ROYAL BANK OF SCOTLAND: QUIT COAL!

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This briefing is one in a series published by BankTrack, an international NGO that tracks banks and campaigns to transform their impact on people and planet, and is part of our Banks: Quit Coal! campaign. Visit www.coalbanks.org for extensive data and coverage of the banking sector’s global coal financing. For any additional information or feedback, contact BankTrack’s Climate and Energy Campaign Coordinator Yann Louvel at: yann@banktrack.org

RBS has been the UK’s number one coal bank in terms of lending and underwriting over the last decade. BankTrack research into the global private banking sector’s coal financing has shown that between 2005 and April 2014 RBS extended over £12.7 billion (€18 billion) to the most climate-damaging fossil fuel sector.

Such hefty coal sector financing – for mining and power – has persisted at RBS in spite of some positive advances in recent years. In 2014 the bank announced it was ending its financing for significant mountaintop removal coal producers in the US, and it has committed not to finance the highly controversial Abbot Point coal export terminal expansion which threatens the Great Barrier Reef. And, in its latest Energy Financing Report, RBS has just disclosed that its support for the coal mining sector accounted for a mere £217 million, or less than 0.05% of its total lending in 2014.

The same report, however, also reveals that the bank’s general lending for coal-fired power is holding firm: the coal power generation activities of RBS’s top 25 Power clients accounted for 11% of their revenue in 2014, only marginally down from 12% in 2013. Meanwhile in 2014 its direct support for wind and solar projects was disappointing, with its wind investments share notably declining compared to previous years.

As it embarks on a major retrenchment from global markets in order to refocus its business predominantly in the UK and Ireland, now is a perfect opportunity for RBS to eliminate its coal mining finance, commit to ending support for coal power plants and get on with beefing up a renewables portfolio that is treading water.

Friends of the Earth Scotland bring RBS’s coal financing to the surface at the bank’s 2014 AGM.

HISTORIC OPPORTUNITY MUST BE SEIZED BY UK’S NUMBER 1 COAL BANK

RBS COAL LOANS AND UNDERWRITING FOR SELECTED COMPANIES, 2010-2013 (IN MILLION EUROS)

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RBS COAL INVESTMENTS HELP KEEP THE LIGHTS ON IN SCOTLAND AT THE EXPENSE OF HUMAN RIGHTS IN COLOMBIA

A string of abuses and controversies related to coal mining in Colombia has surfaced in recent years. One problematic project is the vast Cerrejón mine in the La Guajira region of Colombia which covers 69,000 hectares and has relied on a $3.5 billion corporate loan from four UK banks, including RBS.

According to Colombian campaigners, the Cerrejón mine has involved the forcible displacement of farming communities, and has also polluted water supplies and destroyed sacred sites. The Cerrejón mine is owned by the mining giants Anglo American, BHP Billiton and Glencore – once again in 2014 all three companies received financial support from RBS.

An advocacy tour to Scotland undertaken by Colombian campaigners in October 2014 sought to raise awareness of the country’s reliance on so-called Colombian “blood coal”. According to UK government figures, nearly four million tonnes of Colombian coal was imported to Hunterston in North Ayrshire in 2013. A substantial portion ended up being burnt in Scotland’s biggest power station at Longannet.

“The coal that comes from Cerrejón is dirty coal. Stained by the blood and sweat of the people of La Guajira. Coal mining in Colombia has led to the destruction of the social fabric… and the destruction and disappearance of sacred sites.” – Rogelio Ustate, The Federation of Communities Displaced by Mining in La Guajira (Fecodemigua)

One of the organisers of the tour, Coal Action Scotland, has demanded that Longannet cease burning Colombian coal, and be closed in order to cut pollution and carbon emissions. According to the group, “By burning this coal Scotland is complicit in the human rights abuses and massive environmental damage caused by open-cast mining in Colombia.” As a financial facilitator of such projects as Cerrejón, RBS has a heavy responsibility too. All the more reason for the bank to pull out of coal financing from RBS.

COAL POLICIES TICK A FEW BOXES, CAN’T STOP HEAVY FINANCING

RBS has specific policies covering at least some of its financing to coal mining and coal power projects. And, to its credit, it is the only major international bank that lifts the lid on all of its energy financing in a dedicated annual report. At issue, however, is how effective these policies are proving to be when the bank’s support for the coal industry generally remains strong, with 2013 a record year.

One of the first European banks to take meaningful steps away from the destructive mountain-top removal (MTR) mining practice, RBS’s policy prohibits financing for “significant producers of coal using MTR mining.” The bank also has an environmental, social and ethical risk management framework which includes a specific policy on the mining sector and reporting on the implementation of its associated due diligence practices – this policy also contains some valuable human rights elements, though in our view these are not comprehensive enough when prospective clients and projects are considered. In 2014 some of the coal mining sector’s most controversial companies – Anglo American, BHP Billiton and Glencore – remained among RBS’s clients.

In the coal power sector, where the bulk of RBS’s 2014 coal investments ended up financing major players such as American Electric Power, Enel, FirstEnergy, Engie (formerly GDF Suez), RWE and Vattenfall, again the bank has a dedicated policy which includes a specific threshold: the policy prohibits “project finance for the construction of new Coal Fired Power Plants with an efficiency level below 28% for Non-OECD or Non-High Income OECD Countries and below 35% for High-Income OECD Countries.” Such percentages, however, are far from top of the class when compared with similar thresholds in place at other banks.

CORAL NOT COAL – RBS MUST STEER CLEAR OF FURTHER REEF-BUSTING INVESTMENTS

The Great Barrier Reef off Australia’s Queensland coast has in recent years become the focus of increasing national and international concern as a result of a string of major coal export plans that many observers believe could prove catastrophic for the iconic World Heritage site. Billions of dollars of investment has enabled a series of coal and gas projects to be built along the Reef coastline.

