100	100		
August 22, 2013	Thai Binh 2 Units 2-3 (Vietnam)	19	19			
January 27, 2014	Kudgi Units 1-3 (India)			140		
July 17, 2014	Vinh Tan 4 Units 1-2 (Vietnam)	136				
September 2, 2014	Meja Units 1-2 (India)	60				
September 19, 2014	Safi Units 1-2 (Morocco)	59	59	59	59	
March 31, 2015	Duyen Hai 3 Unit 3 (Vietnam)			27	27	
March 16, 2016	Lontar (Banten) Unit 4 (Indonesia)			130		
June 3, 2016	Batang (Central Java) Units 1-2 (Indonesia)	304	152	152	152	152
February 27, 2017	Tanjung Jati B Units 5-6 (Indonesia)	536	268	268	268	268
April 11, 2017	Vinh Tan 4 Unit 3 (Vietnam)	34				
Unpublished	Cirebon Unit 2 (Indonesia)	Unknown	Unknown	Unknown	Unknown	Unknown
June 21, 2017	Kalselteng 2 Units 5-6 (Indonesia)	97				
	Total ¹	2,115	824	1,575	582	420

We also surveyed the JBIC and private financial institutions' joint projects, two of which (Batang and Cirebon) were funded while four others (Darlipali, Tanda, Morupule, and Ulaanbaatar) were under consideration. The major ESG issues related to these projects are written below:

¹ In the case of that the amount of JBIC's investment was unknown while the total amount was clear, we estimated 50 percent as the amount of JBIC's investment. In the case of that the amount of each bank's investment was unknown, while the total amount of the private financial institutions became clear, we divided the amount equally by the number of banks. In the case of that the amount of a loan contract was not USD, we converted it to USD at TTM of the date of each press release.

- Defectiveness of EIA research
 - Insufficiency of examination of alternative project options and impact prediction (Cirebon)
 - Insufficiency of baseline survey and impact prediction (Morupule and Ulaanbaatar)
- Defectiveness of Environmental Certification
 - The violation of Spatial Planning Law (Cirebon)
 - Illegal blasting, deforestation, and sediment dumping (Darlipali)
- Defectiveness of prevention and mitigation policy
 - Insufficiency of compensation and livelihood restoration plan (Batang and Ulaanbaatar)
 - Insufficiency of environmental mitigation policy (Cirebon, Darlipali, Tanda, Morupule, and Ulaanbaatar)
 - Insufficiency of compensation and livelihood restoration support (Cirebon)
- Defectiveness of public involvement
 - Irrelevant resident discussion (Batang)
 - Violation of Human rights cause by policy or parties (Batang, Cirebon, and Tanda)

Although Japan signed on to the Paris Agreement, these surveys indicate that large Japanese private financial institutions continue to provide loans to a number of coal-fired power generation projects, resulting in inconsistency with the Agreement's targets. In addition, Japanese private financial institutions' investment activities regarding coal-fired power generation projects have resulted in a host of ESG issues. Thus, Japanese private financial institutions should:

1. Calculate coal-fired power generation projects' CO2 emissions based in their portfolios and set a target for low carbonization,
2. Formulate policies that prevent lending to new coal-fired power generation project in order to comply with the Paris Agreement,
3. Not lend to projects that (potentially) violate law and human rights or cause environmental destruction, and stop loan payment to previously contracted projects.
4. Work on the operators to disclose information and have discussions with residents of each project under consideration or in financing, who express their concerns about projects or compensation.

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