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Japanese corporations and investors face risk by investing in new liquefied natural gas (LNG) terminal in Bangladesh

This briefing update outlines the financial and reputational risks to listed [bidders](#) of the proposed onshore Matarbari LNG Terminal in Chattogram, Bangladesh. Bidders include Japanese corporations **Mitsui & Co., Mitsubishi Corporation, JERA, Sumitomo Corporation and Chugoku Electric Power**. The project cost is estimated at [US\\$1 billion](#). We urge Japanese companies and their investors to consider:

- Project delays leading to higher cost
- Renewable energy will outcompete LNG based power production
- Reputation threatened through emission-intensive project

Our [previous briefings](#) on the onshore Matarbari LNG Terminal outline material investment and financial risks, as well as significant human rights, environmental and climate-related risks to Japanese companies and their investors. Any involvement by Japanese companies in the terminal **could expose them and their shareholders to major financial risks**. We urge investors to urgently raise these risks with their investee companies **ahead of the [bid submission deadline](#)** to reconsider their involvement.

Project delays leading to higher cost

Since the inception of the onshore terminal's plans in [2014](#), the project has been **delayed by more than a decade**. The targeted completion date of the terminal was initially slated for June 2023, but later pushed out by five years to [2028](#). According to the Bangladesh government's recently published [Integrated Energy and Power Master Plan \(IEPMP\)](#), the proposed onshore LNG terminal will start operations in 2030.

The bid deadline alone **has been postponed five times**, with the initial deadline being September 2022. As of January 2024, on a previous version of its [webpage](#), the government disclosed that companies listed for bidding have requested the bid submission date to be extended to 28 March 2024 "due to the Ukraine-Russia war". As of February 2024, the deadline has been [extended](#) to 26 September 2024 due to a possible change in site location.

The land required for the terminal's construction is [yet to be leased](#), and [news reports](#) indicate that Bangladesh's power ministry "has decided to buy the 'ash land' owned by state-owned Coal Power

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NOTE: All dollar figures in USD unless otherwise stated.

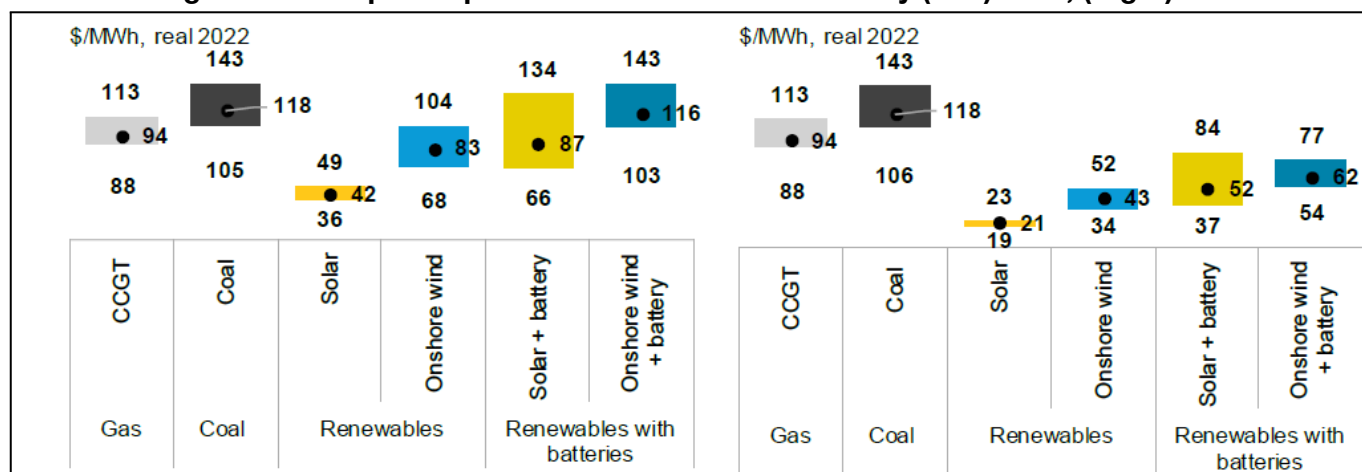
Generation Company Bangladesh Ltd (CPGCBL)”, likely from the controversial [Matarbari coal power plant](#) site. In the absence of an Environmental Impact Assessment (EIA) report, it is unclear how the land for a coal power plant’s ash disposal pond can be allocated for LNG terminal construction. The cost of the land is also a concern, as a major expense of [Tk 30 billion](#) (US\$270 million approx.).

