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This briefing presents the findings of the most extensive dataset yet compiled on private sector commercial banks’ finance for the coal industry. The data covers a global range of 92 commercial banks and 93 coal mining and coal power companies.

- The data shows that these 92 commercial banks channelled more than 373 billion euros (500 billion dollars) into the coal industry through 2,283 lending and underwriting transactions between 2005 and April 2014. Twenty of these banks alone contributed 73% of this total amount.

- Most worryingly, bank finance for coal is increasing rapidly: 2013 was a record year for coal finance, with commercial banks providing more than 66 billion euros (88 billion dollars) to the main 65 coal companies – over four times the amount provided in 2005.

- JPMorgan Chase remains the world’s biggest ‘coal bank’ over the period 2005 to April 2014, in spite of its oft-stated claims to be “transitioning to a low-carbon economy” and its commitments to initiatives such as the Carbon Principles.

- A major trend in recent years has been the growing role of Chinese banks in coal financing. In the period 2011-April 2014, six of the top 20 coal banks are Chinese banks, including the top three. This compares with only four Chinese banks in the top 20 for 2005-April 2014, and none in the top three.

- Banks headquartered in just three countries, China (28%), US (23%) and UK (11%), were responsible for the majority (62%) of coal financing between 2011 and 2013.

- Several international financial institutions (IFIs), including the World Bank and the European Investment Bank (EIB), have recently introduced policies to stop or phase out financing for coal power. However, commercial banks have not yet followed suit, creating a risk that the changing IFI approach to coal power financing could be rendered meaningless if these banks continue to expand their coal portfolios. Currently, none of the commercial banks are managing their lending portfolios in such a way as to realise a reduction in their coal financing.
WHAT HAS TO HAPPEN

• Commercial banks must stop bankrolling climate change by ending support for new coal extraction and delivery projects, as well as for new coal-fired power plants.

• Banks must adopt sector policies excluding all direct and indirect finance for coal mining, coal power and coal infrastructure projects. This includes the underwriting of share or bond issues to raise capital for coal investments. Banks must also start becoming responsible asset managers and divest from the coal companies in their portfolios. Banks must finally stop trading coal — both ‘physical coal’ and coal derivatives.

• Banks must finally calculate and disclose the financed emissions associated with their loans, investments and other financial services. The next step must be to rapidly decrease these financed emissions, in line with global and national climate targets, and shift their energy finance from fossil fuels to energy efficiency and renewables.
More than 7,500 people from almost 30 countries form an eight-kilometre long ‘human chain against coal’ at the border between Germany and Poland in August 2014. They were demonstrating against the biggest proposed brown coal open-pit mine in Europe. The mine is planned by the Swedish company Vattenfall and directly threatens communities living on both sides of the border.
I. INTRODUCTION

This briefing is a follow-up to two previous reports exploring how commercial banks are bankrolling the coal industry worldwide.

In November 2011 BankTrack, together with urgewald, groundWork (Friends of the Earth South Africa) and Earthlife Africa, published ‘Bankrolling Climate Change’ at the UN Conference on Climate Change in Durban. This report covered the financing of 31 major coal mining companies and 40 major operators of coal-fired power stations by 93 banks between 2005 and mid-2011. As well as naming and shaming the 20 most heavily involved banks, the report revealed that 93 banks cumulatively poured 232 billion euros of financing into the global coal industry over the reported period.

Two years later, in November 2013, BankTrack, urgewald, CEE Bankwatch Network and the Polish Green Network published ‘Banking on Coal’ at another UN Climate Change Conference, this time in Warsaw. This report focused specifically on the coal mining industry, and expanded its coverage to 70 coal mining companies around the world, including many with significant expansion plans. The report showed 165 billion euros of financing for coal mining globally between 2005 and mid-2013 – this total amount being smaller than the total financed sum presented in the Bankrolling Climate Change report as it only captured financial data for coal mining, and not coal power. The report also presented a list of the ‘Top 20 coal mining banks’ most involved in the coal mining sector.

This briefing now updates the data from these previous reports as well as the ‘Top 20 coal banks’ list. It is released at the same time as the www.coalbanks.org website, providing the most comprehensive dataset to date on commercial banks’ finance for the coal industry, including both coal mining and coal power. It also provides further data and analysis of the trends in the financing of the coal industry by international commercial banks.

