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SCORECARD

Are Australia's big four banks living up to their climate commitments?



MARKET FORCES

URGENT

In December 2015 nearly 200 nations signed the Paris climate agreement to keep global warming “well below 2°C above pre-industrial levels.” Australia’s big four banks joined companies worldwide in committing to help the world meet this critical goal.

Since the Paris Agreement was signed, the world has recorded its three hottest years. Half the Great Barrier Reef corals died in back-to-back mass bleaching events. Globally, several major cities are on the brink of running out of water. And the concentration of CO₂ in our atmosphere has accelerated.

Despite backing the Paris Agreement, Australia’s big four banks are still lending billions to dirty fossil fuel projects around the world. Community action has got the big banks out of new dirty coal projects like Adani’s mega coal mine, but we now need to push even harder to ensure the banks’ policies and actions align with the goal to keep global warming well below 2°C.

WHAT 2°C LOOKS LIKE

For any major institution, mapping out a comprehensive plan for being compatible with the aims of the Paris Agreement is challenging. But the science of climate change already tells us enough to know that if a bank is going to be aligned with 2°C or less, at a minimum they will:



Avoid lending to projects or companies that seek to expand the scale of the fossil fuel industry. That means:

- ✗ No lending to new fossil fuel power generators or related infrastructure.
- ✗ No lending to new fossil fuel exploration or development projects.
- ✗ No lending to companies seeking to expand fossil fuel projects.



Massively increase lending to renewable energy.



Implement concrete policies to actively reduce exposure to fossil fuels in line with decarbonisation requirements of the Paris Agreement.

TRENDS

1 Community action is getting results

The good news is that people-powered pressure on the big four banks to uphold their commitment to 2°C is working. Growing scrutiny of investments in fossil fuels from shareholders, customers and the public is forcing banks to cut back their dirty energy lending.

Overall, the big four's loans for fossil fuels have dropped by an encouraging 18% over the past two years, with each bank lending less to the industry in 2017 than it did in 2016. Similarly, the banks' reported exposure to the fossil fuel sector has fallen by about 15% per year for the past two years.

Possibly most importantly of all, each of the big four banks has ruled out funding the proposed Adani Carmichael coal mine in Queensland's Galilee Basin.

Whilst these steps are positive, the sobering reality is that Australia's major banks are still very much exposed to coal, oil and gas, and are helping to expand these sectors even more.

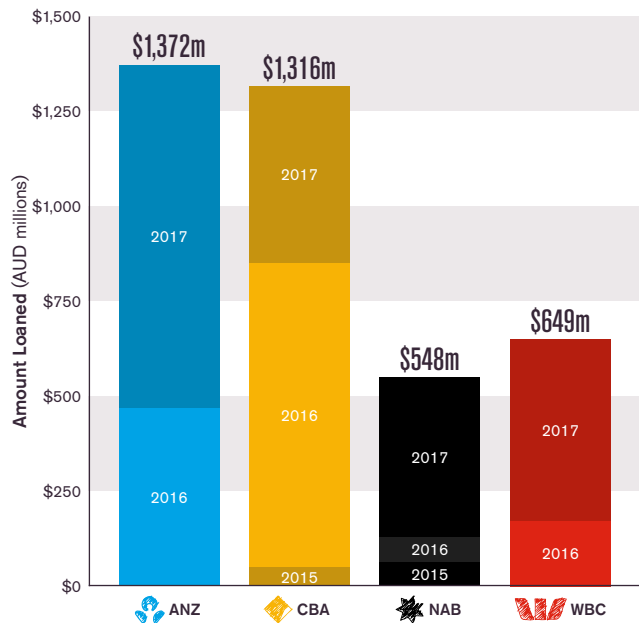


2 But big banks still support fossil fuel expansion

Worryingly, our research shows that since 2016 the big four have been increasing their total lending to 'expansionary' oil and gas projects. This is blatantly incompatible with their climate commitment to a 2°C world.

Together, they have loaned \$3.89 billion since late 2015 to projects that expand the size of the fossil fuel industry by backing new reserves, development and infrastructure. ANZ and CBA were the worst offenders—lending over \$1.3 billion each, while Westpac and NAB loaned just over half a billion each.

