

Vung Ang II coal power plant Vietnam

Sectors: Coal Electric Power Generation

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[Project website](#)

Sector	Coal Electric Power Generation
Location	
Status	Planning Design Agreement Construction Operation Closure Decommission
Website	https://www.pvn.vn/sites/en/Pages/detailv4.aspx?NewsID=2d02afe3-af8c-4566-ba06-4a01d0056539
	This project has been identified as an Equator Project

About Vung Ang II coal power plant

The Vung Ang II coal power plant is part of the Vung Ang thermal power centre and is the second complex of the coal-fired electricity generating plant located in the Vung Ang industrial zone, Ky Loi commune, Ky Anh district, Ha Tinh province in Vietnam. Vung Ang II will be constructed adjacent to Vung Ang I which is already in operation. It consists of two turbines with a total capacity of 1,200 MW. The first unit is expected to be commissioned in 2024, the second one in 2025. Both will be fueled by imported anthracite, hard coal.

Latest developments

Japan funds Vung Ang II, despite climate vows

Dec 30 2020

Keppo proceeds with Vung Ang 2 coal power project

Oct 5 2020

Why this profile?

The construction of the Vung Ang II coal power plant will exacerbate environmental pollution and health hazards in the Ha Tinh province, Vietnam. The construction of the plant and the coal ash it produces will negatively impact local farming land. Increased

coal plant emissions will also increase the number of deaths that are already caused by such emissions in the area. Vung Ang II will also negatively affect the global climate crisis through its fossil fuel emissions and impact on aquatic ecosystems.

What must happen

The construction of the Vung Ang II power plant stands in contrast to the aspirations of the Vietnamese Government and the Paris Climate agreement. The Vietnam government [demanded](#) serious efforts to reduce global warming and should, hence, live up to its ambitions and withdraw the permission for new, not yet constructed coal power plants - a step that Prime Minister Nguyen Tan Dung [announced in 2016](#). The Vietnam Sustainable Energy Alliance (VSEA) has, in cooperation with the WWF, published a [study](#) according to which Vietnam can receive 100% of its electricity demand from renewable energy.

Financial institutions must not participate in the financing of this project in any way. JBIC should immediately pull out of the project because it does not comply with its own standards as the project lacks social and ecological acceptability. The private Japanese banks involved should close the loop holes in their coal policies and withdraw their support for the Vung Ang II coal power plant.

Impacts

Social and human rights impacts

Local health and livelihoods The construction of the Vung Ang II coal power plant will exacerbate negative [health and livelihoods impacts](#) local communities are already dealing with, as the power plant will be constructed on a site next to the Formosa Steel plant and the Vung Ang I coal power plant. Both of these plants have been heavily opposed by local communities and have already caused environmental disasters as well as health issues in the area.

In 2016, a [toxic chemical spill](#) occurred at the Formosa Steel plant. This disaster caused miles of ocean coastline to become unfishable, which deprived local communities of both food and income. The Vung Ang I coal power plant is considered controversial as well, because of the close proximity of its ash pile to residential areas and farmland, as well as the air pollution the plant causes.

According to a [study](#) by Harvard University, pollution from coal power plants in Southeast Asia, South Korea, Japan and Taiwan causes 20,000 premature deaths annually. The study states that, if all planned coal projects are constructed, this number could rise to 70,000 deaths per year by 2030. The research also found that Vietnam is one of the countries most affected by this air pollution.

The construction of Vung Ang II alongside the already existing plants will worsen pollution and health hazards for local communities.

Consultation with local communities According to [Friends of the Earth \(FOE\) Japan](#), there are signs that "there was a failure to ensure proper information disclosure and obtain consent from residents". For instance, FOE Japan states that media reported a meeting that officials held in October 2019 during which local residents were forced to sign papers agreeing to sell their farmland despite the price not being set yet. Furthermore, it is reported that some families that had been relocated for the construction of the Vung Ang I coal power plant were not informed that they would have to be relocated once more for the Vung Ang II coal power plant.

Other issues around consultation were already identified in the Environmental Impact Assessment that was signed off in 2011. Read more about these issues [here](#).

Environmental and climate impacts

Climate change The Vietnamese government has [demanded](#) serious efforts to reduce global warming. In 2016 it [announced](#) that it would drop plans for further coal-fired power plants. The Vietnam Sustainable Energy Alliance (VSEA) has, in cooperation with the WWF, published a [study](#) according to which Vietnam can supply 100% of its electricity demand from renewable energy, proving that there is no need for the plant in the first instance.

