

Appeal letter to CBRC by Chinese Environmental NGOs:

Reject the proposal to establish the China Coal Bank

Dear Chairman Shang Fulin,

We are 51 Chinese non-governmental environmental protection organizations. We follow Chinese banks' environmental and social responsibility performances and their implementation of our national Green Credit policy.

Recently, there has been wide media coverage on the China Coal Bank, which is jointly founded by fifteen coal enterprises. We have closely reviewed their proposal and wish to express concerns. The China Coal Bank's official website states that the establishment of a coal focused bank will address the following:

- Support the development of the coal industry in China
- Optimize the coal chemical industry structure
- Support the "going out" policy by encouraging Chinese coal enterprises to invest overseas

The proposed objective of the bank is to expand of the coal industry by providing financial leverage. We recognize that allowing private capital into the banking industry is an important part of financial reform and will promote the diversification of banking ownership structure, thereby improving the overall efficiency of financial markets. However, establishing a coal-focused China Coal Bank would directly contradict current national development policies which address CO₂ reduction and air pollution control; at the same time, such an institution weakens the market's ability to manage financial risks.

Since its founding in 2003, the China Banking Regulatory Commission (CBRC) has played an instrumental role in ensuring the healthy and steady development of the Chinese financial industry. The 2007 Green Credit Policy has defined the responsibility of financial institutions to promote the "green economic transformation" in China. The Green Credit Policy has been in effect for six years, and during this time, we have witnessed the CBRC enforce the necessary regulations on financial institutions. Therefore, we believe that the CBRC will continue to perform its market access regulatory duties and reject the China Coal Bank's application for establishment, taking full consideration of the relevant policies in place as well as the potential risks of such a bank to degrade China's environment and sustainability of the financial system.

In other words, the proposed coal bank's investment plans unequivocally conflict with China's national development strategies and undermine the stability of the financial market. We believe that China Coal Bank will increase the burden on the environment and public health based on the following:

1. The production and consumption of coal causes environmental pollution and greenhouse gas (GHG) emissions.

Coal production severely destroys land and water resources. The coal mining process inherently produces large amounts of wastewater discharge while simultaneously causing widespread air pollution, thus intensifying local pollution and greenhouse gas emissions. Burning coal produces a toxic cloud of PM2.5, which has been shown to cause, trigger, or exacerbate public health problems such as respiratory diseases, cancer, and other illnesses.

In addition, coal consumption directly leads to carbon emissions, thus worsening climate change. According to the Chinese Energy Statistic Year Book, from 2002 to 2012, China is responsible for nearly 80% increase of global carbon emissions; in 2012, 68% of China's energy consumption came from coal alone. Hence we can see that reducing coal consumption is already a serious challenge for China if it wishes to meet its carbon emissions reduction targets.

2. The proposed China Coal Bank conflicts with the Construction of Ecological Civilization Policy, Energy Conservation and Emissions Reduction Targets, the Atmospheric Pollution Prevention Plan, among other national strategies

The recent Third Plenary Session of Eighteen Central Committee Meeting confirmed the importance of accelerating the construction of an ecological civilization by providing guidance and direction on environmental protection, resources conservation and climate change adaptation. The State Council published the "Twelfth Five -Year Energy Conservation and Emission Reduction Work Plan" and "Action plans on Atmospheric Pollution Prevention and Control", and has clearly set the precedent to carefully control coal consumption.

In another example, the State Council also formulated a medium and long-term plan on national coal consumption, which aims to reduce the proportion of coal in total energy consumption into less than 65% and replace coal with non-fossil fuels. It issued the "General Office of the State Council opinions on promoting the smooth and steady operation of the coal industry ", which reiterated the State Council's determination to curb the unordered growth of coal production and increase penalties for illegal coal enterprises. Based on these policies and others, the establishment of a China Coal Bank would be grossly inconsistent with the state's overall development strategy and coal industry work plans.

3. The proposed China Coal Bank's business plan violates the Green Credit Directive.

In 2012, the CBRC issued the Green Credit Directive, which aims to strictly control bank loans to "Two high, One excess¹" industries. The coal industry is a longstanding "Two high and One excess" industry; as a result, loans in this industry have and continue to be strictly controlled by reducing loan capacity. At this time, the bank has stated that it will specifically cater to clients from the coal industry. Having such a narrow focus on coal enterprises, however, directly violates the Green Credit Directive by failing to encourage a green, low-carbon economy.