1 “Bankrolling Climate Change,” urgewald, BankTrack, groundWork, Earthlife Africa, 2011
2 “Banking on Coal,” urgewald, BankTrack, CEE Bankwatch Network, Polish Green Network, 2013
II. CLIMATE, COAL AND THE NEED FOR A RADICAL SHIFT

CLIMATE IMPACTS ARE ALREADY HERE AND COULD THREATEN CIVILISATION

In 2010 in Cancun, almost 200 nations reached agreement that global warming must be limited to two degrees celsius (2°C) above the pre-industrial average temperature in order to avoid worst-case climate change scenarios. However, reports from the world’s leading climate scientists, the Intergovernmental Panel on Climate Change (IPCC), as well as from the International Energy Agency (IEA) and the World Bank, all concur that we are currently heading towards a global temperature rise of more than double the 2°C limit.

In one of its latest reports, the IPCC concluded that climate change was already having impacts – melting sea ice and thawing permafrost in the Arctic, the killing off of coral reefs in the oceans, and resulting heat waves, heavy rains and mega-disasters. Millions of people around the world are already suffering the impacts of a changing climate. Most worryingly, all of this is happening with ‘only’ the current global temperature rise of 0.8°C. The fear, based on deep scientific research and overwhelming consensus, is that the worst is yet to come.

For example, according to the IPCC, under some scenarios climate change could lead to dramatic drops in global wheat production as well as reductions in maize, while fish catches in some areas of the tropics are projected to fall by between 40% and 60%. Such changes threaten food security and would be likely to disproportionately affect the world’s poorest.

The IPCC report also warned for the first time that climate change, combined with poverty and economic shocks, could result in wars and large numbers of the global population being displaced. According to Rajendra Pachauri, chair of the IPCC, “Nobody on this planet is going to be untouched by the impacts of climate change”.

COAL: THE BIGGEST CULPRIT

The single greatest source of man-made carbon dioxide (CO₂) emissions heating up our planet is coal. According to the IEA, 44% of global emissions from fossil fuels come from coal. Since the year 2000, global coal production has grown by over 69% and now amounts to a staggering 7.9 billion tons annually. And since 2005 – the year in which the Kyoto Protocol came into force – the installed capacity of coal-fired power plants has increased worldwide by 35%. Coal has been the fastest growing energy source for every year of the last decade.

Another recent report from Climate Action Tracker shows that phasing out coal by 2050 will be vital to limit temperature rises. Such a phase out could reduce warming by half a degree, according to the analysis. As IEA Executive Director Maria van der Hoeven has pointed out, “A radical change of course at the global level is long overdue.”

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6 “Banking on Coal,” urgewald, BankTrack, CEE Bankwatch Network, Polish Green Network, 2013
8 “Rapid phase out of coal essential, but not enough to hold warming below 2°C,” Climate Action Tracker, 2014
9 “Taking on the challenges of an increasingly electrified world,” IEA Press release, 12 May 2014
THE MORE WE WAIT, THE MORE IT WILL COST TO CHANGE COURSE

We have very little time left to change course. The IEA’s Chief Economist Fatih Birol warns that “we need to change our way of consuming energy within the next three or four years,” because, otherwise, “in 2017, all of the emissions that allow us to stay under 2°C will be locked in.”

The building of every new coal-fired power plant ‘locks in’ additional annual emissions of millions of tons of CO₂ for a subsequent 30-40 years, as well as locking in entire regions to a dirty and unsustainable development path.

The latest IEA report on the costs of power decarbonisation adds still more urgency. It shows that the cost of cutting carbon emissions from power generation in order to restrict global warming to safe levels is rising dramatically, as growing coal use is outweighing progress in clean energy use. Investments of 44 trillion dollars up to 2050 are now needed to decarbonise the energy sector, up 22% from the figure the IEA gave only two years ago.

Public policy responses have been slow and inadequate, and with even optimists not anticipating an international climate agreement coming into force any time before 2020, the development of the coal sector over the next crucial years may well be the climate elephant in the room. And it will, to a large degree, be determined by the financial decisions of banks and investors.

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11 “Energy Technologies Perspectives,” IEA, 2014
Bayonne, June 2014 – campaign group Bizi! delivers 1.8 tonnes of coal to the regional headquarters of Société Générale. In tandem with les Amis de la Terre and Attac, Bizi! was targeting the bank’s investment support for the huge Alpha Coal mine and coal export project sited in Australia’s Galilee Basin. The groups called on Société Générale customers to close their accounts in protest at the bank’s climate abuse.
III. THE POWER OF THE FINANCE SECTOR

THE ROLE OF COMMERCIAL BANKS

Commercial banks play an important role in making big coal projects such as coal mines, coal power plants and even coal infrastructure a reality. They can finance these projects directly, through project finance, or they can indirectly help the companies building these projects, either by providing general corporate loans or by acting as their agent on the financial markets, helping them to issue shares and bonds, or managing those shares and bonds for their own account or third parties.