While this industrialisation is already threatening the sustainability of the Reef, further expansions of coal export and new liquefied natural gas processing plants would cause major environmental harm to the Reef as a result of increased shipping in the area, the major dredging operations required for the export terminal projects and by the climate change that will be spurred if huge volumes of Australian coal do not remain in the ground.

In a welcome move, RBS was one of eight international banks to declare its intention in 2014 to steer clear of financing the most high profile coal terminal expansion project – Indian conglomerate Adani’s terminal at Abbot Point that would handle increased coal volumes from the Galilee Basin for export to India.

However, along the coast south of Mackay and still very much in the firing line of the Great Barrier Reef, lies the Dalrymple Bay Coal Terminal at Hay Point that has received over $1 billion in loans in recent years as it expanded to 85 million tonnes per year of coal export capacity. RBS has already invested $31 million in the Dalrymple Bay terminal expansion.

The two existing coal export terminals (Hay Point and Dalrymple Bay) are proposed to be expanded further and a new 180 million tonne per year terminal at Dudgeon Point would more than double the region’s coal export capacity. A total of $10-12 billion is expected to be required to finance the expansion, according to the Australian environment group Market Forces. Meanwhile RBS has also invested major sums in two Peabody-owned coal mines in the vicinity of Hay Point: Moorvale ($48 million) and Coppabella ($59 million).

It can only be hoped that its Abbot Point pull-out last year makes a line in the sand for RBS, and that the bank will not contribute further to the potential “carbon bomb” in Australia that rapidly growing public pressure is now seeking to defuse in order to protect the Great Barrier Reef and prevent runaway climate change.

“OUR AMBITION IS TO SHAPE THE COMMUNITIES WE SERVE IN A POSITIVE WAY. WE RECOGNISE THAT WE STILL HAVE A LONG WAY TO GO TO ACHIEVE THIS POSITION ACROSS OUR BUSINESS.” - Ross McEwan, Chief Executive, RBS Sustainability Report 2014

The Cerrejón coal mine in Columbia is divided into three main areas: Cerrejón North Zone, Cerrejón Central Zone and Cerrejón South Zone. Image licensed under Creative Commons: Santiago La Rotta
The world over, responsible financiers concerned about climate change and focused on enhancing their support for clean energy projects and initiatives will be very much aware of the fast approaching UN Climate Summit in Paris, taking place at the end of this year. This meeting, being billed by many as ‘make-or-break’, is aimed at deciding on an international follow up Treaty to the Kyoto Protocol, committing all countries in the world to emission reduction targets that will keep the global temperature rise within 2 degrees, the assumed threshold beyond which already ongoing climate change will become outright catastrophic for people and planet.

In the run-up to Paris, BankTrack – in collaboration with our civil society organisation allies around the world – has launched the Paris Pledge campaign. The aim of this campaign is clear: to invite the world’s private banks that are still investing in coal sector companies and projects to publicly pledge to terminate their financing for the coal industry. Here’s why.

**COAL: CLIMATE AND PUBLIC ENEMY NUMBER ONE**

The continued exploration and burning of coal is a major threat to the climate. Coal is the single greatest source of man-made carbon dioxide emissions – 44% of all global emissions coming from fossil fuels come from coal. Since the year 2000, global coal production has grown by 69%, to a staggering 7.9 billion tons annually. The installed capacity of coal-fired power plants has grown 35% since the year 2000. We are clearly on the road to disaster if we do not manage to stop coal – and quickly.

**THE ROLE OF BANKS**

Private sector (commercial) banks continue to play a major role in bankrolling the coal industry. As BankTrack research (available at www.coalbanks.org) has revealed, total banking sector support for the coal sector amounted to at least $500 billion between 2005 and April 2014. To date, there is no sign of declining support from banks, with a clear upward trend and a +360% rise in these coal finance figures between 2005 and 2013.

**WE, AND THE PLANET, ARE COUNTING ON YOU, RBS!**

As a prominent ‘coal bank’, RBS (you’re currently number 3 in our Coal Bank rankings), we hereby invite you to consider and take the Paris Pledge prior to the Paris Climate. You’ll be hearing from us – and thousands of others – again about this in the weeks and months ahead. All the best, BankTrack

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**PARIS PLEDGE TEXT – FOR BANKS INVOLVED IN COAL FINANCING**

In recognition of the grave threat to the world’s’ climate posed by ongoing mining and use of coal, as well as the urgent need to transition towards a low/no carbon economy, we hereby pledges to fully phase out our finance for coal mining and coal power.

This phase-out will cover all our banking activities and services, including lending, share and bond underwriting, asset management and advisory services, and will start with an immediate end to any new coal project finance. It will be accompanied by a shift in our energy lending towards the financing of energy efficiency and renewable energy.

We commit to publish a detailed ‘coal phase-out plan’ within six months after the Paris Summit, which will include a clear time path and targets for each of our products and services. We also commit to regularly and publicly report on the implementation of our coal phase-out plan.

Signed,

Royal Bank of Scotland?

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**RBS YOU ARE CORDIALLY INVITED ... TO TAKE THE PARIS PLEDGE AND QUIT COAL**

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**ROYAL BANK OF SCOTLAND COAL COMMITMENTS**

With coal finance levels remaining solid at RBS, we really think it’s about time that the bank:

- Commits to end any new coal project finance and to decrease its general corporate coal financing, both for coal mining and coal power.
- Commits to living up to its responsibilities to communities around the world by refusing future business for coal companies and projects linked to human rights abuses.
- Takes BankTrack’s Paris Pledge to quit coal.

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**FIND OUT MORE AT THE PARIS PLEDGE WEBSITE: DOTHEPARISPLEDGE.ORG**