

September 22, 2021

Mr. Makoto Takashima
President and Chief Executive Officer (Representative Director) of Sumitomo Mitsui Banking
Corporation
1-1-2, Marunouchi, Chiyoda-ku, Tokyo, Japan

[Letter of Request]
Do Not Finance LNG Canada Project and
Withdraw from Coastal GasLink Pipeline Project

Dear Mr. Takashima,

As of September 2021, the Japan Bank for International Cooperation (JBIC) is considering financing for the LNG Canada project in Canada, which plans to liquefy the gas being transported through the Coastal GasLink pipeline your bank has already decided to finance¹. We, the undersigned groups, recognize that there are serious problems related to the pipeline project and the LNG Canada project such as human rights violations of Indigenous Peoples and the risks of worsening climate change. It is not clear which private bank is considering co-financing with JBIC for the LNG Canada project. However, as there is a possibility that your bank will co-finance, we urge your bank not to do so. We also call for the suspension of financing for the Coastal GasLink pipeline project.

The LNG Canada project plans to transport shale gas extracted in the Montney Formation in British Columbia (BC) through a 670 kilometer pipeline to Kitimat, where the gas will be liquefied and exported to Asian markets. The project will not be made possible without the shale gas and the pipeline development projects which your bank has already financed, and therefore it is important to carefully consider the impacts of these associated projects when considering financing the LNG Canada project. We request you to review the following concerns carefully and make a sincere decision.

Violations of Indigenous Peoples' rights

1. Pipeline

The Coastal GasLink pipeline project plans to transport gas to the LNG Canada terminal through the lands of the Wet'suwet'en Nation, but traditional chiefs of the nation have not agreed to the pipeline project.

Wet'suwet'en has never given up their rights to the land, claiming that it is unceded land. In fact, in regard to land rights, in 1997 the Supreme Court of Canada ruled that the ownership and use of land belong to Indigenous Peoples, including the land of Wet'suwet'en (Delgamuukw case)². The case also confirmed that the hereditary chiefs were the title holders.

Cas Yikh, a house group in the Wet'suwet'en First Nation affected by the pipeline, also submitted a letter to JBIC, clearly addressing that they have not given up their rights to the land used

¹ Rainforest Action Network "WHO'S BANKING THE COASTAL GASLINK PIPELINE?"
"https://www.ran.org/the-understory/2020-update-whos-banking-the-coastal-gaslink-pipeline-2/ SEP 15, 2020

² 'We still have title': How a landmark B.C. court case set the stage for Wet'suwet'en protests", https://www.cbc.ca/news/canada/british-columbia/delgamuukw-court-ruling-significance-1.5461763, CBC News, Feb. 13, 2020

for the pipeline. The letter also states that the project has violated the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP)³.

In the interim ruling of a 2018 case brought by the Coastal GasLink Pipeline Limited, the BC Supreme Court recognized that the company would suffer losses due to the protest of Indigenous Peoples and permitted the continuation of the Coastal GasLink pipeline project. Coastal Gaslink themselves argued that they had already suffered losses in the ‘tens of millions of dollars’ in the first year of construction⁴. As mentioned above, Wet’suwet’en have never relinquished their land rights, and the land rights traditionally belong to Wet’suwet’en. There was also a nationwide solidarity strike in Canada when armed police cracked down on Indigenous Peoples protesting peacefully against the pipeline.

2. Gas development

The Blueberry River First Nations have filed a lawsuit claiming that their treaty rights have been infringed due to cumulative effects of development in the area of the Montney shale gas field. The court has found that the rights to traditional land use guaranteed under the Treaty 8 have been violated⁵. As a result, the court ordered the BC government to stop issuing any new permits for oil and gas development. The BC government announced that it will not appeal the case⁶.

In fact, as the Indigenous Peoples have pointed out, serious environmental damage and destruction of their hunting grounds have been reported in the region⁷.

In addition, the project to build an additional pipeline between the gas development site and the Coastal GasLink pipeline that JBIC is considering financing⁸ appears to be in the area where the Blueberry River First Nations' traditional land-use rights are recognized and respected. Building the pipeline could infringe their treaty rights.

3. Site C dam

All trains for the LNG Canada project will be driven by natural gas turbines, and all other facilities will be powered by the British Columbia and Hydro Authority (BC Hydro).

BC Hydro is developing the Site C dam with a generating capacity of 1,100 megawatts (MW) on the Peace River in northwestern BC. According to the company's website, construction began in December 2014 and is scheduled to be completed in 2024. It is not known from which power plant BC Hydro will supply electricity to the LNG Canada project, but once the dam is completed, it is highly likely that the electricity supplied by the Site C dam will be used in the gas development in the region. In fact it has been pointed out that the Site C dam is actually being constructed for gas development⁹.