BIG FOUR BANKS LENDING TO EXPANSIONARY FOSSIL FUEL PROJECTS

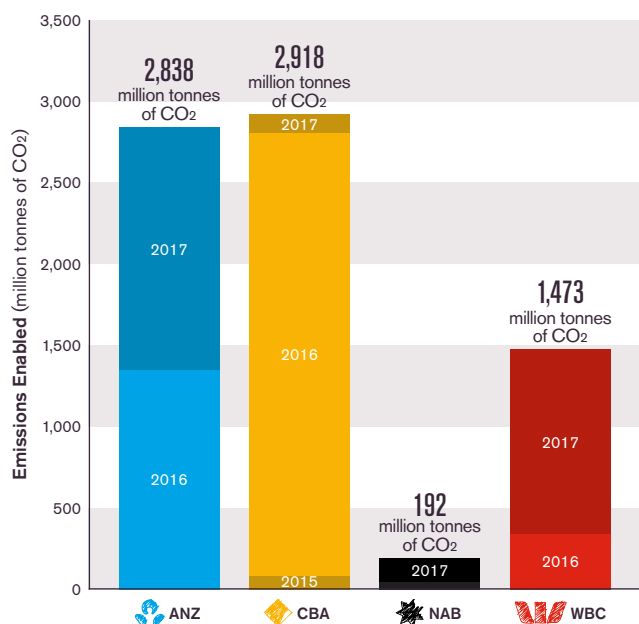


FINANCING INCREASED EMISSIONS

The big four banks have provided direct project finance for 17 new fossil fuel projects since committing to the 2°C Paris goal. Over their lifetimes, these projects are expected to enable 4.9 billion tonnes of CO₂—enough to cancel out Australia's emissions reduction target (2021–2030) more than FIVE times over!

The graph shows the total estimated lifetime emissions enabled by expansionary fossil fuel projects financed by each of the big banks from late 2015 to the end of 2017. Clearly Commonwealth Bank reined in its massive lending to new high emissions projects in 2017, while ANZ went in the other direction. NAB and Westpac had relatively low exposure to additional greenhouse gas emissions in 2016, but both disappointingly increased lending to new fossil fuel projects with high lifetime emission profiles.

BIG FOUR BANKS EMISSIONS ENABLED



DEALS THAT ARE INCONSISTENT WITH 2°C

For some deals, it is easy to determine whether they flout the urgent goal of keeping global warming below 2°C. If the deal expands the scale of the fossil fuel industry, then it contradicts the Paris Agreement. Some loans do this to a staggering extent.



2°SCORECARD	Big four Australian banks' actions since making the 2°C commitment			
Total lending to fossil fuels	\$7.39b	\$7.24b	\$3.70b	\$2.66b
Total lending to expansionary projects	\$1.37b	\$1.32b	\$0.55b	\$0.65b
Fossil fuels vs renewable energy lending ratio	7.7:1	3.8:1	1.6:1	3.3:1
Total emissions enabled (tonnes of CO ₂)	2.8b	2.9b	0.2b	1.5b
Policy to reduce fossil fuel exposure	FAIL	FAIL	PARTIAL	FAIL
Policy restricting fossil fuel lending	PARTIAL	FAIL	PARTIAL	PARTIAL

Our scorecard gives a snapshot of how well each bank performs against their 2°C commitments since they were made at the end of 2015. ANZ regains its title as the biggest lender to Australia's dirty fossil fuel industry, with CommBank a close runner-up.

The time frames studied in this report reflect the dates of each banks' stated commitment to the goals of the Paris Agreement in late 2015 (ANZ —6 Oct 2015, CommBank and NAB—5 Nov 2015, Westpac—10 Dec 2015), to 31 Dec 2017.

METHODOLOGY

Market Forces obtained primary data from finance industry databases provided by IJGlobal and Thomson Reuters. Further primary data was sourced from company filings, reports and market disclosures. Figures were cross-referenced for consistency and verified against secondary material. This report presents a synthesis of this material.

The loans we have captured include refinancings, as we consider each refinancing a conscious decision by a lender to continue supporting a project. Where corporate lending occurred, we sought direction on the purposes of the loan and if this was not available, discounted the value of that loan to reflect the proportion of the company's business that is involved in the fossil fuel supply chain.

We have tried to capture as much information as possible in this study but a lack of transparency about fossil fuel lending means it will only ever be a partial picture. All values are in Australian dollars and no adjustments have been made to reflect the net present value of facilities arranged before 2017.

USE YOUR POWER PUT YOUR BANK ON NOTICE

Join thousands of customers who have told the big banks to stop using our money to support climate-busting fossil fuels.

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the Earth**

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