

NOVEMBER 2023

BACKGROUNDER:

JAPAN'S FOSSIL FINANCE THREATENS TO DERAIL THE ENERGY TRANSITION IN ASIA AND GLOBALLY



 **OILCHANGE**
INTERNATIONAL

Oil Change International

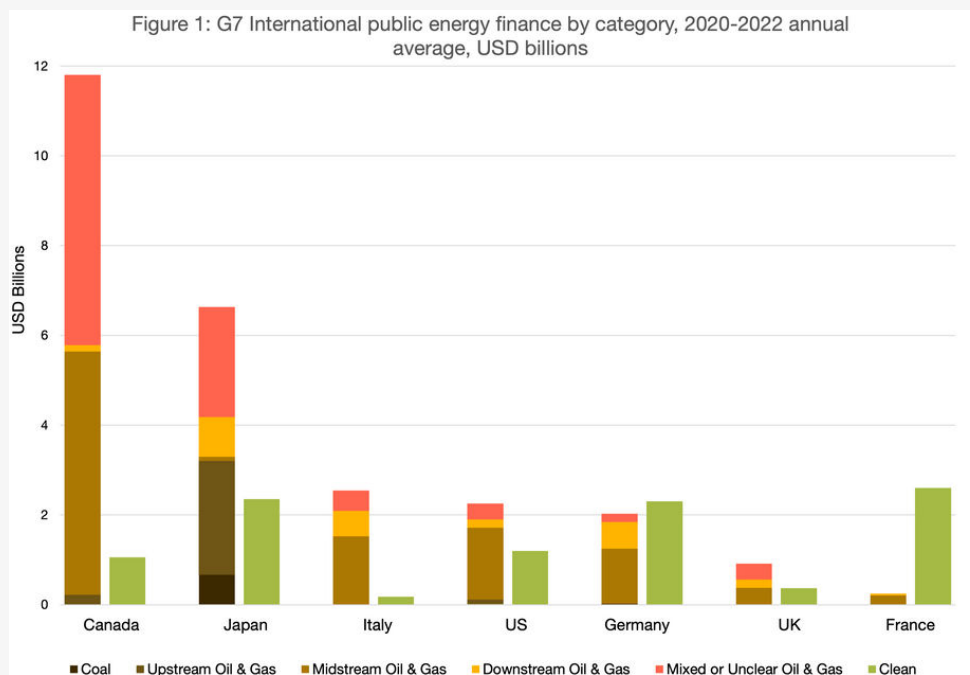


Despite the urgent need to phase out fossil fuels, Japan is [driving the expansion](#) of liquified gas (LNG) and other fossil-based technologies like [ammonia co-firing](#), across Asia and globally. This will worsen the climate crisis and harm communities and ecosystems. Communities and movements are [rising up](#) - particularly in the Global South - to oppose Japan's efforts to derail the transition to renewable-based energy systems.

Meanwhile, [other countries](#) are rapidly phasing out government-backed finance for fossil fuels and shifting finance to renewables instead. As this unstoppable trend accelerates, Japan looks increasingly isolated.

2ND LARGEST INTERNATIONAL PUBLIC FINANCIER OF FOSSIL FUELS

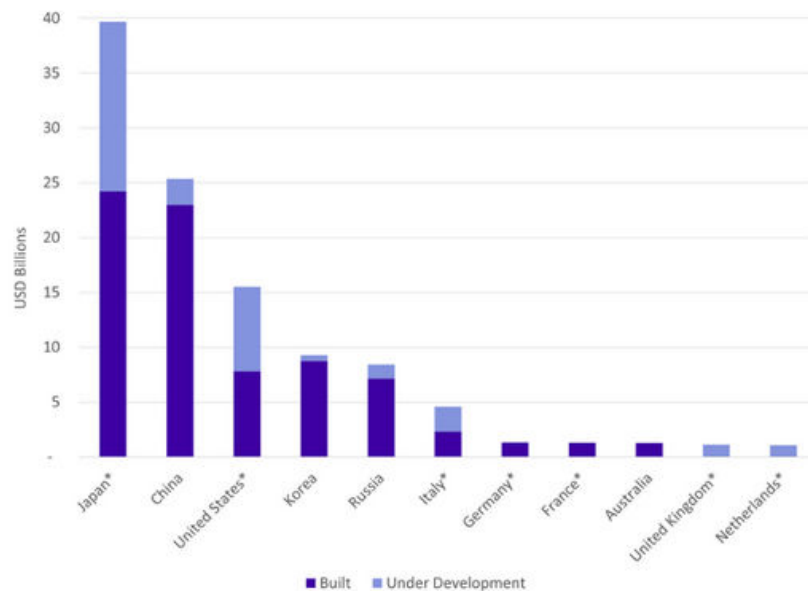
The Japanese government is the world's second-largest provider of international public finance for fossil fuels, spending at least [USD 6.9 billion](#) on oil, gas, and coal projects each year on average from 2020 to 2022. This figure, nearly three times higher than Japan's finance for clean energy, is likely an underestimate due to limited reporting from some of Japan's public finance institutions. Japan is second only to Canada among the G7 for international public finance for fossil fuels, and Canada issued policy guidelines to end international public finance for fossil fuels last year. This means that Japan is likely to be the world's biggest financier of fossil fuels going forward. This puts Japan in an increasingly isolated position.



