

# Van Phong I Vietnam

**Sectors:** Coal Electric Power Generation

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## Status



## About Van Phong I

Van Phong I is a coal-fired power plant of which construction commenced in August 2019. The plant will install a capacity of 1320MW (two units of 660MW each). The electricity generated with this plant will be sold to [Vietnam Electricity \(EVN\)](#). The Van Phong I power plant will use supercritical technology, with an expected emission intensity of [750 grams - 850 grams CO2 per kilowatt-hour](#).

## Brief history

- January 2011 - the Van Phong Economic Zone Management Authority **approved** Sumitomo Corporation's plan to build Van Phong 1.
- August 2013 - the Finnish company **Pöyry** was contracted by Sumitomo Corporation to build the plant.
- November 2013 - plan for construction to start in **April 2015**, and for the plant to go online in 2019. This involved Sumitomo signing a BOT contract in early 2014. This contract was **not finalized** yet in November 2014.
- April 2016 - some families were still living on the project's site as Sumitomo Corporation struggled with **compensation**.
- August 2016 - the provincial premier met with the Ministry of Industry and Trade and **pushed for the acceleration** of the project. Construction was planned to have started by the end of 2017, and completion was planned for 2021.
- May 2017 - Sumitomo Corporation signed an **investment agreement** with the Ministry of Industry and Trade.
- December 2017 - Sumitomo Corporation received the **investment certificate** to start developing the plant, which was planned for 2018.
- March 2018 - the **Environmental Impact Assessment** was approved.
- April 19, 2019 - the Japan Bank for International Cooperation (JBIC) **announced** that financing for Van Phong I had been concluded.
- June 2019 - the completion date was delayed to 2023.
- August 26, 2019 - Sumitomo Corporation **announced** on its website that construction of the Van Phong I coal-fired power plant has commenced.

## What must happen

The financiers of Van Phong I should immediately withdraw their support for Van Phong I and leave the project.

## Issues

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### Human rights and social issues

The construction of the Van Phong I coal-fired power plant has caused the [resettlement](#) of the communities that were living on the proposed construction site of the power plant. It is however reported that [little thought](#) was given to alternative livelihoods for the farmers and fisherfolk.

In May 2019 it was reported that a [99-year-old grandmother](#) refused to leave her plot of land after her house was destroyed by bulldozers. Reportedly, the land that she was offered is [not suitable](#) for farming practices.

[FOE Japan reports](#) that the Environmental and Social Impact Assessment (ESIA) has not been disclosed to the local people properly. Stakeholders that were concerned have not been invited to consultation or informed about the ESIA. There has been no opportunity for them to participate in decision-making regarding the project.

### Environmental issues

During the Environmental and Social Impact Assessment (ESIA) it has become clear that air pollution rates caused by the Van Phong I power plant will be [much higher](#) than the average Japanese coal-fired power plant. The plant will emit five times as much particulate matter, five times as much SO2 and nine times as much NOx.

Market Forces [reports](#) that JBIC and NEXI have agreed to support six coal plants globally (including Van Phong I) and that they are considering to support another six. Together, these plants would be responsible for emissions up to [71.3 million](#) metric tonnes of CO2. This equals the per capita

emissions of 7.4 million people in Japan. Building these coal plants would be fully incompatible with the Paris Climate Agreement. There is no room for any type of fossil fuel expansion, as this significantly decreases our chances of staying below 1.5°C of global warming.

## Other issues

Financial close was reached despite the fact that it would violate several standards and policies. Both JBIC and NEXI are violating the OECD Sector Understanding by supporting Van Phong I. SMBC, Mizuho and MUFG violate their own policies by supporting Sumitomo Corporation's Van Phong I.

The OECD Sector Understanding, to which Japan is a party of, prescribes that export credit finance is only permitted to projects larger than 500MW if they use ultrasupercritical technology or if they have an emission intensity lower than 750g CO<sub>2</sub>/kWh. Both of these conditions have not been met, which means that JBIC and NEXI are violating the sector understanding by financing Van Phong I.

SMBC has a coal power policy in which they rule out plants that do not use ultrasupercritical technology. As Van Phong I uses supercritical technology, this bank is violating its own policy. Both Mizuho and MUFG refer to the OECD Sector Agreement in their policies, which means that they are not eligible to provide finance to the project and by doing so are violating their own policies as well.

For more information, read this [analysis](#) by Market Forces.

Besides the financial institutions, the Japanese government is also contradicting itself by supporting the Van Phong I power plant. The government claimed it would only support power plants using ultrasupercritical technology. Funding Van Phong I therefore "blatantly [contradicts](#) Japan's own energy plan."

