



January 18, 2017

Fred Hochberg
 President & CEO
 Export-Import Bank of the United States

RE: Reject U.S. Export-Import Bank financing for Long Phu I coal-fired power plant in Vietnam

Dear Chairman Hochberg,

We urge you to withdraw the pending proposal for U.S. Export-Import Bank (Ex-Im) financing for the Long Phu I coal-fired power plant in Vietnam. In accordance with the *Sector Understanding on Export Credits for Coal Fired Electricity Generation Projects* that took effect on January 1, this project is not eligible for support by Ex-Im or any other Participant to the *OECD Arrangement on Officially Supported Export Credits*.¹ Support for this coal project would also violate the letter and spirit of Ex-Im’s Supplemental Guidelines for High Carbon Intensity Projects (HCIP)² and its Environmental and Social Guidelines.³ Ex-Im financing would expose the U.S. government to unacceptable environmental, social and reputational risk and undermine efforts to fight climate change—including American leadership in persuading OECD countries to curb export credit agency support for coal projects. Given Ex-Im’s 2013 decision not to finance the Thái Bình II coal plant in Vietnam based on a careful environmental review based on policies predating the HCIP, we urge you to reject financing for Long Phu I.⁴

¹ Sector Understanding on Export Credits for Coal-Fired Electricity Generation Projects, November 27, 2015, Participants to the Arrangement on Officially Supported Export Credits, negotiated at the Organization for Economic Cooperation and Development, [http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=TAD/PG\(2015\)9/FINAL&docLanguage=En](http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=TAD/PG(2015)9/FINAL&docLanguage=En).

² Supplemental Guidelines for High Carbon Intensity Projects, Export-Import Bank, February 6, 2014, <http://www.exim.gov/policies/ex-im-bank-and-the-environment/international-environmental-and-social-guidelines/#a-2>.

³ Environmental and Social Due Diligence Procedures and Guidelines, Export-Import Bank, December 12, 2013, <http://www.exim.gov/policies/ex-im-bank-and-the-environment/environmental-and-social-due-diligence-procedures-and-guidelines>.

⁴ Kate Sheppard, “US Won’t Fund a Massive Coal Plant in Vietnam,” *Mother Jones* (Jul. 19, 2013),

Violations of OECD Sector Understanding:

Approval of Long Phu I would violate the OECD *Sector Understanding on Export Credits for Coal Fired Electricity Generation Projects*, which took effect on January 1. The *Sector Understanding* is part of the *OECD Arrangement on Export Credits*, an indivisible set of agreements that protect American exporters from unfair subsidies by other export credit agencies. Ex-Im is obligated to comply with these terms as long as it is part of the OECD Arrangement.

Long Phu I is supposed to use two 600 MW supercritical units, which are prohibited in IDA-blend countries such as Vietnam under the *Sector Understanding*. Moreover, as 99 percent of Vietnam's population has access to electricity, the energy poverty exception does not apply.⁵

In addition, Ex-Im could not meet the basic conditions outlined in Section 4 of the *Sector Understanding*, which would require Ex-Im to demonstrate to other Participants that (1) an evaluation of less carbon-intensive energy alternatives has been carried out and such alternatives are demonstrated as not viable, and (2) the project is compatible with the host country's national energy policy and climate mitigation policy and strategy, which is supported by a targeted policy to expand renewables and/or to enhance energy efficiency. Far from finding alternatives not viable, an exhaustive options analysis of the energy sector conducted by the World Bank, for which the Vietnamese government provided input, explicitly *recommends* the displacement of new coal-fired generation with alternative energies such as wind and solar.⁶ Moreover, it is questionable whether Long Phu I is "compatible" with Vietnam's national climate mitigation and energy policies. The Vietnam Green Growth Strategy, the country's national climate and energy policy, outlines a low carbon development path increasing the use of renewable energy and implementing energy efficiency measures that lead to a cumulative 845 million tons of CO₂ emissions reductions by 2030.⁷

Local Pollution, Displacement and Loss of Livelihood

The 1200 MW Long Phu I coal plant, proposed to be built near the Hau River in the Mekong Delta, would cause serious harm to the sensitive Delta ecosystem. It threatens local communities' livelihoods and culture, in part due to the project's displacement of largely farming communities who depend on the land to make a living. According to local media reports, 315 families have already been displaced from their land for plant construction.⁸ More broadly, Long Phu I would cause extensive water and air pollution, adversely affecting the local rice, shrimp and fish economies upon which an estimated 85 percent of the 17 million people who live in the

<http://www.motherjones.com/blue-marble/2013/07/export-import-bank-coal-plant-vietnam>; Mark Drajem, "Ex-Im Holds Funding Review for Vietnam Coal Plant," Jul. 18, 2013, <https://www.bloomberg.com/news/articles/2013-07-18/ex-im-bank-halts-funding-review-for-vietnam-coal-plant>.

⁵ World Bank, Access to Electricity (% of Population), <http://data.worldbank.org/indicator/EG.ELC.ACCS.ZS>.

⁶ Pierre Audinet, World Bank Group, Exploring a Low-Carbon Development Path for Vietnam (2016), <http://documents.worldbank.org/curated/en/773061467995893930/pdf/102363-PUB-VN-Low-cost-carbon-date-Jan-20-2016-9781464807190-Box-394380B-PUBLIC.pdf>.