WORLD'S TOP INTERNATIONAL PUBLIC FINANCIER FOR LNG & GAS

Japan is the [world's largest provider of international public finance for gas](#), providing \$4.3 billion annually on average from 2020 to 2022. Japan is also the world's largest provider of international public finance for [LNG export capacity](#). To date, Japan provided 50% of global international public finance, or \$39.7 billion, for LNG export capacity projects built from 2012 to 2022 and projects under construction or expected to be built by 2026.

Figure 2: Top 10 countries funding LNG export capacity, 2012-2026, USD billions



*notes countries that have signed the Glasgow and/or G7 pledge to stop all direct international finance to fossil fuels

Source: Oil Change International analysis based on data from Public Finance for Energy Database ([energyfinance.org](#)), Rystad Energy's UCube, and the International Gas Union.

JAPAN IS WORKING TO DERAIL THE ENERGY TRANSITION IN ASIA

Japan is [pushing governments across Asia](#) to increase reliance on LNG and other fossil-based technologies in their own national decarbonization and energy plans. This Japanese push for fossil fuels is largely driven by a hidden motivation: Japanese corporate profits. For large Japanese corporations, their priority is to maintain and increase revenues from new and existing fossil fuel infrastructure.

Japan's so-called "Green Transformation" (GX) strategy, approved in February 2023, relies on LNG, co-firing of ammonia at coal power plants, hydrogen co-firing at gas plants, and carbon capture and storage. These technologies will prolong the use of fossil fuels at a time when renewable energy solutions are reliable, available, and even cheaper than fossil fuels. Japan hosted this year's G7 Summit, but was criticized as [an obstacle](#) in the G7's energy transition agenda, lacking [climate ambition and leadership](#) and proposing unviable technologies like [ammonia co-firing](#).

Japanese companies have [signed contracts](#) for new LNG shipments from countries including the United States, while the Japanese government has [pushed](#) for countries in Asia such as the Philippines, Indonesia, and Bangladesh to import LNG, build new fossil gas power plants, and adopt hydrogen and ammonia co-firing, and carbon capture and storage (CCS) technologies. Meanwhile, analysts are highlighting the [economic risks](#) faced by LNG latecomers in Asia, and communities and movements are ramping up their opposition to LNG projects (see below).



JAPAN HAS BROKEN ITS G7 COMMITMENT TO END INTERNATIONAL PUBLIC FINANCE FOR FOSSIL FUELS

Japan has [continued financing](#) international fossil fuel projects this year, breaking the promise it made at the [G7](#) to end international direct fossil fuel finance by the end of 2022. Japan has approved at least \$449 million in finance for three fossil fuel projects so far in 2023. This includes:

- \$393 million in project financing by the Japan Bank for International Cooperation (JBIC) and loan insurance by Nippon Export and Investment Insurance (NEXI) for the Syrdarya II Gas-Fired Power Plant in Uzbekistan;
- a \$56 million loan by JBIC for the AGP City Gas Network in India;
- a portion of a \$22.7 million loan by NEXI for PLN in Indonesia.

Japan is also considering financing for [at least eight fossil fuel projects](#), including the expansion of the Cameron LNG export terminal, two fossil gas power plants in Mexico, and the Block B/O Mon gas project in Vietnam.

Despite Japan's claims, continued gas financing will undermine energy security and prolong an energy crisis caused by fossil fuels. [A 2022 report](#) by Oil Change International and the International Institute for Sustainable Development found that a shift away from public finance for fossil fuels is a good strategy for mitigating the current energy crisis.

The International Energy Agency's (IEA) authoritative [World Energy Outlook 2023](#) shows oil, gas, and coal demand plateauing this decade, and confirms that no new oil and gas investment can be permitted if the world is to keep to the 1.5 degree Celsius goal of the Paris Agreement. The IEA [also stated last year that](#) "no one should imagine that Russia's invasion can justify a wave of new oil and gas infrastructure in a world that wants to reach net zero emissions by 2050." This means that any further public finance for fossil fuels will only exacerbate the energy crisis, not solve it.

JAPAN IS INCREASINGLY ISOLATED IN ITS DECISION TO CONTINUE FOSSIL FINANCE

At the 2021 COP26 climate summit in Glasgow, [39 countries and institutions](#) including the UK, Canada, the United States, and many EU countries signed the "Clean Energy Transition Partnership" (CETP, sometimes called the "Glasgow Statement"), an agreement to end international public finance for fossil fuels. Most signatories have since [issued guidelines](#) to implement these restrictions, including strong policies from the UK, Canadian, and French governments. The EU, Canada, and the UK have moved to table [a proposal](#) at the Organisation for Economic Co-operation and Development (OECD) to restrict international public finance for oil and gas, which if passed, would [shift \\$41 billion](#) per year out of fossil fuels and would be binding on Japan. A previous [OECD restriction on coal](#) finance in 2015 ([strengthened](#) in 2021) forced Japan to severely restrict its finance for coal and preceded Japan's commitment to end its international public finance for coal in 2021.

