Photo: Lê Việt Khánh

TALANX: SERIOUSLY CLEARING UP OR SILENTLY CONTINUING SUPPORT FOR COAL?

In April insurance group Talanx announced it will "in principle" no longer underwrite new coal-fired power plants and coal mines. However, far from being a strict commitment (aligned with climate science), the group has created loopholes in its policy that still make support for new coal plants possible. Indeed, Talanx said a limited number of exceptions could be allowed "in countries where coal accounts for a particularly large share of the energy mix and access to alternative energy sources is insufficient." The definitions of these are totally unclear for the time being. Actually, many of the world's proposed coal power projects are located in countries with a significant proportion of coal in the energy mix. One obvious question is for example what the policy means for Poland, where Talanx's subsidiary Warta has been an important underwriter of the coal industry.

As it stands, the premiums from Talanx's coal underwriting business account for a middle double-digit million Euros per year according to a Talanx spokesperson.[1]

PETROVIETNAM INSURANCE

The decision covers subsidiaries like primary insurers HDI Global, HDI International and reinsurer Hannover Re. However, it remains to be seen how this policy will apply to the Talanx's significant minority interests in insurance companies like PetroVietnam Insurance (PVI), which is at least 47% owned by Talanx.[2] The other owners are PetroVietnam, a state-owned enterprise, and the Sovereign Wealth Fund of the Sultanate of Oman.[3]

By its own account PVI presently insures the Nghi Son 2, Duyen Hai 2, Hai Duong, Vinh Tan 4 extension, Thai Binh 1, and Thang Long coal-fired power plants.[4] The total lifetime CO2 emissions of these projects would be close to 1 billion tonnes of CO2 (926.92).

But the coal plants in Vietnam are not only climate-destructive, they are also very polluting, far from meeting the best standards. Already, Vietnam has experienced a significant rise in air pollution from coal power stations, which was responsible for 4,300 premature deaths in 2011.

And this could get even worse: on top of the 16.2 GW of installed coal capacity, Vietnam is a hotspot for new coal with plans for an additional 42.9 GW of new coal capacity in different stages of planning. This makes Vietnam the country with the world's 3rd largest coal plant pipeline.[5] Accordingly researchers at Harvard University have projected the number of premature deaths to rise almost five-fold to 19,220 excess deaths annually by 2030.[6]

Going for massively building new coal plants is a dangerous strategy from an economic point of view, too, since independent financial think tank Carbon Tracker has found significant risks that coal power stations will become stranded assets given that, for example, within 8 to 9 years, new solar PV and onshore wind in Vietnam is expected to be cheaper to build than to operate existing coal plants.[7]

CONCLUSION

If Talanx is serious about its announcement supporting the Paris Agreement on climate change and wants to support the process of transformation towards a lower-carbon economy, companies, in which it holds a large stake, need to act accordingly. If Talanx cannot reign in the unabated coal underwriting of its minority subsidiaries, such as PVI, despite its new policy then it should divest its stakes in these entities. Otherwise the Group should ensure a swift transition away from coal underwriting across these insurance companies in favour of other business areas.

1 https://www.haz.de/Nachrichten/Wirtschaft/Niedersachsen/Versicherungskonzern-aus-Hannover-Talanx-will-das-Klima-schuetzen-und-steigt-aus-der-Kohle-aus
2 https://insuranceasianews.com/germanys-talanx-to-up-stake-in-vietnamese-insurer-pvi/
3 http://www.baohiempvi.com.vn/introduction/about-pvi/about-us.html
4 http://www.baohiempvi.com.vn/news/news/pvi-insurance-is-the-insurer-for-nghi-son-2-bot-thermal-power-plant-project.html
5 https://urgewald.org/sites/default/files/Urgewald_Report_Coal_WEB.pdf.pdf p.33
6 Shannon Koplitz, Daniel Jacob, Melissa Sulprizio, Lauri Myllyvirta, and Colleen Reid, "Burden of disease from rising coal emissions in Asia", Environ. Sci. Technol., 2017, 51 (3), pp1467–1476
7 See "Economic and financial risks of coal power in Vietnam", Carbon Tracker, October 2018.