⁷ *Id.*

⁸ Thứ Sáu, "Chậm chạp ở Dự án Nhà máy nhiệt điện Long Phú 1: 5 năm mới xây xong bờ kè và đổ cát," Sept. 13, 2013, <http://baotainguyenmoitruong.vn/kinh-te/201309/cham-chap-o-du-an-nha-may-nhiet-dien-long-phu-1-5-nam-moi-xay-xong-bo-ke-va-do-cat-522407/>.

region depend for their livelihoods.⁹ It would also exacerbate the localized impacts of climate change that communities are already facing, including longer, dryer seasons and droughts that make it more difficult to cultivate rice and harvest shrimp.

Coal combustion is a significant source of pollutants that affect the respiratory, cardiovascular and nervous systems – essentially, all the major organ systems of the body. Coal pollutants contribute to diseases such as asthma, lung cancer, heart disease, stroke, and chronic lower respiratory disease, and to premature death. Even with supercritical coal technologies, these health effects would impose a heavy health burden on the local Vietnamese population. Furthermore, the plant’s carbon pollution, by accelerating climate change, would endanger the health and wellbeing of the people of Vietnam and of the whole planet.

Violations of Ex-Im Bank Environmental and Social Guidelines:

Under the provisions for HCIP, Ex-Im could not fund Long Phu I unless it used carbon capture and storage technology. The rider to the existing Appropriations Bill only suspends the application of the HCIP guidelines in IDA-blend countries such as Vietnam to projects that “provide affordable electricity,” through April 28. Moreover, Ex-Im has provided no evidence that the electricity generated by Long Phu I would be “affordable” much less comply with separate requirements to examine alternatives, including cleaner and economically cheaper renewable options. The World Bank study cited above found that meeting Vietnam’s electricity needs through supercritical coal plants such as Long Phu I would be more expensive than using available renewable alternatives such as solar and wind, and managing demand through increased energy efficiency. In fact, the Bank concluded that increasing energy efficiency and renewables would save \$8.1 billion in spending and \$17.6 billion in fuel by 2030.¹⁰

Long Phu I also does not comply with Ex-Im’s overall environmental and social guidelines.¹¹ First and foremost, it fails to provide the required environmental and social impact assessment (ESIA) to demonstrate adherence to the rest of Ex-Im’s environmental and social policies. Instead, Ex-Im has only disclosed what the agency refers to as a “preliminary ESIA,” which is actually an obsolete feasibility study based on Vietnam’s own standards— rather than an assessment based on contemporary Ex-Im policies and standards. Ex-Im Bank has provided no information to demonstrate compliance with their resettlement requirements. What’s more, Ex-Im has thus far failed to demonstrate compliance with the agency’s environmental and social policies requirements to:

- Publicly disclose an estimate of project-related CO₂ emissions
- Examine alternatives—including renewable energy
- Identify cumulative and associated risks and impacts—including the Long Phu Power Center’s two additional coal power plants and coal port

⁹ *Id.*; Seth Mydans, “Vietnam Finds Itself Vulnerable if Sea Rises,” N.Y. Times, Sept. 23, 2009, http://www.nytimes.com/2009/09/24/world/asia/24delta.html?_r=0.

¹⁰ *Supra* note 6.

¹¹ This includes, but is not limited to incorporated World Bank Environmental and Social Framework IFC Performance Standards as well as stand-alone Ex-Im Bank policies.

Lack of Compliance with Anti-Corruption Measures:

OECD export credit agencies have committed to “take concrete, coordinated measures to detect and deter bribery in the export transactions that they support.”¹² Moreover, ExIm’s policy requires enhanced due diligence when an exporter or applicant is suspected or convicted of bribery.¹³ However, while this project may run a high risk of corruption, there has been no disclosure about what Ex-Im Bank has done to fulfill its anti-corruption due diligence for the Long Phu I project. Officials from PetroVietnam Construction, part of the larger nationally-owned company PetroVietnam, the project sponsor of Long Phu 1, were recently arrested on corruption charges.¹⁴ According to the Corruption Report, corruption continues to negatively influence the country’s business environment.¹⁵ According to Transparency International’s Corruption Perception Index, Vietnam scores only 31 out of 100 and is ranked 112 of the 168 countries surveyed.¹⁶

We urge you to withdraw financing for Long Phu I. Ex-Im financing for this coal plant would threaten the local environment, global climate and people’s lives and livelihoods. Financing this project would make it difficult for the U.S. – a leader in the negotiation of the OECD *Sector Understanding* on coal-fired power plants – to hold countries like Japan and Korea accountable for their coal financing.

Sincerely,

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¹² OECD Recommendation on Bribery and Officially Supported Export Credits, OECD Council, December 14, 2006, [http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=td/ecg\(2006\)24&doclanguage=en](http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=td/ecg(2006)24&doclanguage=en).

¹³ Ex-Im Bank, Foreign Corruption Practices, <http://www.exim.gov/policies/foreign-corrupt-practices-and-other-anti-bribery-measures>.

¹⁴ Xuan Hoa, “Former Execs Arrested for \$150 Million Losses at PetroVietnam Unit, VN Express, Sept. 16, 2016, <http://e.vnexpress.net/news/news/former-execs-arrested-for-150-million-losses-at-petrovietnam-unit-3469156.html>;

Vu Trong Khanh, “Vietnam State Oil-Firm Chief Arrested on Fraud Allegations,” Wall Street Journal, July 22, 2015, <http://www.wsj.com/articles/vietnam-state-oil-firm-chief-arrested-on-fraud-allegations-1437563327>.

¹⁵ GAN Integrity, Vietnam Corruption Report (2015), <http://www.business-anti-corruption.com/country-profiles/vietnam>.

¹⁶ Transparency International, Corruption Perception Index 2015, <http://www.transparency.org/cpi2015>.

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