Once again, as with coal, Japan's plans to continue oil and fossil gas finance will isolate the government and undermine global efforts to mitigate the climate crisis. Multilateral initiatives to restrict and end fossil fuel finance like the CETP, the OECD process, and the [Beyond Oil & Gas Alliance](#) (BOGA) will continue to grow, making Japan more and more of an international outlier.

GROWING OPPOSITION TO JAPAN'S SUPPORT FOR FOSSIL FUELS AND DANGEROUS DISTRACTIONS

Japan's support for fossil fuels is directly [harming communities and ecosystems](#) throughout the world, especially in the Global South, and communities and leaders across Asia are standing up and rejecting it.

Activists [organized](#) over 60 actions across 22 countries when Japan hosted the 2023 G7 Summit urging Japan to stop derailing the global energy transition to renewable energy. This included actions in Japan, Australia, Bangladesh, Brazil, Canada, Estonia, Ghana, India, Indonesia, the Marshall Islands, Myanmar, Nepal, Pakistan, the Philippines, South Korea, Spain, Sri Lanka, Taiwan, the United Kingdom, Ukraine, the United States, and Vietnam.

During this year's Association of Southeast Asian Nations (ASEAN) Summit, activists organized actions in 10 countries across Asia [calling for ASEAN leaders to reject Japan's false solutions](#) and to scale up wind and solar in Southeast Asia.



BANGLADESH

A broad array of policymakers, researchers, and activists including Coastal Livelihood and Environmental Action Network, Bangladesh Working Group on Ecology and Development, and The Institute for Energy Economics and Financial Analysis [are speaking out](#) against Bangladesh's energy and power sector master plan, financed by the Japan International Cooperation Agency (JICA), for [prioritizing Japanese corporate interests](#) over the needs of people in Bangladesh. The plan relies heavily on LNG, coal, and other fossil-based technologies like ammonia and hydrogen co-firing, and CCS; overestimates power sector demand; and has not been developed in consultation with those most impacted. Climate activists have organized protests in Bangladesh to pressure Japan to stop financing fossil fuels.

INDONESIA

Community members, researchers, and activists including Trend Asia and Walhi are mobilizing to stop Japan's efforts to corrupt the national decarbonization process. In March 2022, JICA commissioned TEPCO Power Grid, Tokyo Electric Power Company, JERA, and Tokyo Electric Power Services Co. to develop Indonesia's roadmap to decarbonize its power sector by 2060. The [roadmap](#) proposes biomass and ammonia co-firing at coal-fired power plants as priority areas for support, and deems ammonia, hydrogen, and LNG (with CCS) "desirable" as main fuels. Indonesian civil society groups have organized actions urging Japan to stop prolonging the use of fossil fuels and destroying the environment and livelihoods in Indonesia.

PHILIPPINES

The [Batangas](#) region in the Philippines is targeted for a massive LNG buildout. This includes eight new gas plants and eight planned LNG terminals. This development threatens the Verde Island Passage in Batangas, a biodiversity hotspot that provides over two million people with food and other benefits. A coalition of local fishing communities, international think tanks, and NGOs including The Center for Energy, Ecology, and Development and The Philippine Movement for Climate Justice are campaigning against these LNG projects. JBIC is a shareholder of Atlantic Gulf and Pacific Company (AG&P), which developed the Philippines' first LNG import terminal. In October 2022, the coalition filed a complaint before the Philippines national Environmental Management Bureau against AG&P for its violation of environmental laws, calling for an immediate halt to the project.

UNITED STATES

Gulf Coast [communities](#) including Better Brazoria, For a Better Bayou, Port Arthur Community Action Network, and The Vessel Project are organizing to stop continued LNG and petrochemical development, which have caused serious impacts to their health, livelihoods, and environment. Communities in the region suffer from high rates of cancer, asthma, and respiratory problems and from loss of livelihoods due to declines in fisheries. [A June 2022 explosion](#) at the Freeport LNG project in Texas, the second-largest export terminal in the United States, underlines the danger for communities on the fence line of LNG projects. Japan's export credit agencies, JBIC and NEXI, [provided financing](#) for the Freeport LNG project and neighboring Cameron LNG export terminal.

CONCLUSION: JAPAN MUST STOP FUNDING ALL FOSSIL FUELS AND SHIFT SUPPORT TO RENEWABLE ENERGY

Japan is driving the expansion of fossil fuels at a time when we must phase them out. Japan stands apart with its dirty energy policy, driving governments across Asia to import LNG and develop new fossil gas infrastructure as well as adopt fossil-based technologies such as ammonia co-firing at coal plants, hydrogen co-firing, and CCS.

Civil society is mobilizing across Asia and globally to stop Japan's support for fossil fuel projects, which are harming people's lives and livelihoods, damaging ecosystems, and worsening the climate crisis.

Japan will continue to face intense international scrutiny until it stops financing fossil fuels and shifts its support to renewable-based energy systems.



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