Such projects come with striking price tags. Large coal mines can cost many billions to build, particularly if the cost of the infrastructure is included. For example, the Alpha Coal project, a mine-rail-port project in the Galilee Basin in Australia, on its own is expected to cost more than 10 billion dollars.

Commercial banks have a clear responsibility when it comes to the activities they finance, whether directly or indirectly. They cannot ignore the activities that their finance helps bring about. Instead of financing a coal boom which threatens the stability of our climate, they could instead be making strenuous efforts to redirect this finance so as to help contribute to the trillions now needed to finance the energy efficiency and renewables sectors.

BANKS AND CLIMATE: FROM DIRECT IMPACTS TO FINANCED EMISSIONS

It took several years for commercial banks to add the adjective ‘direct’ to the reporting of their emissions. Until recently – and it still applies for some – major banks only referred to direct emissions when they spoke of their own emissions, i.e. those coming from the heating of their branches, the powering of their computing equipment, etc. While almost all of the banks now report on these direct emissions, almost none report on their financed emissions – those that result from the activities they facilitate through providing direct or indirect finance. A 2013 report from World Development Movement in the UK revealed for instance that the financed emissions of RBS could be up to 1,200 times higher than their direct emissions reported figures.

PROMINENT DISCLOSURE OF GREEN INVESTMENTS, NO DISCLOSURE OF FOSSIL FUEL INVESTMENTS

Similarly, while most of the big banks publish some figures on their finance for the renewables sector, only a few publish any data on their financing of the fossil fuel sector, let alone their finance for the most climate-damaging coal sector specifically. And when banks do disclose information about their fossil fuel lending, it’s worth noting that this can exclude investments in fossil fuel exports. On this topic, RBS is currently the only bank to publish an annual supplement on its “financing of the energy sector”.

Banks have systematically failed in the past to disclose any relevant figures informing their customers, shareholders and other stakeholders about the amount of carbon emissions they are co-responsible for emitting, or their concrete contribution to the much needed clean energy transition described above.

This must change quickly in the coming years, and it must also be accompanied by a concrete decrease in fossil fuel financing, and thus financed emissions.

IV. BANKING ON COAL: THE FIGURES

OUR RESEARCH

To provide a better picture of the financing of the coal sector by commercial banks up to April 2014, we have supplemented the financial data presented in both the ‘Bankrolling Climate Change’ and ‘Banking on Coal’ reports to ensure better coverage of the financing of both coal mining and coal power companies by the same selected banks.

Our research covers the lending and underwriting activities of 92 international commercial banks, linking them to 34 coal mining and 39 coal power companies between 2005 and April 2014, as well as to 28 additional coal mining companies between 2011 and April 2014.

This selection of coal companies covers 52% of global annual coal production across the coal mining sector, and 53% of the global coal-fired power capacity across the coal power sector.

The financial research was provided by Profundo, a Dutch economic research consultancy. To trace financial transactions between these 93 coal companies and the 92 commercial banks, Profundo reviewed the annual reports of the companies selected, their stock exchange filings and other publications, such as the archives of trade magazines and the financial press, as well as specialised financial databases such as Thomson One and Bloomberg.

This research has allowed us to trace how the world’s largest commercial banks have financed the global coal industry between 2005 and April 2014 and in turn to identify the world’s top ‘coal banks’. A full description of the methodology, as well as the banks and companies covered, can be found on www.coalbanks.org.

OUR FINDINGS

Our updated financial data reveals:

- a total of 2,283 financial transactions between 2005 and April 2014;
- a total amount of more than 373 billion euros (500 billion dollars) of coal financing.

As mentioned above, this figure covers only 52% of the coal mining industry and 53% of the coal power industry – and it does not include the huge investments in coal transportation that accompany coal mining expansion projects around the world (often too, of course, financed by the banking sector). As such, while the data is the best we have been able to obtain, and does reveal important trends, the actual total involvement of commercial banks in the global coal sector could easily be twice as much as the figures here indicate.
The share of the different types of financing provided to coal companies shows that a majority comes from the underwriting of shares and bonds on financial markets (54%), and the rest through corporate loans (46%).

This is interesting to note because commercial banks typically give greater recognition to their ‘co-responsibility’ for activities they finance through lending, while most seem to consider underwriting as implying a lower level of responsibility (perhaps because bonds and shares underwritten by banks are typically sold on to other investors rather than remaining on bank balance sheets).

Our results, however, show that banks must also address their investment banking activities if they want to have any real impact on the companies they finance.

The above graph shows the trend in coal financing for the 65 coal companies for which we have financial data from 2005 to 2013. This graph shows clearly that, despite falls in some years, the overall trend is rapid growth in commercial bank finance for coal.

