



January 4, 2022

James G. Burrows
Acting President and Chair
Export-Import Bank of the United States
811 Vermont Avenue, NW
Washington, D.C. 20571

James Cruse
Acting First Vice President and Vice Chair
Export-Import Bank of the United States

Spencer Bachus
Member of the Board of Directors
Export-Import Bank of the United States

Cc: Sherrod Brown, Chairman, Senate Banking Committee
Patrick J. Toomey, Ranking Member, Senate Banking Committee
Maxine Waters, Chairwoman, House Financial Services Committee
Patrick McHenry, Ranking Member, House Financial Services Committee
Ali Zaidi, Deputy White House National Climate Advisor

Re: EXIM's consideration of financing for a petrochemical project in Malaysia

Dear Mr. Burrows, Mr. Cruse, and Mr. Bachus:

Friends of the Earth United States (FOE) writes to express deep concern for EXIM's consideration of Pengerang Energy Complex (PEC) Petrochemical Project in Pengerang, Johor, Malaysia. FOE urges the bank to reject any support for this project due to the negative impacts on the local communities and climate. EXIM support for this project would be in violation of President Biden's climate executive orders and plans, as well as his recent [commitment](#) in Glasgow to end public support for the international fossil fuel projects. FOE submits the below comments on the [Environmental and Social Impact Assessment](#) for the project.

The Impact of Petrochemicals on the Environment and Climate

Supporting a petrochemical project would be in violation of the Biden-Harris Administration's government-wide approach to restricting financing for carbon-intensive fossil fuel projects abroad. As you are surely aware, [petrochemicals](#) are derived from oil and gas that are not burned as fuel but are used to make plastics, fertilizers, adhesives, and other products and are sometimes made from methane ('natural' fossil gas). Petrochemicals are often made with gas liquids, which are by-products of oil production and represent a significant and growing portion of the hydrocarbons produced globally.



The recent [report](#) explains why petrochemicals are so terrible for the local environment, local communities, and the climate:

Petrochemicals pollute the communities where they operate, through air emissions and water contamination; exacerbating the climate crisis due to high emissions from their energy- and pollution-intensive processes; contributing to the ongoing health and environmental crisis of plastics pollution; and helping to justify and perpetuate fracking and fossil fuel production in a world moving to phase out the use of oil and gas for transportation and energy supply. . . .

New and expanded petrochemical production facilities threaten public health and exacerbate existing environmental injustices. Petrochemical facilities tend to be geographically clustered due to the physical nature of the feedstocks and the cost of transportation. This clustering, and the siting decisions that led to it, has concentrated the toxic burden, . . .

No matter their location or which company operates them, petrochemical facilities pose a threat to surrounding populations. Even when they have emergency preparedness plans, chemical facilities are inherently dangerous, especially in the face of extreme weather events, which can trigger accidents such as chemical spills, fires, and explosions at industrial sites. Such incidents not only threaten the environment and the health of workers and surrounding communities, but can also damage local economic activity and recreation as well.

In addition, as explained in [Plastic & Climate: The Hidden Costs of a Plastic Planet](#), the process of deriving petrochemicals from fossil fuels is enormously energy- and emissions-intensive. Emissions from petrochemical production (i.e., from fuel combustion and manufacturing processes) include emissions from burning fossil fuels to generate power or heat for industrial processes, as well as from feedstocks being converted into usable products, such as ethylene. For example, the report [Generation and Use of Thermal Energy in the U.S. Industrial Sector and Opportunities to Reduce its Carbon Emissions](#) found that 35 petrochemical facilities using ethylene feedstock released 43,806 metric tons of CO₂e per day.

Emissions from petrochemical facilities can be difficult to quantify, especially in light of growing number of accidents, malfunctions, and leaks. Releases of greenhouse gases, as exemplified at accidents from a petrochemical tank fire in [Deer Park, Texas](#), can lead to releases of greenhouse gases at dangerous levels. Therefore, the health and environmental risks posed by petrochemicals make the finding in the [Health Impact Assessment](#) of “tolerable” likelihood of fatalities surrounding the site incredibly questionable.

Moreover, supporting this project would encourage increased dependence on fossil fuels for decades to come. In addition, the International Energy Agency’s [The Future of](#)

[Petrochemicals](#) report highlights the role that petrochemicals play in the growth of oil production, projecting that petrochemicals will account for more than a third of the demand for oil through 2030 and more than half through 2050.

Problems with the Emissions Calculations and Planned Emission Reductions

Based on conceptual calculations in the [Environmental Social and Health Impact Assessment](#) (ESHIA), the PEC project will generate approximately 1,330,200.15 tonnes of CO₂e of Scope 1 emissions in a year during the operational phase (page 7-78). As for Scope 2, the emissions generated is estimated at approximately 1,537,528.78 tonnes CO₂e annually (page 7-79). These two Scopes of emissions combined would make up 2,867,728.93 tonnes CO₂e – which is 28 times larger than the minimal emission requirement for projects to undertake Climate Change Risk Assessment as stated in the Equator Principles (i.e., 100,000 tonnes). Although these figures are claimed to be “...calculated based on worst-case scenario and do not account for any mitigation or minimisation measures”, it still warrants a need for a CCRA. The nature of the project is also exposed to transition risks which are related to a lower-carbon economy – thus making the [petrochemical industry very vulnerable to variations in fossil fuel prices and carbon prices](#).

