Banks vs. The Paris Agreement – Who’s still financing coal plant development?

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BANK GRADE EXPLANATIONS

LETTER SCORE

- **A: Coal power exclusion**: Prohibits all financing for new coal plants and all coal power producers, with public reporting on implementation.
- **A-: Significant coal power exclusion**: Prohibits all financing for new coal plants and significant coal power producers [1], with public reporting on implementation.
- **B+: Coal power sector phase-out with reporting**: Commits to phase out all financing for coal power producers with clear timeline and public reporting on implementation, and prohibits financing for new coal plants.
- **B: Partial reduction and/or exclusion of coal power sector with reporting**: Commits to reduce one or more forms of financing (e.g. lending or underwriting) for coal power producers, and/or exclude some coal power producers with public reporting on implementation, and prohibits financing for new coal plants.
- **B-: Partial reduction and/or exclusion of coal power sector without reporting**: Commits to reduce one or more forms of financing (e.g. lending or underwriting) for coal power producers, and/or exclude some coal power producers without public reporting on implementation, and prohibits financing for new coal plants.
- **C+: Global individual coal power plant financing exclusion**: Prohibits financing for all new coal power plants, globally.
- **C: Partial individual coal power plant financing exclusion**: Prohibits financing for all new coal power plants in some geographic regions, but not others.
- **C-: Coal plant efficiency threshold**: Sets a minimum efficiency or technology threshold for new coal power plant financing.
- **D+: Coal power due diligence**: Has an enhanced due diligence process for electric power sector transactions, with publicly disclosed due diligence criteria.
- **D: Enhanced due diligence that applies to coal power**: Has a general enhanced due diligence process that covers coal power-related transactions, such as for the electric sector, with publicly disclosed due diligence criteria, or has a coal power specific due diligence commitment without publicly disclosed due diligence criteria.
- **D-: General due diligence commitment**: Has a general environmental and social due diligence process for corporate financing transactions.
- **F: No policy**.

[1] ‘Significant coal power producers’ refers to electric power producers that meet one or more of the following criteria:

- Are planning any new coal-fired power plants or expanding existing ones, or buying existing coal plants.
- Produce more than 30 percent of their electricity from coal.
- Have more than 10 GW of installed coal capacity.
COLOUR SCORES

**Ending coal power plant project financing**

- **Green**: Full exclusion: Prohibits financing for new coal plants worldwide.
- **Yellow**: Partial exclusion: Prohibits financing for some new coal power plants, either in some geographic regions but not others, or through a minimum efficiency or technology threshold.
- **Red**: No exclusion: No prohibition for new coal plants.

**Ending financing for coal plant developers**

- **Green**: Full exclusion: Prohibits financing for all coal power producers planning to increase their coal-fired electricity generation capacity.
- **Yellow**: Partial exclusion: Prohibits financing for some coal power producers planning to increase their coal-fired electricity generation capacity, or commits to decrease the coal part of the bank financed energy mix in alignment with the Paris Agreement objectives.
- **Red**: No or insufficient exclusion: No specific or insufficient prohibition for coal plant developers.

**Ending financing for significant coal power companies**

- **Green**: Full exclusion: Prohibits financing for coal power producers with more than 30% of power production coming from coal, and for coal power producers with more than 10 GW of installed coal capacity.
- **Yellow**: Partial exclusion: Prohibits financing for coal power producers with more than 50% of power generation, capacity or revenues deriving from coal.
- **Red**: No or insufficient exclusion: No specific prohibition for coal power companies, or insufficient, for companies with less than the minimum threshold of 50% of generation/capacity/revenues deriving from coal.

**Committing to reduce financing for coal power companies**

- **Green**: Full reduction: Commits to phase out all financing for coal power producers with a clear timeline and public reporting on implementation.
- **Yellow**: Partial exclusion: Commits to reduce the bank credit exposure to coal power or commits to decrease the coal part of the bank financed energy mix, in alignment with the Paris Agreement objectives.
- **Red**: No or insufficient reduction: No specific or insufficient commitment to reduce financing for coal power companies.
ABN Amro
- Letter score: B
- Colour scores: Full exclusion of new coal plants, full exclusion of coal plant developers, partial exclusion of significant coal power companies, partial reduction of coal power companies
- Rationale: ABN Amro ended the financing of new coal plants worldwide. It also stopped financing companies which do not have a ‘commitment not to increase coal-fired electricity generation capacity’. It also ended the financing of utilities with more than 50% of installed capacity from coal. Finally it committed to reduce its lending exposure to coal power in line with the IEA 2°C scenario, and it will report on the implementation of this policy.

Agricultural Bank of China
- Letter score: F
- Colour scores: No exclusion or reduction commitment
- Rationale: No public policy.

ANZ
- Letter score: C-
- Colour scores: Partial exclusion of new coal plants, no exclusion/reduction of coal plant developers and coal power companies
- Rationale: ANZ sets a carbon emission threshold of 0.8 tCO₂/MWh for financing new coal-fired power plants.