Indeed, 2013 was a new record year for coal financing, with commercial banks putting more than 66 billion euros (88 billion dollars) into the coal industry. This is more than four times the amount of financing in 2005, the year of the Kyoto Protocol entering into force – a 360% increase.

These figures reveal that commercial banks are playing an increasingly important role in the expansion of the global coal industry. They also reveal a hidden aspect of commercial banks’ activities that is never disclosed in the institution’s sustainability reports.
The top 20 coal banks have together channelled more than 273 billion euros (367 billion dollars) into the coal industry between 2005 and April 2014. This represents more than 73% of the total coal financing that Profundo’s data analysis for BankTrack uncovered for this period. If we compare this list to the top 20 we identified in our ‘Bankrolling Climate Change’ report of 2011, we find that:

• There is no change at the top. JPMorgan Chase is still the worst coal bank, with Citi also holding on to its number two position.

• The Royal Bank of Scotland has significantly increased its exposure to the coal sector, rising from number seven to number three in the rankings, despite being majority owned by the UK government since 2008.

• Morgan Stanley has moved down the rankings from number four to number eight, while French bank Crédit Agricole has also dropped from number 14 to number 20.

• The only bank that has dropped out of the Top 20 rankings is the French bank Société Générale (number 18 in 2011). However even this does not appear to be the result of a deliberate strategy to reduce exposure to the sector.

• Chinese banks have risen in importance in the global coal rankings (page 15).

For the full list of the rankings of the banks covered in our research, please visit www.coalbanks.org.
The rise of the Chinese banks

The most important trend we see at play when comparing the Top 20 coal banks in 2011 and 2014 is the rise of the Chinese banks.

While three Chinese banks were included in the coal banks Top 20 published in 2011, none of them were in the top ten. Now they are much higher in the ranking. China Construction Bank has moved from number 16 to number five; Industrial and Commercial Bank of China has moved from number 13 to number seven; while Bank of China is at number 11, up from number 12 in 2011. Agricultural Bank of China has also joined the list, now placed at number 16.

It is also interesting to notice that the Chinese banks are involved more through their underwriting activities than through lending, reflecting the fact that Chinese coal companies raise finance mostly through the issuing of shares and bonds on the financial markets, and not through bank loans.

This trend is confirmed when we look at the ranking of the top 20 coal banks for just the period 2011 to April 2014\(^7\).

In this ranking, the top three coal banks for the period are all Chinese, with a fourth, Agricultural Bank of China, at number 10 and two others, China Development Bank and China Merchants Group, at numbers 13 and 17 respectively.

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\(^7\) For these years, the financial data covers all of the 93 coal companies selected in our research.
The figures on the previous page reflect the rise of China in the coal world: China now accounts for half the world’s coal production as well as half its consumption. They also reflect the increasing involvement of Chinese banks outside of China, where they are now found to be among the most active in financing coal mining in Indonesia, India and Russia. 

Most Coal Financing Comes from a Handful of Countries

The rise of the Chinese banks is also confirmed when we look at coal financing by country of origin, as shown in the graph above for the years 2011 to 2013.

For this period, 28% of coal financing came from Chinese banks, while US and UK banks provided 23% and 11% respectively. Banks in these three countries alone, then, cover 62% of the total financing of the more than 195 billion euros provided in the 2011-2013 period to the coal industry.

Other countries whose banks provided more than 5 billion euros in coal financing over this period are Japan, France, Switzerland, Germany, Australia and Canada.

“Banking on Coal,” urgewald, BankTrack, CEE Bankwatch Network, Polish Green Network, 2013
Twenty five World Development Movement supporters dressed up as ‘Santa Claus’ to deliver a tonne of coal to HSBC in London. The group is calling on HSBC to stop investing in fossil fuels that are causing climate change and destroying livelihoods in some of the poorest regions of the world.
VI. BANK RHETORIC ON CLIMATE CHANGE: THE GREAT DISCONNECT

Ironically, the Top 20 coal banks identified are also increasingly vocal about the importance of tackling climate change.

The sustainability reports and websites of these banks – and many others – are full of commitments and warm words related to climate change and the environment. Yet while commercial banks are genuinely increasing their financing of renewables and energy efficiency, the impacts of these positive advances are being over-shadowed by the rapid increase in bank finance for coal as detailed in this briefing.