## Governance

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### Bank policies

The following bank investment policies apply to this project:

#### Sumitomo Mitsui Banking Corporation (SMBC)

##### Response to climate change

Date listed represents date as accessed on website

Mar 5 2019 | Sumitomo Mitsui Financial Group

##### Approaches for environmental and social risks

Date listed represents date as accessed on website

Mar 5 2019 | Sumitomo Mitsui Financial Group

##### Revision of ESG financing policies

Apr 16 2020 | Sumitomo Mitsui Banking Corporation

#### Mizuho Financial Group

##### Revised policy for coal-fired power generation

(in Japanese)

May 22 2019 | Mizuho Financial Group

##### Addressing climate change

Date listed represents date as accessed on website

Mar 30 2020 | Mizuho Financial group

##### Updated policy - Responsible investment and financing

Jun 1 2020 | Mizuho

#### Mitsubishi UFJ Financial Group (MUFG)

##### Revision of the MUFG Environmental and Social Policy Framework

May 13 2020 | MUFG

#### DBS

## Guidelines on responsible finance

Jun 1 2018 | Association of Banks in Singapore

## Statement on financing new coal-fired power plants

Apr 24 2019 | DBS

## Sustainable commitments on climate change

Jan 26 2018 | DBS

### OCBC Bank

#### Climate change statement

Date listed represents date as accessed on website

Feb 11 2019 | OCBC Bank

#### Guidelines on responsible finance

Jun 1 2018 | Association of Banks in Singapore

### Bank of China

#### Corporate Social Responsibility Policy

May 3 2018 | Bank of China Hong Kong

#### Environmental policy

Apr 1 2019 | Bank of China Hong Kong

## Applicable norms and standards

OECD Sector Understanding on Export Credits for Coal-Fired Electricity Generation Projects (OECD Coal Sector Understanding)

## Updates

### DBS and OCBC rule out lending for new coal power plants, but continue to support Van Phong I

Apr 19 2019

In April 2019, both DBS and OCBC [updated their coal policies](#). Both banks committed not to finance any new coal power plants. Unfortunately, in their policies the banks make an exception for the coal power plants they are already involved with. This means that both banks continue to support the Van Phong I coal power plant.

## Financiers

The estimated costs of the Van Phong I coal power plant are USD 3 billion. According to IJGlobal, USD 2 billion will be covered through debt and USD 1 billion through equity. On August 26, 2019 [financial close](#) was reached.

SMBC (also acting as financial advisor), MUFG, Mizuho, Bank of China, DBS Bank, Sumitomo Trust and OCBC Bank provided a USD 799 million term loan to Van Phong Power Company Limited. The loan will be insured by NEXI.

JBIC provided the remaining amount of debt through a USD 1.2 billion export credit facility.

### Banks

#### [Bank of China](#) China [profile](#)

[Details](#) ▼

Debt – project finance

USD 114 million

1 August 2019 - 1 August 2039

Co-financed a USD 799 million term loan to Van Phong I  
*source:* IJGlobal transaction data, August 2019

[DBS Bank Singapore](#) [profile](#) Details ▼

Debt – project finance USD 114 million 1 August 2019 - 1 August 2039  
Co-financed a USD 799 million term loan to Van Phong I  
*source*: IJGlobal transaction data, August 2019

[Mitsubishi UFJ Financial Group \(MUFG\) Japan](#) [profile](#) Details ▼

Debt – project finance USD 114 million 1 August 2019 - 1 August 2039  
Co-financed a USD 799 million term loan to Van Phong I  
*source*: IJGlobal transaction data, August 2019

[Mizuho Japan](#) [profile](#) Details ▼

Debt – project finance USD 114 million 1 August 2019 - 1 August 2039  
Co-financed a USD 799 million term loan to Van Phong I  
*source*: IJGlobal transaction data, August 2019

[OCBC Singapore](#) [profile](#) Details ▼

Debt – project finance USD 114 million 1 August 2019 - 1 August 2039  
Co-financed a USD 799 million term loan to Van Phong I  
*source*: IJGlobal transaction data, August 2019

[Sumitomo Mitsui Banking Corporation \(SMBC\) Japan](#) [profile](#) Details ▼

Debt – project finance USD 114 million 1 August 2019 - 1 August 2039  
Co-financed a USD 799 million term loan to Van Phong I and acted as financial advisor to the deal.  
*source*: IJGlobal transaction data, August 2019

## Export credit agencies

[Japan Bank for International Cooperation \(JBIC\)](#) Details ▼

Debt – trade finance USD 1.2 billion 1 August 2019 - 1 August 2039  
JBIC financed a USD 1.2 billion export credit facility to Van Phong I  
*source*: IJGlobal transaction data, August 2019

[Nippon Export and Investment Insurance \(NEXI\)](#) Details ▼

Uncategorised  
NEXI provides political risk coverage for the co-financed term loan.  
*source*: IJGlobal transaction data, August 2019

## Related companies

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### Project sponsor

**Sumitomo Corporation** Japan

### Other companies

**Vietnam Electricity (EVN)** Vietnam