Bank of America
- Letter score: D
- Colour scores: No exclusion or reduction commitment
- Rationale: Bank of America has a due diligence process for evaluating transactions with power sector clients.

Bank of Beijing
- Letter score: F
- Colour scores: No exclusion or reduction commitment
- Rationale: No public policy.

Bank of China
- Letter score: F
- Colour scores: No exclusion or reduction commitment
- Rationale: No public policy.

Bank of Communications
- Letter score: F
- Colour scores: No exclusion or reduction commitment
- Rationale: No public policy.

Barclays
- Letter score: C
- Colour scores: Partial exclusion of new coal plants, no exclusion/reduction of coal plant developers and coal power companies
- Rationale: Barclays indicated in its last CSR report that it “has no appetite for project financing to support the construction of new coal fired power stations in developed economies.”

BNP Paribas
- Letter score: B
- Colour scores: Full exclusion of new coal plants, partial exclusion of coal plant developers, no exclusion of significant coal power companies, partial reduction of coal power companies
- Rationale: BNP Paribas ended the financing of new coal plants worldwide. It also stopped financing companies that do not have a formal diversification strategy to reduce the share of coal in their power generation mix that is at least as ambitious as that of their host country. Finally it committed to reduce the share of coal in its financed electricity mix in line with the IEA 2°C scenario, and it reported on the implementation of its sector policy in its last annual report.

China Construction Bank
- Letter score: F
- Colour scores: No exclusion or reduction commitment
- Rationale: No public policy.

China Everbright Bank
- Letter score: F
- Colour scores: No exclusion or reduction commitment
- Rationale: No public policy.

China Merchants Bank
- Letter score: F
- Colour scores: No exclusion or reduction commitment
- Rationale: No public policy.

China Minsheng Bank
- Letter score: F
- Colour scores: No exclusion or reduction commitment
- Rationale: No public policy.

Citi
- Letter score: C-
- Colour scores: Partial exclusion of new coal plants, no exclusion/reduction of coal plant developers and coal power companies
- Rationale: Citi’s thermal power sector brief sets minimum technology and efficiency thresholds for new power plant financing.

CITIC
- Letter score: F
- Colour scores: No exclusion or reduction commitment
- Rationale: No public policy.

Commonwealth Bank of Australia
- Letter score: D-
- Colour scores: No exclusion or reduction commitment
- Rationale: Commonwealth Bank has an environmental and social due diligence process for financing transactions, but without publicly disclosed due diligence criteria.

Crédit Agricole
- Letter score: B-
- Colour scores: Full exclusion of new coal plants, partial exclusion of coal plant developers, insufficient exclusion of significant coal power companies, no reduction commitment of coal power companies
- Rationale: Crédit Agricole ended the financing of new coal plants worldwide. It also committed to stop financing companies “predominantly active in generating electricity from coal (more than 50% of the business) and not implementing a significant diversification plan.” This policy stops the financing of some coal plant developers, but not all companies with at least 50% of their business from coal power.

Credit Suisse
- Letter score: C
- Colour scores: Partial exclusion of new coal plants, no exclusion/reduction of coal plant developers and coal power companies
- Rationale: Credit Suisse prohibits financing for new coal power plants in high income OECD countries.

Deutsche Bank
- Letter score: C+
- Colour scores: Full exclusion of new coal plants, no exclusion/reduction of coal plant developers and coal power companies
- Rationale: Deutsche Bank prohibits financing for all new coal power plants worldwide.

Goldman Sachs
- Letter score: C
- Colour scores: Partial exclusion of new coal plants, no exclusion/reduction of coal plant developers and coal power companies
- Rationale: Goldman Sachs has committed not to finance new coal-fired power plants in developed economies.

HSBC
- Letter score: C
- Colour scores: Partial exclusion of new coal plants, no exclusion/reduction of coal plant developers and coal power companies
- Rationale: HSBC prohibits financing for new coal power plants in developed countries.

Industrial and Commercial Bank of China (ICBC)
- Letter score: F
- Colour scores: No exclusion or reduction commitment
- Rationale: No public policy.

Industrial Bank
- Letter score: F
- Colour scores: No exclusion or reduction commitment
- Rationale: No public policy.

ING
- Letter score: B
- Colour scores: Full exclusion of new coal plants, no exclusion of coal plant developers or significant coal power companies, partial reduction commitment of coal power companies
- Rationale: ING prohibits financing for new coal plants worldwide. It also excludes companies with more than 50% revenues coming from coal power, but only for new clients. ING finally has committed to reduce its lending exposure to thermal coal power companies, and reported on progress on this commitment.

JPMorgan Chase
- Letter score: C
- Colour scores: Partial exclusion of new coal plants, no exclusion/reduction of coal plant developers and coal power companies
- Rationale: JPMorgan Chase’s coal policy prohibits financing of new coal-fired power plants in high income OECD countries.