Besides the fact that this coal power plant contradicts government demands and is not needed, its construction and operation will cause a worsening of climate change. All fossil fuel expansion is incompatible with the goals of the Paris Agreement and significantly decreases our chances of staying below 1.5°C of global warming.

Air pollution The Vung Ang II coal power plant will cause severe impacts on air quality once in operation. Major [air pollutants](#) from the plant include sulphur-dioxide (SO₂), nitrogen-oxide (NO_x) and fine particulate matter (PM). According to Market Forces, the emissions caused by these pollutants are much [higher](#) than limits for new coal plants in other countries.

In addition to smoke, the plant will create a huge amount of [coal ash](#). The disposal of this ash poses significant threats to the

environment, such as the contamination of ground and surface water.

Water use is another environmental [concern](#). The Vung Ang II coal power plant will use sea water for cooling, after which the heated water will be discharged back into the sea. This discharged water is usually between 5 and 11°C hotter than its original temperature. This “thermal water” [threatens](#) aquatic ecosystems, affecting the livelihoods of communities as well as the local ecology.

International standards According to the Environmental Law Alliance Worldwide (ELAW), the Environmental and Social Impact Assessment that was signed off in 2018 [does not align](#) with international standards. In April 2020, ELAW found that the 2018 report:

1. Failed to examine alternatives that prevent or minimise adverse environmental impacts of the proposed thermal power plant;
2. Used the wrong choice of an air pollutant dispersion model that renders meaningless predictions of air quality impacts;
3. Applied weaker emission standards for the project than those used internationally;
4. Allowed continued wet handling of ash contrary to international guidelines;
5. Allowed discharge of thermal effluent in excess of international guidelines; and
6. Erroneously dismissed potentially significant impacts to marine species.

Already in 2016, Deputy Minister of Natural Resources and Environment [Nguyen Manh Hien](#) stated that the methodology of drafting Environmental Impact Assessments is often inaccurate and has in the past led to environmental disasters and pollution. The Minister for Resources and Environment, Hong Ha, said that the "regulation on EIA has proved infeasible, making it hard to have high-quality EIA reports."

Governance

Bank policies

The following bank investment policies apply to this project:

Mizuho Financial Group

Policy on responsible finance

(document in Japanese)

Jun 13 2018 | Mizuho Financial Group

Revised policy for coal-fired power generation

(in Japanese)

May 22 2019 | Mizuho Financial Group

Sumitomo Mitsui Trust Holdings

Environmental Policy

Date listed represents date as accessed on website

Apr 28 2020 | SMTH

Sumitomo Mitsui Banking Corporation (SMBC)

Revision of ESG financing policies

Apr 16 2020 | Sumitomo Mitsui Banking Corporation

Management of environmental risks

Date listed represents date as accessed on website

Jan 14 2021 | Sumitomo Mitsui Financial Group

Applicable norms and standards

Equator Principles

Principles for Responsible Banking (PRB)

Brief history

- In 2007, the Vung Ang II Thermal Power Joint Stock Company (VAPCO) was established to build and operate the power plant, a joint venture between OneEnergy Ltd and the Hanoi based Refrigeration Electrical Engineering Co. (REE). In April 2018, REE [sold its holdings](#) in VAPCO to Hong Kong based CLP, making OneEnergy Ltd the owner of VAPCO. OneEnergy Ltd is a 50:50 venture between the Hong Kong based CLP and the Tokyo based Mitsubishi Corp. with the aim to expand business in Southeast Asia;
 - The plant was approved in 2009, its first Environmental and Social Impact Assessment was signed off in January 2011, and the plant was expected to begin operating in 2013, according to Vietnam's Power Development Plan VI (PDP VI). The plant was delayed and its operation was moved to 2018 in PDP VII, and subsequently 2021;
 - In 2017, the PDP VII was revised, in which Vung Ang II is planned to operate in 2021;
 - After eight years of negotiation, on 16 January 2017, the agreement to build the plant was signed by the General Directorate of Energy (under Ministry of Industry and Trade) and VAPCO, the project sponsor;
 - In June 2019, the Ministry of Industry and Trade [reported](#) that the completion date for Unit 1 is delayed to 2023 and the completion date for Unit 2 is delayed to 2024.
 - In February 2020, the National Steering Committee on power development [reported](#) that Unit 1 is scheduled to be commissioned in Q1 2024 and Unit 2 in Q2 2025.
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Timeline

Japan funds Vung Ang II, despite climate vows

Dec 30 2020

On December 30, 2020, Bloomberg Green reported that Japan has approved a plan to help finance the Vung Ang II coal power plant. The Japan Bank for International Cooperation (JBIC) will provide USD 636 million for the construction of the project. The total amount of project finance is co-financed with private banks and the Export-Import Bank of Korea (see also the "financiers" section of this profile). This decision goes against Japan's pledge for net-zero emissions by 2050 and stricter conditions when investing in coal projects abroad.