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MORE DETAILS ON SOME OF THE COAL POWER STATIONS INSURED BY PVI

1. NGHI SON 2

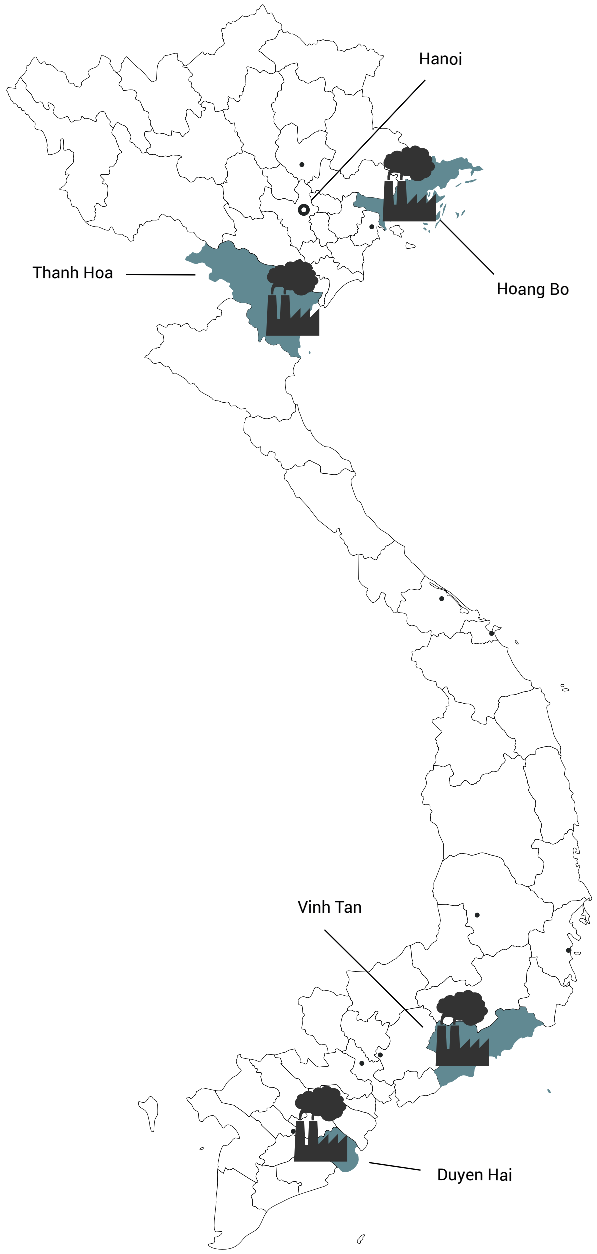
Nghi Son 2 is a coal-fired power station under construction in Thanh Hoa province in Vietnam.

This power station is highly controversial. Lauri Myllyvirta, Lead Analyst of the Global Air Pollution Unit at Greenpeace, estimated the average CO2 emissions intensity of Nghi Son 2 at 860-880 CO2/kWh. To put this into perspective, this project would generate twice as much CO2 for every unit of power generated compared to the average power plant in Vietnam. Such technology is outdated by most standards, including the OECD Sector Understanding on Export Credits for Coal-Fired Electricity Generation.[8]

The Environmental and Social Impact Assessment (ESIA) for the project did not take into account the cumulative impacts of other projects in the area, such as the Nghi Son oil refinery and petrochemical plant. These other projects are not considered in the context of Nghi Son 2's emissions or the strain that Nghi Son 2 may place on water resources.

In addition to these environmental concerns, there are human rights issues with this project. Nghi Son 2 was approved with no consultation of the project-affected communities, and according to Vietnamese community organisations, the resettlement of residents in the vicinity of the project has been unsatisfactory.

On top of all this there are concerns about Doosan Heavy, the engineering procurement and construction (EPC) contractor. Despite reaching financial close in April 2018, the project is only 10% complete, according to Doosan's March 2019 audit report. Over the past ten years, Doosan Heavy's share price (034020:KS) has fallen from approximately KRW 90,000 to KRW 8,000 and its credit ratings from A+ to BBB. As indicated in Mae-Il Economy, a significant proportion of Doosan's workforce has either been made redundant or voluntarily left the company. Many of the remaining employees have accepted pay cuts.



2. DUYEN HAI POWER COMPLEX

Duyen Hai 2 is part of a larger power complex located in Duyên Hải district, Trà Vinh province, within the Mekong Delta. This complex has caused problems for those who were living on the project site. It has been reported that the project resulted in 78 households being relocated to an area which regularly floods and which is not conducive to farming crops or shrimp, thus leading to a loss of livelihoods.[9]

3. VINH TAN POWER COMPLEX

The Vinh Tan 4 extension is part of a larger Vinh Tan complex in the Vĩnh Tân commune, Tuy Phong district, Bình Thuận province, Vietnam. The total capacity of this power complex is a massive 6,224MW.

There were violent protests related to the coal plants in both 2015 and 2018. In April 2015, responding to this serious pollution caused by the plant, hundreds of people in Vĩnh Tân Commune took to the streets, blocking the national highway for two days to prevent trucks from transporting coal slag to the cinder dump.[10]

Respiratory illnesses have been reported as resulting from the Vinh Tan 2 coal-fired power station[11] and local businesses reliant on air and water quality, such as fishing or shrimp farming have been significantly harmed by coal power.[12] Coolant water from the plant discharged into the sea at high temperature has caused the fish population to decline, affecting the incomes of families dependent on fishing.[13]

Dredging to create a channel for waste transportation has caused significant concern because it would harm the Hòn Cau Marine Protected Area.[14] The Vinh Tan 4 expansion would undoubtedly exacerbate these issues.

4. THANG LONG POWER PLANT

The 2 x 300 MW Thang Long project is sponsored by Geleximco Group, a Vietnamese company. The first and second units of the project came online last year and since then, locals living near the plant in Hoang Bo district have complained that the dust, fly ash, black smoke and wastewater from the plant is disrupting their daily life. The provincial authorities have made specific requests that the plant reduces pollution levels.

8 OECD Sector Understanding on Export Credits for Coal-Fired Electricity Generation, OECD, (27 November 2015)
9 http://www.mekongcommons.org/three-massive-coal-power-plants-bring-misery-ecological-risks-local-people-vietnams-mekong-delta
10 https://vietnamnews.vn/society/269099/people-protest-against-air-pollution-by-power-plant.html#YCBw3YFx0XEm8J4R.97
11 Van Nam, The Saigon Times, "Vinh Tan 2 power plant pollutes air again" (15 July 2015), online: http://english.thesaigontimes.vn/41969/Vinh-Tan-2-power-plant-pollutes-air-again.html
12 Change VN, "Warnings from Vietnam Coal Power" (2 Aug 2016), online: https://youtu.be/7VOi6Upnh3c?t=438
13 https://customsnews.vn/the-risk-of-pollution-from-coal-fired-power-1683.html
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