³ Letter to JBIC by Cas Yikh, https://www.foejapan.org/aid/jbic02/lngcanada/pdf/210327_en.pdf,

⁴ Sunny Deol Affidavit May 10th, 2019 Huson vs CGL

⁵ Yahey v. British Columbia, 2021 BCSC 1287, https://www.bccourts.ca/jdb-txt/sc/21/12/2021BCSC1287.htm#_Toc75942743

⁶ Government of British Columbia “Attorney general’s statement on Yahey v. British Columbia” 28 July 2021 <https://news.gov.bc.ca/releases/2021AG0117-001488>

⁷ Eliana Macdonald “Atlas of Cumulative Landscape Disturbance in the Traditional Territory of Blueberry River First Nations, 2016” <https://davidsuzuki.org/wp-content/uploads/2017/09/atlas-cumulative-landscape-disturbance-traditional-territory-blueberry-river-first-nations-2016.pdf>, June 2016.

⁸ “RE: Determination of Application Number 10011026” https://www.jbic.go.jp/ja/business-areas/environment/projects/pdf/62412_5.pdf

⁹ “To understand B.C.’s push for the Coastal GasLink pipeline, think fracking, LNG Canada and the Site C dam” <https://thenarwhal.ca/to-understand-b-c-s-push-for-the-coastal-gaslink-pipeline-think-fracking-lng-canada-and-the-site-c-dam/>, The Narwhal, March 3 2020, <https://www.sitecproject.com/faq> FAQ on Site C dam by the BC Hydro clearly mentions “The electricity needs of Liquefied Natural Gas (LNG) facilities would further increase demand.”

The Site C dam project has been in the works for more than 30 years, but it has been rejected twice because of its cost and environmental impact¹⁰. The construction of the Site C dam will submerge the land of the West Moberly First Nations and result in the loss of biodiversity land and wetland called tufa seep. This has led to strong opposition from environmental groups and Indigenous Peoples.

Concerns about the weak foundation in the area where the project will be carried out are also significant¹¹. West Moberly has requested BC Hydro and the BC state government to disclose their safety documents to the BC court. In May 2021, the BC Supreme Court granted the appeal of West Moberly and ordered BC Hydro and the state government to disclose the documents¹².

Furthermore, the area where the Blueberry River First Nation is entitled to traditional land use overlaps with the Site C dam site, and the aforementioned ruling may affect the Site C dam project.

On December 13, 2019, the United Nations Committee on the Elimination of Racial Discrimination adopted a resolution calling on the federal government to immediately suspend the construction of the Coastal GasLink pipeline project, the Trans-Mountain pipeline project and the Site C dam project until free prior, informed consent (FPIC) is obtained¹³.

Your bank has adopted the Equator Principles, and for “[p]rojects with impacts on lands and natural resources subject to traditional ownership or under the customary use of Indigenous Peoples”¹⁴, the Equator Principles demand you make financing decisions based on the International Finance Corporation (IFC) Performance Standard, which requires banks to obtain FPIC. In addition, your Statement on Human Rights clearly states, “SMBC GROUP requests project operators obtain Free, Prior and Informed Consent (FPIC) from indigenous peoples impacted by the project and to give due consideration to working conditions of the project.”¹⁵ This means that if your bank decides to finance the LNG Canada project, it will violate your own policy. It is also clear that the continuation of financing for the Coastal GasLink pipeline project needs to be reviewed in light of the Equator Principles and your policy.

Environmental impact of shale gas development

The environmental impact of shale gas extraction cannot be overlooked. Much of the gas is stored in underground sandstone, but shale gas is contained in shale layers hundreds to a thousand meters underground, which require drilling down to the shale layers to create cracks (fracks) in the rock and break it up under high pressure. This method is called hydraulic fracturing (fracking) and causes a high environmental impact. There are various risks, such as seismic risk, water pollution from water injected for fracking, air pollution risk, and global warming risk from methane emission. Because of these risks, fracking has been banned in France in 2011 and Bulgaria in 2012, and a ban

¹⁰ See footnote 4

¹¹ “Top B.C. government officials knew Site C dam was in serious trouble over a year ago: FOI docs”

<https://thenarwhal.ca/site-c-dam-geotechnical-problems-bc-government-foi-docs/>, The Narwhal, Oct 21 2020,

¹² “BC Hydro, province ordered to release secret Site C dam docs to West Moberly First Nations”

<https://thenarwhal.ca/bc-supreme-court-site-c-documents/>, The Narwhal, May 5 2021,

¹³ Committee on the Elimination of Racial Discrimination “Prevention of racial discrimination, including early warning and urgent action procedure” https://tbinternet.ohchr.org/Treaties/CERD/Shared%20Documents/CAN/INT_CERD_EWU_CAN_9026_E.pdf?_ga=2.171294304.1158930249.1618324061-1016472279.1618324061, Dec 13 2019

¹⁴ The Equator Principles July 2020, <https://equator-principles.com/wp-content/uploads/2021/02/The-Equator-Principles-July-2020.pdf> p.12

¹⁵ SMBC, “Statement on Human Rights”

https://www.smfg.co.jp/english/sustainability/group_sustainability/forrights/Statement_on_Human_Rights_e.pdf p.3

on fracking is being implemented in more countries and cities these days¹⁶. Fracking is the method used for gas extraction in the Montney, and operations in parts of the Montney have been suspended due to earthquakes believed to have been triggered by fracking¹⁷.

