



September 13, 2021

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. There is little information on EXIM's website on the project and no environmental impact assessment, but FOE has provided information to the best of our ability based on the given name and location of the project. FOE welcomes greater details, so FOE can provide more accurate and specific comments. Based on the information FOE has been given and has gathered, FOE urges the bank to reject any support for this project due to the negative impacts on the local communities and climate, as well as the fact that this project would encourage Malaysia and Petronas to continue their addiction to fossil fuels. EXIM support for this project would be in violation of President Biden's climate executive orders and plans.

Background of the Project

The Pengerang Energy Complex is part of a megaproject development in Pengerang, Kota Tinggi District, Johor on the southern end of Peninsular Malaysia that sits on 80 km² of land. The overall project consists of an oil refinery, naphtha crackers, petrochemical plants, liquefied natural gas (LNG) terminals and a regasification plant. The various components of these megaprojects were initiated with the development of the \$3 billion [Pengerang Deepwater Terminal](#) (PDT), a joint venture between Dialog Group, Royal Vopak of the Netherlands, and

Johor State Government. This terminal has a capacity of 5 million cubic meters (m³) of crude oil, petroleum, chemical and petrochemical feedstock products, and by-products and serves as a centralized storage facility for trading, refining, and the petrochemical industry. The construction of a deep-water jetty facility enables the berthing of both ultra large and very large crude carriers. PDT received its first shipment of oil in 2014. The LNG Regasification Terminal in Pengerang provides fuel requirement for the Pengerang Cogeneration Plant, as well as the entire Pengerang Integrated Complex. The LNG jetty can receive carriers up to 260,000 m³ of LNG and the two units of LNG storage tanks have a capacity of 200,000 m³ each.

Pengerang Integrated Complex in Johor is Petroliaam Nasional Berhad's (Petronas) largest downstream investment in a single location to date (also one of the largest in the region). The complex includes the \$16 billion Refinery and Petrochemical Integrated Development project, which would supply the market with various products ranging from petroleum products to differentiated and specialty chemicals. In September 2019, cargoes of petroleum products conducted their first lifting, while the petrochemical complex saw on-spec polypropylene, linear low-density polyethylene and ethylene glycols being shipped out from its terminal in Pengerang. The complex has a refining capacity of [300 thousand barrels per day of crude](#) to produce various refined petroleum products.

Lack of accountability at Petronas

There is little accountability over Petronas to the Malaysian parliament or the public with the company only reporting to the prime minister. Recent measures [have failed](#) to increase transparency and anti-corruption efforts. The prime minister has a great deal of influence over Petronas, meaning that the company's management turns over with new political leadership. Very little information is provided to the public – and therefore little oversight exists – on what happens to the revenues of this state-owned company. Malaysia is no stranger to corruption – in 2020 the country's former Prime Minister and Finance Minister was [found guilty](#) of looting the country's sovereign wealth fund, 1Malaysia Development Berhad, amidst broader corruption in a case involving [a massive fine on Goldman Sachs](#) and a separate [successful settlement pursued by the U.S. Department of Justice](#).

Petronas' fossil fuel addiction

Petronas has [expansive investments in oil and gas](#) and no plans to change that despite the devastating reality of climate change. The company has stated that it will stay the course with oil and gas as its main business and has no plan to phase out fossil fuel production from its businesses. This refusal to diversify might be partially because the company does not acknowledge the concept of “stranded assets.” [Petronas' 2019 Annual Report](#) and [Petronas Activity Outlook 2020-2022](#) report indicate that the company's oil and gas extraction business will continue without any major alterations as it expects a positive future for drilling, production support, and related activities. Petronas sees natural gas as a low carbon fuel that will help meet Paris Agreement commitments despite the recent reports from [International Energy Agency](#) and

[Intergovernmental Panel on Climate Change](#) indicating the dire need to immediately move away from all fossil fuels.

To transition Petronas and Malaysia away from fossil fuels will not be easy as the petroleum industry has a strong hold on Malaysia's economic and institutional systems, but EXIM should not reinforce these systems with its support. There is no doubt that it will be extremely difficult and costly to transition Malaysia to a new and more sustainable energy system. An aggravating factor is Malaysia's slow uptake of renewables and the Malaysian government's disinterest in subsidizing or otherwise encouraging renewable generation, leaving it largely to the private sector. This provides room for U.S. assistance to the renewable industry in Malaysia, rather than supporting Malaysia's continued dependence on fossil fuels.

Negative Impacts on Local Communities

The negative impacts on local communities and the environment will be significant. As the [environmental impact assessment](#) from 2012 for part of the project states, the site area is "huge" (6,424 acres) and will involve relocation and demolition of existing structures. This relocation has affected [cemeteries, entire villages, schools, and temples](#). The continued expansion of this project will only further destroy and force the relocation of sacred cultural sites and local communities and harm the local way of life, including fishing.

Climate Change

Supporting this petrochemical project is not in keeping with climate goals of the Biden Harris Administration and commitments of the Paris Agreement. As you are well aware, President Biden issued the [Executive Order on Tackling the Climate Crisis at Home and Abroad](#), which aims to put the climate crisis at the center of U.S. foreign policy and national security and to take a government-wide approach to the climate crisis. The executive order directs EXIM and other agencies to "promote ending international financing of carbon-intensive fossil fuel-based energy while simultaneously advancing sustainable development and a green recovery." The subsequent U.S. [International Development Climate Finance Plan](#) requires Department of Treasury to "spearhead efforts to modify disciplines on official export financing provided by OECD ECAs, to reorient financing away from carbon-intensive activities." To support this petrochemical project would directly contradict these goals, putting the Biden Harris Administration's reputation as a climate leader at risk. FOE can provide additional comments on the climate impacts if emissions data is released on the project.

Saudi Arabia

A joint venture between Petronas and [Saudi Aramco](#), the national oil company of Saudi Arabia, is developing the project. Saudi Aramco will supply half of the crude feedstock requirements of the refinery while Petronas is responsible for providing the power, natural gas, and other utilities. The two companies share the JV's production offtake rights equally. Therefore, EXIM's support



of this project would benefit Saudi Arabia in violation of the Biden Harris Administration [pledge](#) to put human rights at the center of its foreign policy and its commitment to protect human rights defenders and hold human rights abusers accountable. Saudi Arabia has a [long history](#) of human rights violations, including the repression of the right to freedom of expression, imprisonment for homosexuality, and the inequality of women.

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,

Kate DeAngelis
Friends of the Earth U.S.
1-202-222-0747
kdeangelis@foe.org