Investors must caution their investee companies involved in the onshore terminal given the myriad of delays and rise in costs and lending burdens if the project is further delayed.

Renewable energy will outcompete LNG based power production

According to [BloombergNEF \(BNEF\)](#), by next year, solar will become the cheapest form of new electricity generation in Bangladesh. By the early 2030s, around the same time as the onshore Matarbari LNG Terminal’s operational start date, “new utility-scale solar power plants will be cheaper than even the cost of running existing thermal power plants.” BNEF analysis also shows that onshore wind power paired with batteries would be cheaper than new gas or coal power plants by the mid-2030s. This means **new gas infrastructure is likely to run at decreasing capacity factors over time**, spreading fixed costs over less revenue and thereby **reducing returns for any Japanese investors**.

Bangladesh new power plant levelized cost of electricity (Left) 2030; (Right) 2050.



Source: [BNEF](#)

LNG import costs have skyrocketed in recent years, threatening energy security. Bangladesh’s government was **forced to seek a US\$2.1b loan to afford fuel imports** and manage the country’s ongoing [gas crisis](#). According to [S&P Global](#), Bangladesh’s LNG deals are “priced higher than the prevailing market due to the sovereign guarantees needed and Bangladesh’s lower credit rating.”

Considering the cost competitiveness of renewable energy, the need for any new LNG import capacity in 2030 and beyond is highly questionable. This poses financial risks to companies and their investors involved in new LNG infrastructure. Project owners may fail to recoup construction costs, and also see drastic fall in revenues if the terminal operates at reduced capacity.

Reputation threatened through emission-intensive project

The Japanese [bidder\(s\)](#), if selected, would own, operate and maintain the proposed onshore Matarbari LNG Terminal for [20 years](#), at least up to 2050 or beyond if there are further delays in construction and operation. Even though Japan has made an [official pledge](#) to net zero emissions by 2050, it is [critiqued](#) by G7 member state officials and environmental groups for its energy strategy that relies heavily on fossil fuels. If built, the terminal will enable millions of tonnes of emissions through the import of LNG and burning of gas in power plants throughout its operating years.

Japanese companies' involvement in new LNG-import infrastructure in Bangladesh to 2050 or beyond would lock in Bangladesh to deadly [air pollution related health impacts](#), and also pose **severe reputational risk** not just to the companies and their investors, but also to the Japan government in failing to keep its net-zero emissions pledge. The financial and reputational risk would be exacerbated in a scenario where the terminal faces lower utilisation rates, early phase out or outright cancellation as a result of worsening climate change impacts and policy and market shifts to address them.



Climate activists call on G7 leaders and Japan's Prime Minister Kishida to end fossil fuels in developing countries during the 2023 G7 Summit in Hiroshima, Japan. Photo Credit: (Left) [Nonie Reyes](#) (Right) [FOE Japan, OCI, 350 Japan](#)

What can you do?

Given the immense financial and reputational risk of your investee companies' involvement with the onshore Matarbari LNG Terminal, **investors must engage with bidders ahead of 26 September 2024** to ensure they:

- **Reconsider involvement in the new LNG Terminal**, and any other fossil fuel projects in Bangladesh given the unacceptable financial and reputational risks involved.
- **Consider alternative options** like clean, renewable energy projects instead.

We urge investors to raise these concerns with Mitsui & Co., Mitsubishi Corporation, JERA, Sumitomo Corporation and Chugoku Electric Power. If you have any questions, please do not hesitate to contact munira@marketforces.org.au.