This reality is not being reflected in the banks’ public statements, for example:

1 - JPMorgan Chase: “Transitioning to a low-carbon economy.” €21,520m

2 - Citi: “We have made tremendous progress in reducing our environmental footprint.” €20,425m

3 - RBS: “Delivering a low carbon economy.” €18,131m

4 - Barclays: “(...) we firmly believe that banks can play a part in helping society address climate change.” €17,844m

5 - China Construction Bank: “A low-carbon, environmentally friendly bank.” €17,252m

6 - Bank of America: “At Bank of America, we agree that climate change is happening, society needs to transition from high-carbon to low-carbon energy, and the bank has a responsibility to accelerate this transition.” €17,209m

7 - ICBC: “The Bank actively responded to climate changes, willingly assumed responsibility for international environment.” €16,795m

finance for coal in million euros, 2005-April 2014
8 - Morgan Stanley: “We are improving our disclosure of climate impacts and GHG emissions in line with global best practices.”

9 - BNP Paribas: “Support for combating climate change.”

10 - Deutsche Bank: “Supporting climate protection and the energy transition.”

11 - Bank of China: “Strengthening environmental protection and developing green economy are necessary for response to global climate change and sustainable development of the human society.”

12 - Crédit Suisse: “We have been greenhouse gas neutral at all our locations worldwide since 2010 and take environmental and climate-related aspects into account when managing risks (…).”

13 - UBS: “(...) in 2012 the Carbon Disclosure Project ranked UBS as one of the top 10 companies worldwide for excellence in transparency and achievement in combating climate change.”

14 - Bank of Tokyo-Mitsubishi UFJ: “The transition to a low-carbon society is essential to curb global warming and realize a sustainable economy.”


16 - Agricultural Bank of China: “As a financial institution, ABC has played an active and effective role in supporting energy conservation, environmental protection, and the development of low-carbon economy and circular economy.”

17 - HSBC: “We learned a number of lessons from Hurricane Sandy. One of our data centres is prone to flooding, and we are now looking to move either it or our systems to a lower risk area.”

18 - UniCredit: “UniCredit turns off the lights for WWF Earth Hour.”

19 - Wells Fargo: “Accelerate the transition to a ‘greener’ economy and more sustainable communities by financing renewable energy, clean technology, and other environmental opportunities (…).”

20 - Credit Agricole: “The fight against global warming is a major challenge for society and one of the axis of the corporate social responsibility practices of Crédit Agricole.”
VII. PROGRESS ON PUBLIC FINANCE, PRIVATE FINANCE STILL TO FOLLOW SUIT

PUBLIC BANKS HAVE STARTED TO CLEAN UP THEIR ACT

After years of campaigning by NGOs and networks around the world against public finance for the coal industry, some of the main international financial institutions started to move in the summer 2013, creating a domino effect:

- In July, the World Bank released its new ‘Energy Sector Directions Paper’, stating it will only fund new greenfield coal-fired power plants “in rare circumstances”\(^15\).

- A few days later, the European Investment Bank (EIB) adopted an Emissions Performance Standard ruling out finance to energy projects emitting more than 550 grams of carbon dioxide per kilowatt hour (gCO\(_2\)/kWh). This will screen out regular coal plants from EIB financing\(^16\).

- In December, the EBRD adopted its new Energy Strategy, restricting its investments in coal power\(^17\). Under the strategy, the bank will not finance any greenfield coal-fired power plant except in rare circumstances, where there are no economically feasible alternative energy sources.

- Two days later, the US Export-Import Bank adopted its revised environmental guidelines, also restricting coal financing\(^18\). This was part of the implementation of US president Barack Obama’s Climate Action Plan, which included a commitment to put “an end to US government support for public financing of new coal plants overseas, with some exceptions”\(^19\).

- Finally, several countries have joined the US and committed to stop the financing of coal power plants abroad by their national development finance institutions. They also committed to vote against such proposals in multilateral development banks they are members of. Up to now, those countries are: Denmark, Finland, Norway, Sweden, Iceland, the UK and the Netherlands\(^20\).

Some discussions have also started at the Organisation for Economic Co-operation and Development (OECD) that could potentially also restrict coal financing by national export credit agencies, as the US Export-Import Bank has already started to implement.

Yet, while more and more public finance institutions are turning their back on coal financing, this will have a minimal impact on the coal industry if commercial banks continue to grow their coal investments.

A final good example from the public finance sector is provided by OPIC, the U.S. Overseas Private Investment Corporation, which in 2007 adopted an annual emissions cap on the total amount of new carbon it can finance in any fiscal year\(^21\). The policy requires a 30\% reduction in portfolio GHG emissions by 2018 and 50\% by 2023. Given legacy emissions from past projects, in 2011 OPIC financed 1.3 billion dollars in clean energy and no fossil fuel projects. This should also serve as an example for commercial banks to follow.