Inconsistency with climate targets

The Paris Agreement, an international treaty on climate change, sets a goal of limiting global average temperature increase to 1.5 degrees Celsius. To achieve this goal, global greenhouse gas emissions must be reduced to net zero by 2050. In other words, the development of new gas fields, mining, and construction of gas-related facilities will lead to the long-term lock-in of new greenhouse gas emissions, and do not meet the goals of the Paris Agreement. The LNG Canada Project is scheduled to start operation in fiscal 2024 for 40 years. If the project proceeds as planned, liquified natural gas (LNG) production will continue even after 2050.

In the TCFD Report released in August 2021, your bank stated: “In line with the goals of the Paris Agreement, SMBC group is committed to achieving net zero emissions across our overall loan and investment portfolio by 2050”¹⁸. If so, financing the LNG Canada project, which is expected to operate beyond 2050, would fundamentally contradict this commitment.

Furthermore, the report (“Net zero by 2050”) released by the International Energy Agency in May 2021 made it clear that new oil and gas investments should not be made after 2021. To prevent climate change we need to bring additional greenhouse gas emissions as close to zero as possible. Your bank should not finance the LNG Canada project which allows large amounts of additional greenhouse gas emissions.

Financial risks

The costs of the pipeline and the dam projects have already increased due to opposition from Indigenous Peoples, lawsuits and construction delays caused by the spread of COVID-19. The Coastal GasLink pipeline project is already facing cost overruns and is currently in dispute over the cost of gas with LNG Canada due to these extra costs and delays¹⁹. The Site C dam's construction costs have doubled from an initial estimate of CAD 8.8 billion to CAD 16 billion²⁰.

If regulations and restrictions on the use of fossil fuels including gas are promoted in the future as a measure against climate change, assets related to gas may become stranded assets in the future²¹.

¹⁶ GNHRE “The legal status of fracking worldwide: An environmental law and human rights perspective.” <https://gnhre.org/2020/01/06/the-legal-status-of-fracking-worldwide-an-environmental-law-and-human-rights-perspective/> Jan 6 2020

¹⁷ Natural Gas Intelligence “Montney Fracking Suspended at Least 30 Days Pending Earthquake Investigation” <https://www.naturalgasintel.com/montney-fracking-suspended-at-least-30-days-pending-earthquake-investigation/>, Dec 7th 2018, NGI “Further Research Exposes Montney Shale Earthquake Risks” <https://www.naturalgasintel.com/further-research-exposes-montney-shale-earthquake-risks/> Sep 26 2019

¹⁸ SMBC Group “TCFD Report 2021” https://www.smfg.co.jp/english/sustainability/materiality/environment/climate/pdf/tcfd_report_e_2021.pdf p.2 September 2021.

¹⁹ “LNG Canada project threatened amid cost dispute over Coastal GasLink pipeline” Financial Post 29 July 2021 <https://financialpost.com/commodities/energy/oil-gas/shell-lng-project-threatened-amid-cost-dispute-over-gas-pipeline>

²⁰

Global Energy Monitor “Gambling On Gas: Risks Grow For Japan’s \$20 Billion LNG Financing Spree” https://globalenergymonitor.org/wp-content/uploads/2020/07/JapanLNG_2020_r2.pdf July 2020.

²¹ “Gas is the new coal with risk of 100 billion in stranded assets” <https://www.bloomberg.com/news/articles/2021-04-17/gas-is-the-new-coal-with-risk-of-100-billion-in-stranded-assets>. Bloomberg, April 17 2021.

Moreover, according to a report by Global Energy Monitor, the LNG business in Japan has been exposed to risks even before the spread of COVID-19. According to data published by trading companies in 2020, the LNG-related businesses of ITOCHU, Marubeni, Mitsubishi Corporation, Mitsui, and Sojitz together experienced a US \$625 million year-on-year decline in profit.

For the reasons addressed above, we request that your bank refrain from providing financing to the LNG Canada project that has serious concerns about Indigenous Peoples and the environment, as well as risks for climate change. It also involves financial risks. We furthermore call for a review of the financing of the Coastal GasLink pipeline project and the withdrawal of the project.

Friends of the Earth Japan
Cas Yikh (Gidimt'en Clan, Wet'suwet'en Nation)
Wilderness Committee
Kiko Network
Japan Center for a Sustainable Environment and Society (JACSES)
350.org Japan
Mekong Watch

Contact:
Friends of the Earth Japan
1-21-9 Komone, Itabashi-ku, Tokyo 173-0037
TEL: (+81) 3-6909-5983 e-mail: info@foejapan.org