Kepeco proceeds with Vung Ang 2 coal power project

Oct 5 2020

On October 5, Korea Power Corp. (Kepeco) decided to proceed with the Vung Ang 2 coal power plant project in Vietnam. Kepeco's approval comes amid global pressure from environmental and investment groups calling for the company to halt the project.

127 organisation urge Japan to withdraw from Vung Ang II

May 26 2020

On May 26, Japanese NGOs submitted a petition for the cancellation of Vung Ang II to the Japanese public and private sectors. The petition was signed by 127 organisation from more than 40 countries. The recipients included the Japan Bank for International Cooperation (JBIC), three megabanks that are considering financing the project (MUFG, Mizuho and SMBC), Mitsubishi Corporation, and Prime Minister Shinzo Abe. Read more [here](#).

ELAW finds significant problems with Vung Ang II's Environmental Impact Assessment

Apr 30 2020

In April 2020, the Environmental Law Alliance Worldwide (ELAW) published their evaluation of the 2018 Environmental Impact Assessment (EIA) for Vung Ang II. In this evaluation, ELAW found that the EIA does not align with international standards as it:

1. Failed to examine alternatives that prevent or minimise adverse environmental impacts of the proposed thermal power plant;
2. Used the wrong choice of an air pollutant dispersion model that renders meaningless predictions of air quality impacts;
3. Applied weaker emission standards for the project than those used internationally;
4. Allowed continued wet handling of ash contrary to international guidelines;
5. Allowed discharge of thermal effluent in excess of international guidelines; and
6. Erroneously dismissed potentially significant impacts to marine species.

Read the complete evaluation [here](#).

New commission dates

Feb 14 2020

The National Steering Committee on power development [reported](#) that Unit 1 is scheduled to be commissioned in Q1 2024 and Unit 2 in Q2 2025.

CLP Holdings quits coal

Dec 19 2019

In December 2019, CLP Holdings [announced](#) that it will no longer invest in new coal-fired power plants and that it will progressively phase out all remaining coal assets by 2050. With this move, CLP is pulling out of all proposed coal-fired power projects it was already involved in, including Vung Ang II and Vinh Tan III.

NGOs call on JBIC not to finance the Vung Ang 2 coal-fired power plant in Vietnam

Oct 29 2019

In October 2019, more than 30 NGOs sent a letter to the Japan Bank for International Cooperation (JBIC) demanding that the bank withdraw from financing Vung Ang II. Find more information and the letter [here](#).

Completion date delayed

Jun 4 2019

In June 2019, the Ministry of Industry and Trade [reported](#) that the completion date for Unit 1 is delayed to 2023 and the completion date for Unit 2 is delayed to 2024.

Vung Ang II is going to use ultrasupercritical technology

Mar 29 2019

In March 2019, OneEnergy reported that the Vung Ang II coal power plant is going to use [ultrasupercritical technology](#), instead of supercritical technology.

Ministry of Planning and Investment refuses to grant an investment registration certificate

Jul 11 2018

In June 2018, it was reported that REE transferred its entire holding in VAPCO to OneEnergy. This led VAPCO to apply for authorisation for OneEnergy to become the [sole owner](#) of Vung Ang II. In July 2018, the Ministry of Planning and Investment [refused](#) to grant an investment registration certificate to OneEnergy to develop the power plant. This decision was based on [Decree 63/2018](#) which says that authorities shall not issue investment certificates for projects executed under the public-private partnership model. Besides that, the Ministry found several issues in OneEnergy's dossier. Several conditions appeared not to have been met. First of all, the environmental impact assessment for the project was approved by the Ministry of Natural Resources and Environment over two years ago, which means that the assessment is no longer valid. Furthermore, OneEnergy requested an area of 94.6 hectares for the project, while only 86 hectares had been approved by the Ministry of Industry and Trade. Lastly, it was found that OneEnergy does not meet the requirements regarding investment and equity capital. The equity needed is set at USD 555.5 million, [25.4%](#) of the total investment. However, in 2018 the equity was only USD 26.37 million.