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\(^{16}\) “Energy guidelines,” EIB, 2013
\(^{17}\) “Energy Strategy,” EBRD, 2013
\(^{18}\) “Supplemental guidelines for high carbon intensity projects ,” U.S. ExIbm, 2013
\(^{19}\) “The President’s Climate Action Plan ,” The White House, 2013
\(^{20}\) “European countries talk climate... but finance coal ,” WWF, 2014
\(^{21}\) “OPIC Sustainability Plan ,” OPIC, 2010
Commercial Banks’ Coal Policies Are Laggard Behind

Most major international commercial banks now apply some sort of sector policy or guidelines to govern their investments in the coal sector. These policies are small steps in the right direction, however they have common problems, most notably that they fundamentally allow the banks to continue financing the coal sector. Some of the more advanced sector policies on coal adopted by commercial banks since 2011 include:

- In January 2011, HSBC adopted its updated Energy Sector Policy, which excludes direct support for new coal-fired power plants with carbon intensity exceeding 850 gCO₂/kWh in developing countries and 550 gCO₂/kWh in developed countries, but does not include any exclusion criteria for indirect financing to coal companies.

- Also in 2011, the French banks Société Générale and BNP Paribas adopted similar policies on coal fired power generation, excluding direct finance for projects with a net energy efficiency of less than 43% for projects located in high income countries and of less than 38% elsewhere. These policies also do not exclude any indirect financing of coal companies.

- In February 2013, US bank Wells Fargo adopted its updated Environmental and Social Risk Management policy, which phases out investments for mountaintop removal (MTR) companies, but not for any other coal companies.

- This is also the case for the Mining Sector Policy adopted by BNP Paribas in May 2013; the updated ‘Environmental and Social Policy Framework’ adopted by JPMorgan Chase in April 2014, and the ‘Mining Sector Risk Policy Summary’ adopted by RBS in the same month (see below for more details).

“Direct” vs “Indirect” Financing

Banks can be involved in financing coal projects either by providing direct or indirect financing. We refer to direct financing when the bank is directly linked to the project through project finance specific loans, and to indirect financing when the bank provides financing to the companies behind the projects through corporate loans, or by assisting them with share and bond issues. Overall, most coal investments are indirect as project finance plays a very limited role in this sector (less than 5%).

These policies have many common problems such as:

- Most cover the coal power sector but not the coal mining sector.

- Many are vague in their formulation, and can be interpreted in different ways.

- At best, these policies exclude the direct project finance for the worst coal fired power plant projects. But they don’t exclude the indirect general corporate finance for coal power companies. This is crucial as coal power projects are most often financed indirectly through general corporate finance or the issuing of shares and bonds.

25 “Mining Sector Policy,” BNP Paribas, 2013
26 “Environmental and Social Policy Framework,” JPMorgan Chase, 2014
27 “Environmental, Social and Ethical (ESE) Risk Policy Summary: Mining & Metals sector,” RBS, 2014
As our findings on the previous page clearly demonstrate, the adoption of these bank policies has not been sufficient to stem the rapid growth in coal financing that we see in our figures.

THE FIRST EXCLUSIONS FOR MOUNTAINTOP REMOVAL

Mountaintop removal (MTR) is a destructive form of strip mining in which coal companies use explosives to blast as much as 800 to 1000 feet off the tops of mountains in order to reach the coal seams that lie underneath. This technique has devastating consequences on the local environment and on local communities.

For many years, Rainforest Action Network, a BankTrack member group, has been campaigning to stop big banks from financing MTR in the US Appalachian mountains – both directly and indirectly, as most MTR projects are financed through general corporate loans and share and bond issues, rather than direct project finance.

US banks were the first to act by adopting some enhanced due diligence processes governing MTR financing, beginning in 2008 with Bank of America. In the past two years, some banks have gone further:

- In April 2013, Wells Fargo adopted its updated Environmental and Social Risk Management policy in which it stated that “our involvement with the practice of MTR is limited and declining”.

- In April 2014, JPMorgan Chase adopted its updated Environmental and Social Policy Framework, stating that “In 2013, we reduced our exposure to companies engaged in mountaintop mining. Going forward, we expect this decline to continue and exceed any decline in the overall market”.

At the same time, some European banks have adopted the first policies effectively ruling out finance for MTR entirely:

- In May 2013, just days after Friends of the Earth had called on its CEO to stop MTR finance at its annual general meeting, French bank BNP Paribas adopted its new sector policy on mining, stating it “will not provide any financial products or services to Mining Companies that are significant producers of coal extracted from Appalachian MTR operations.” This policy concretely excludes any corporate (ie, indirect) financing for companies such as Arch Coal or Alpha Natural Resources, effectively blacklisting them from any lending or underwriting transactions with BNP Paribas.