4. Establishing a resource-focused bank is not in accordance with the principle of optimizing financial resources allocation.

¹ "Two High and One excess": energy intensive, highly polluting and excess production capacity industries.

As an industry under national control, the coal industry is bound to reduce its production capacity. Enterprises with polluting or outdated technology will be eliminated and restructured. This brings enormous policy risks to the China Coal Bank. In addition, the China Coal Bank uses coal reserve as a collateral. This on one hand conflicts with the national (public) ownership of all coal resources, and on the other hand increased the bank's credit risk. Once there is a break in the capital chain for coal enterprises and the bank left with large amount problematic debts, it will lead to distortion of coal price. Based on the inevitability of this price distortion due to opportunistic practices, coal enterprises may mine excessively in order to liquidate without any consequences. All of these could trigger immoral behaviours against market principle, and it's extremely hard to monitor this risk.

5. Reducing coal consumption and production is becoming an international norm

The proposed China Coal Bank states that helping Chinese coal enterprises "go out" and invest overseas is a main objective. However, from an international perspective, this strategy ignores evidence that coal is a dying industry. In the past two years, many countries have pledged to extensively reduce thermal power, and provide more support for renewable energy with less GHG emissions. Five Nordic countries and the United States have publicly announced that their investment orientation will change from fossil fuels to renewable energy. This September, the World Bank also announced that unless special circumstances occur, or in other words, if no other form of energy production is available, it will not provide loans to coal-fired power plant projects. In addition, many major commercial banks have developed official policies which severely limit or place high environmental due diligence requirements on coal projects. These decisions reflect the fact that more and more financial institutions are recognizing coal as a toxic fuel and moving away from coal financing around the world.

Recommendations

We, the undersigned, respectfully recommend that the China Banking Regulatory Commission reject the establishment of China Coal Bank based on the facts that such an institution would undermine our national strategies on the construction of an ecological civilization, energy conservation, emission reduction, atmospheric pollution prevention and control, and encouraging sustainable development. Furthermore, a potential coal bank would violate China's landmark green finance policy, the Green Credit Directive, which has been internationally lauded as one of the most innovative and progressive finance policies in the world. We appeal to the China Banking Regulatory Commission (CBRC) to demonstrate their wisdom and responsibility for a cleaner, greener China, and to reject the proposal of China Coal Bank.

2013/12/05 Beijing, China

The joint appeal intuitions: (In Chinese)

创绿中心
绿色流域
达尔问环境研究所
公众环境研究中心

江苏省徐州市“绿色之家”
兰州绿地志愿者中心
绿满江淮
中南林业科技大学绿源环保协会

爱之旅青年志愿者
城乡之声文化艺术中心
常青藤可持续发展研究所
自然大学
绿色和平
大耳兔村落
大连市环保志愿者协会
福建省环保志愿者协会
甘肃平凉市保护母亲河联合会
甘肃省绿驼铃环境发展中心
国际环境保护网
河南绿色中原
黑龙江省大庆市环境保护联合会
黑嘴鸥保护协会
湖南郴州自然之友 绿满湘潭
湖南农业大学生态环境保护协会
湖南省醴陵市环保志愿者协会
湖南省新宁县环境保护志愿者协会
华瑞中嘉
淮河卫士
环友科技
美财社

长沙市绿动社区环保组织
绿色大学生论坛
绿色汉江
绿色盘锦
重庆市绿色志愿者联合会
绿色浙江
绿石
绿芽自然教育
绿中原
南京国民环保协会
挠力河生态保育协会
七色玛瑙
厦门绿十字
山东省临润环保公社
天津绿领
天津绿色之友
威海市大天鹅保护协会
蔚然大连
芜湖生态中心
咸临养生环保社
宜居广州生态环境保护中心

Contact person:

Bai Yunwen Greenovation Hub yunwen@ghub.org 0086 18601132863

Yu Xiaogang Greenwatershed yxgood@hotmail.com 0086 13888505121