These findings led the Ministry of Planning and Investment to ask the Ministry of Industry and Trade and OneEnergy to consider the opinions from relevant ministries and agencies and then develop the project in compliance with regulations.

The blacklist: Vietnam names and shames projects with high pollution risks

Oct 21 2016

Vietnam's Ministry of Industry and Trade has announced projects which it considers are potentially risky to the environment. In a statement, the ministry listed 28 plants which need "special monitoring", with nearly half of them being coal-fired power projects invested by state power utility Electricity of Vietnam (EVN) and national oil and gas group PetroVietnam. One of the plants in the list, the 1,200MW Vinh Tan II project, grabbed headlines last year due to the environmental pollution it caused (source [Vnexpress.net](#)).

Financiers

The Vung Ang II coal power plant requires an investment of USD 2.5 billion. According to IJGlobal, the project has a debt-equity ratio of 80:20.

According to IJGlobal's latest update (October 23, 2020), the group of banks listed below provided a USD 1,740 million loan for the development of the Vung Ang II project. BNP Paribas is cited as financial advisor to the term loan.

In December 2020, JBIC [stated](#) that it would co-finance the loan with USD 636 million.

Banks

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

[Details](#) ▼

Debt – project finance USD 290 million 2020 - 2040

MUFG co-financed a USD 1,740 million term loan for the development of Vung Ang 2
source: IJGlobal data, October 2020

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

[Details](#) ▼

Debt – project finance USD 290 million 2020 - 2040

Mizuho co-financed a USD 1,740 million term loan for the development of Vung Ang 2
source: IJGlobal data, October 2020

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

[Details](#) ▼

Debt – project finance USD 290 million 2020 - 2040

SMBC co-financed a USD 1,740 million term loan for the development of Vung Ang 2
source: IJGlobal data, October 2020

[Sumitomo Mitsui Trust Holdings](#) Japan [profile](#)

[Details](#) ▼

Debt – project finance USD 290 million 2020 - 2040
Sumitomo Trust co-financed a USD 1,740 million term loan for the development of Vung Ang 2
source: IJGlobal data, October 2020

Export credit agencies

[Exim Bank of Korea](#)

[Details](#) ▼

Debt – project finance USD 290 million 2020 - 2040
Exim Bank of Korea co-financed a USD 1,740 million term loan for the development of Vung Ang 2
source: IJGlobal data, October 2020

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

[Details](#) ▼

Debt – project finance USD 636 million 2020 - 2040
JBIC co-financed a USD 1,740 million term loan for the development of Vung Ang 2
source: JBIC press release, December 2020
[link](#)

Initially, the banks lining up to provide financing for this project included MUFG, Mizuho, SMBC, Sumitomo Trust, DBS, OCBC Bank and Standard Chartered.

BNP Paribas acted as [financial advisor](#) to these potential lenders. It was reported that this mandate, dating back to 2009 and ending in November 2017, would not be prolonged due to [BNP Paribas' new coal policy](#) (which also makes that BNP Paribas will not finance this Dodgy Deal). Reportedly, the bank was [replaced](#) by Mizuho in 2018.

In November 2019, OCBC Bank was [reported](#) to have moved away from this Dodgy Deal. The other Singaporean bank, DBS, also [withdrew](#) from the project.

In December 2019, Standard Chartered withdrew its financial support for this Dodgy Deal. In [2018](#), Standard Chartered stated that it would no longer finance new coal-fired power plants anywhere in the world, unless a commitment was already made to a project. One of these projects was Vung Ang II. In 2019 the bank [confirmed](#) it would withdraw from this project, thereby closing the loopholes in its 2018 policy.

Related companies

The Vung Ang II coal power plant is owned by the Vung Ang II Thermal Coal Power Company (VAPCO), which is a special purpose vehicle (SPV), currently 100% [owned](#) by OneEnergy. OneEnergy is a 50:50 joint venture between CLP Holdings and Mitsubishi Corp.

As of May 2020, the companies owning the Vung Ang II coal power plant are Mitsubishi Corporation (40%), KEPCO (40%) and Chugoku (20%). These three companies together provide the equity needed for the project (USD 500 million).

[CLP Holdings](#) was initially also involved in the development of Vung Ang II. In December 2019, CLP [withdrew](#) from the project as it announced it will no longer finance new coal-fired power plants. CLP Holdings was replaced with KEPCO, who acquired its 40% stake in Vung Ang II.