The ESHIA document alludes to the intention to reduce its emissions through several methods, among which include the protection and enhancement of sinks and reservoirs of greenhouse gases, carbon capture and storage technologies and carbon financing (page 7-80). These approaches are currently rather problematic in its implementation in real life, such as [protection of sinks and reservoirs which is potentially rife with human rights abuse and social justice violations](#). These emission reduction options presented in the report should not be taken at surface value, especially when there are very strong critiques stating that [carbon capture and storage technologies are extremely costly and not proven at scale](#), and that speculative [carbon financing and markets](#) are all false solutions to climate change which only delays real climate action.

The Deficiencies of the Human Rights Impact Assessment

Based on Section 3 (Applicable Laws and Regulations) of the [Human Rights Impact Assessment](#), the scope of human rights approached in this document is narrowly focused on the aspects of those who may directly be affected (regardless of whether it is in a beneficial or abusive manner) by the project. However, the scope of human rights encompasses beyond this limitation that which includes climate change. This is especially pertinent for Malaysia, where its Foreign Minister in Oct 2021, had [recently co-sponsored a related Human Rights Council resolution](#) that establishes the position of a Special Rapporteur to promote and protect human rights globally in the context of climate change. Hence, the petrochemical project should be assessed in the full context of the relationship between human rights and climate change.

Further, in Section 3.3, where the Equator Principles are concerned, the document only picked to highlight Principle 4 (Environmental and Social Management System and Equator Principles Action Plan) (Table 3-2: International Standard and Guidelines, page 13). It has omitted a crucial

part where it stated that both Human Rights risks AND Climate Change risks assessments are required, as stated on page 15 of the Equatorial Principles [Guidance Note for EPFIs on Incorporating Environmental and Social Considerations into Loan Documentation](#).

In addition, in the Equatorial Principles [Guidance Note on Climate Change Risk Assessment](#), it is stated on page 3 that Climate Change Risk Assessment (CCRA) is required to be undertaken:

For all projects, in all locations, when combined Scope 1 and Scope 2 emissions are expected to be more than 100,000 tonnes of CO₂ equivalent annually. For these projects the CCRA is to include consideration of climate-related 'Transition Risks' (as defined by the TCFD). The CCRA must also include a completed alternatives analysis which evaluates lower greenhouse gas (GHG) intensive alternatives.

Given that the Pengerang Energy Complex (PEC) Petrochemical Project is known as one of the major sources of carbon dioxide in Malaysia according to the latest [Biennial Update Report](#) (Figure 2.2, page 32) – there is a need to assess the Scope 1 and 2 emissions of this project as a critical part of the HRIA. It would be irresponsible to proceed with assessing this project with an incomplete human right lens that is blind to the reality of climate change and the project's contribution to increased GHG emissions.

Community Engagement

The [Stakeholder Engagement Plan](#) lays out a series of meetings that the company or its representatives have had with local communities (Table 3-1). These meetings all took place over two years ago and most of them were over three and half years ago. Community engagement must be continuous and sustained. In addition, the majority of the engagement has been with companies and village heads and few meetings with the villagers themselves. Experiences from other projects, such as the gas development in northern Mozambique that EXIM is supporting, has shown that meeting with village heads and affected companies is insufficient to ensure that impacted community members are sufficiently made aware, kept informed, and understand the impacts of a project. Beyond this, the plan states that the information on the project is on a website, but there is no explanation of how impacted communities would be made aware of the existence of that website beyond meetings that they were probably not in attendance at and were years ago.

Lack of Alternatives Analysis

None of the hundreds of pages of documents that make up the ESIA include an analysis of alternatives to this petrochemical project. A rigorous analysis of alternatives should consider whether the current massive petrochemical complex actually needs to be expanded. The analysis should consider the environmental and social risks in determining whether the current proposed addition is necessary. Investing in alternative industries could provide cleaner, more sustainable growth opportunities that better protect the local communities. In order for EXIM to approve the project given the government-wide guidance restricting fossil fuel support, PEC must prove



through a rigorous alternatives assessment that there are no feasible alternatives to meet the development or national security exceptions, which the ESIA has not done.

Conclusion

The Biden Harris Administration has put forward guidance forbidding support for fossil fuel projects except where there is a strong natural security interest or where the projects will improve access to electricity with no cleaner alternative options. This project fails to meet either of these exceptions as it appears to be of no geostrategic importance, nor is it an electricity project that would improve energy access. Therefore, to support this petrochemical project would directly contradict the commitments and climate goals of the Biden Harris Administration, putting the administration's reputation as a climate leader at risk. FOE appreciates your consideration of our concerns. FOE requests to meet with you to further discuss the petrochemical project under consideration in Malaysia and looks forward to your response.

Sincerely,

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