- BNP Paribas was joined in April 2014 by the Royal Bank of Scotland which, in its updated ‘Environmental, Social and Ethical Risk Policy Summary on the Mining & Metals sector’, stated that “RBS will not provide any financial products or services to Mining & Metals companies that are significant producers of coal using Mountaintop Removal (MTR) mining in Appalachia”. The outcome of this has been similar to that of BNP Paribas in terms of blacklisting MTR companies.

- In April 2013, Crédit Agricole adopted a policy similar to that of BNP Paribas, stating: “The bank will not develop relationships with clients predominantly involved in MTR”. But by using the word ‘predominantly’ rather than the formulation ‘significant producers’ used by BNP Paribas, Crédit Agricole’s policy allows it to continue to finance the same companies BNP Paribas has

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29 “Environmental and Social Policy Framework,” JPMorgan Chase, 2014
30 “Mining Sector Policy,” BNP Paribas, 2013
31 “Environmental, Social and Ethical (ESE) Risk Policy Summary: Mining & Metals sector,” RBS, 2014
32 “CSR Sector Policy - Metals and Mining,” Credit Agricole, 2013
blacklisted. This is just one reminder that policies need to be well-formulated and properly implemented if they are to have real impact.

THE CARBON BUBBLE AND THE ECONOMIC CASE AGAINST COAL

On top of contributing to a growing climate crisis, the coal sector is also starting to be uneconomical. Since reaching US$ 130 a tonne in 2011, the trading price of thermal coal has dropped almost 50% and was recently traded in Australia and South Africa below US$ 70. Analysts increasingly believe this situation will endure because it is being driven by several long-term structural trends, including:

• environmental regulations that discourage coal-fired generation;

• strong competition from gas and renewable energy;

• improvements in energy efficiency.

This is the case in Europe and in the US, but also in China. The new ‘anything but coal’ policy of the Chinese government, a response to dramatic air pollution crises in several of the country’s regions, has started to have concrete results.

For the first time this century, China’s coal consumption was stable in the first half of 2014 and the growth of coal imports was close to zero. This has led to a glut of seaborne coal supply on the international markets (thus pushing coal prices down), and the cancellation of several coal mining and export projects such as the Wandoan coal mining project, shelved by Glencore Xstrata in Australia in September 2013, and the Dudgeon Point Coal Terminal on the coast of Queensland, shelved in June 2014.

On top of this, the coal industry is the one the most subject to the carbon bubble and the stranded assets risks highlighted recently by the Carbon Tracker Initiative (CTI)34. As defined by CTI, “stranded assets” are fuel energy and generation resources which, at some time prior to the end of their economic life (as assumed at the investment decision point), are no longer able to earn an economic return (i.e. meet the company’s internal rate of return), as a result of changes in the market and regulatory environment associated with the transition to a low-carbon economy.

Coal companies are indeed on track to waste 112 billion dollars of investors’ money on mine expansion that will be excess to requirements as China’s slowing demand for the fuel sends shockwaves across the world. The recent analysis by CTI shows that coal is already proving unprofitable, and will be an increasingly risky option for investors as renewables become cost competitive and governments take action to reduce growing emissions. Companies most at risk are those pursuing high cost, new mines, such as Australia’s Galilee Basin and the US’ Powder River Basin, both of which require vast investment, face intense opposition and will never see a return in a carbon-constrained world. In total, 61% of capital expenditures for new coal mines could be uneconomical.

BANTRACK CAMPAIGNS AND THE GLOBAL DIVESTMENT MOVEMENT

The coal sector is not only proving to be financially less attractive for its financiers, but it has become also a major target of NGO campaigns in the past few years, with more and more turning their attention to its financial backers.

33 “Chinese Coal Consumption Just Fell For The First Time This Century,” Blog post by Justin Guay and Lauri Myllyvirta, 18 August 2014

On top of the aforementioned campaign on MTR coal mining in Appalachia, many BankTrack members and partners around the world have waged campaigns in the past two years targeting commercial banks financing coal projects and companies.

In the UK, World Development Movement has targeted the main UK banks for their financing of the coal mining industry in Indonesia. In December 2013, twenty Santas delivered a tonne of coal on a dumper truck to ‘the world’s naughty bank’ HSBC at Moorgate in the City of London to highlight the bank’s massive financing of fossil fuels and to call on it to pull out of coal.

In 2013, Rainforest Action Network in the US, urgewald in Germany and Greenpeace have also targeted Bank of America, Goldman Sachs, Deutsche Bank and Credit Suisse for their involvement in the share issuance of Coal India. This coordinated push led to a success a few months later, when the Indian government finally decided to cancel the share issue.