Mitsubishi UFJ Financial Group (MUFG)
- Letter score: F
- Colour scores: No exclusion or reduction commitment
- Rationale: MUFG’s environmental and social risk assessment does not apply to general corporate finance, but rather solely to project finance under the Equator Principles.
Mizuho
- Letter score: D
- Colour scores: No exclusion or reduction commitment
- Rationale: Mizuho has a due diligence policy on human rights that applies to corporate financing transactions.
- Source: “Human Rights Due Diligence,” no date.

Morgan Stanley
- Letter score: C
- Colour scores: Partial exclusion of new coal plants, no exclusion/reduction of coal plant developers and coal power companies
- Rationale: Morgan Stanley’s coal policy prohibits transactions to support new or expansions of coal power projects in developed economies.

National Australia Bank (NAB)
- Letter score: D
- Colour scores: No exclusion or reduction commitment
- Rationale: NAB has a specific environmental and social due diligence process for power generation financing transactions, but without publicly disclosed due diligence criteria.

Natixis
- Letter score: B
- Colour scores: Full exclusion of new coal plants, no exclusion of coal plant developers, partial exclusion of significant coal power companies, no reduction of coal power companies
- Rationale: Natixis ended the financing of new coal plants worldwide. It also committed to not finance companies whose business is over 50 percent reliant on coal-fired power plants, and it reported on the implementation of its sector policy in its last annual report.

Nomura
- Letter score: F
- Colour scores: No exclusion or reduction commitment
- Rationale: No public policy.

Ping An Insurance
- Letter score: F
- Colour scores: No exclusion or reduction commitment
- Rationale: No public policy.

Royal Bank of Scotland (RBS)
- Letter score: C
- Colour scores: Partial exclusion of new coal plants, no exclusion of coal plant developers, insufficient exclusion of significant coal power companies, partial reduction commitment to coal power companies
• Rationale: RBS has minimum efficiency threshold for the financing of new coal plants. It prohibits financing for power companies with more than 65%, rather than 50%, of electricity generated from coal. It finally plans to “continue reducing its exposure to thermal coal year-on-year as that energy source declines in the UK energy mix.”

Shanghai Pudong Development Bank
• Letter score: F
• Colour scores: No exclusion or reduction commitment
• Rationale: No public policy.

Société Générale
• Letter score: B
• Colour scores: Full exclusion of new coal plants, partial exclusion of coal plant developers, insufficient exclusion of significant coal power companies, partial reduction of coal power companies
• Rationale: Société Générale ended the financing of new coal plants worldwide. It also excludes some significant coal power companies, but only for new clients. It finally “committed to limit the coal-fuelled part of its financed energy mix (installed MW) at 19% at the end of 2020, in consistency with the IEA 2°C scenario.”, and already reported on progress on this objective.

Standard Chartered
• Letter score: C-
• Colour scores: Partial exclusion of new coal plants, no exclusion/reduction of coal plant developers or coal power companies.
• Rationale: Standard Chartered “will not provide debt or equity to new coal fired power plants which do not achieve a long-run emissions intensity of below 830g / CO2 / kWh.”

State Bank of India
• Letter score: F
• Colour scores: No exclusion or reduction commitment
• Rationale: No public policy.

Sumitomo Mitsui Banking Corporation (SMBC)
• Letter score: D-
• Colour scores: No exclusion or reduction commitment.
• Rationale: SMFG has a general – but extremely vague – environmental and social due diligence process for corporate financing transactions. SMFG’s credit policy “declares that the bank will not execute loans to companies and businesses with the potential to negatively impact the environment to a significant degree,” without further detail on due diligence criteria or processes.

UBS
● Letter score: C
● Colour scores: Partial exclusion of new coal plants, insufficient exclusion of coal plant developers, no exclusion of significant coal power companies, no reduction of coal power companies.
● Rationale: UBS excludes the financing of new coal power plants in high income OECD countries. It also only supports coal power companies “if they have a strategy in place to reduce coal dependency or who adhere to strict internationally recognized greenhouse gas emission standards”, but the implementation of this policy is not clear.

UniCredit
● Letter score: D+
● Colour scores: No exclusion or reduction commitment
● Rationale: UniCredit has a due diligence process specific for coal power transactions with publicly disclosed due diligence criteria.

Wells Fargo
● Letter score: D
● Colour scores: No exclusion or reduction commitment
● Rationale: Wells Fargo’s environmental and social risk management practices include a due diligence process for electric power sector transactions, including “an assessment of carbon risk as part of the underwriting process.”

Westpac
● Letter score: C-
● Colour scores: Partial exclusion of new coal plants, no exclusion of coal plant developers, no exclusion of significant coal power companies, no reduction of coal power companies.
● Rationale: Westpac has committed to “only finance new power generation if it reduces the emissions intensity of the grid in which the generator operates,” which essentially serves as a minimum efficiency or technology threshold for new power plant financing