Another recent and growing campaign hotspot is Australia where Market Forces is leading a campaign targeting the big four Australian banks involved in the financing of fossil fuels projects, and particularly in coal exports projects on the coast of Queensland.

The campaign to stop the building of these coal export facilities that are also threatening the Great Barrier Reef has even gone international, with a coalition of global NGOs targeting the banks who might finance these projects. In Spring 2014, and in the face of mounting campaign pressure, Deutsche Bank, HSBC, RBS and Barclays all committed not to finance the Abbot Point coal terminal expansion plans.

In France, Société Générale is also being targeted by Les Amis de la Terre/Friends of the Earth France for its advisory mandate in the Alpha Coal project, a coal mine-rail-port project in the same region. This is also why Bizi!, a Basque environmental group affiliated with Les Amis de la Terre/Friends of the Earth France, dumped 1.8 tonnes of coal outside Société Générale local headquarters in Bayonne in June 2014.

And this is just a beginning, as the global fossil fuels divestment movement led by 350.org spreads around the world. Market Forces has already organised several divestment days, calling on Australians to leave that country’s big four banks for alternative, fossil free ones. And thousands of citizens have answered the call, put their bank on notice and made practical steps to switch banks, moving hundreds of millions of dollars’ worth of money and business in the process.

The pressure will from now only continue to grow on those banks opting to finance the coal industry. That’s why it is high time for them to quit coal, before their customers quit them.
Divestment Day’, coordinated by Market Forces and 350.org, has now become a high profile event in the Australian activist calendar. In this image from 2013, ‘divestors’ in Melbourne cut up their credit cards to protest the Australian banks that annually bankroll fossil fuel projects, to the tune of billions of dollars.
About Us

BankTrack is a global network of civil society organizations and individuals tracking the operations of the private financial sector (commercial banks, investors, insurance companies, pension funds) and its effects on people and the planet. BankTrack has 40 members and partners from 17 countries. The network conducts research on projects and policies and co-ordinates and supports international campaigns to prevent the harmful impacts of private financial sector operations on the environment and people.

Urgewald is a German environment and human rights organization that monitors the activities of German banks and companies abroad. Through its advocacy work, Urgewald gives a “voice” to communities, whose environment and livelihoods are threatened by controversial investment projects. Urgewald has led many successful campaigns and plays a key role in efforts to establish strong, binding environmental and social standards for international finance and investment.

Friends of the Earth France is a non-profit environmental and human rights network, independent from any religious and economical power that works on the protection of human rights and environment. Created in 1970, it helped founding the ecological movement in France, as well as the first worldwide ecological network: Friends of the Earth International, with member groups in 77 countries, has 2 millions of members.

World Development Movement campaigns against the root causes of poverty. Working in solidarity with activists around the world, we oppose injustice and challenge the policies and institutions that keep people poor.

Rainforest Action Network, based in the United States, campaigns for the forests, their inhabitants and the natural systems that sustain life by transforming the global marketplace through education, grassroots organizing and non-violent direct action.

Market Forces believes that the banks, superannuation funds and governments that have custody of our money should use it to protect - not damage - our environment. Our work will expose the institutions that are financing environmentally destructive projects and help Australians hold these institutions accountable. We will work with the community to prevent investment in projects that would harm the environment and drive global warming.

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Coal power needs money. Lots and lots of our money. Banks all around the world are providing the global coal industry with billions of our money to mine coal and burn it in power plants. Since 2003, we're talking about at least 500 billion dollars that has supported hundreds of coal companies and their harmful projects. These banks prefer to highlight their investments in clean energy – but now we reveal their dirty secrets...

Visit www.coalbanks.org to find out if your bank is a coal bank and to track down the financial links between banks, coal companies and coal projects around the world.
If we are to transition from a carbon intensive to a clean energy economy, banks must above all provide less – much less – financing for fossil fuels, starting with coal, and they must replace these investments with more – much more – financing for energy efficiency and renewable energy.

**Banks, therefore, must:**

**Stop** their direct financing of new coal mines and new coal fired power plants, and also stop finance for new coal infrastructure projects, such as coal export terminals.

**Stop** providing general corporate loans or investment banking services to coal companies. They must also divest from the coal companies in their portfolios, and they must stop trading coal, both ‘physical coal’ and coal derivatives. To do so, banks must adopt sector policies excluding all forms of coal financing, for all kinds of coal activities, principally mining, power generation and infrastructure.

**Assess, calculate and report** the financed emissions associated with their loans, investments and other financial services. They must then decrease these financed emissions, in line with climate targets, and shift energy portfolios from fossil fuels to energy efficiency and renewable energy.

**The time has come for banks to do the right thing: Quit coal now!**