Banks, Climate Change & the New Coal Rush

RAINFOREST ACTION NETWORK

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The two largest banks in the world are the leading financiers of a new U.S. "Coal Rush" that will result in the construction of more than 150 coal-fired power plants across the country—a recipe for climate destruction.

Transitioning to a clean energy future that prioritizes energy efficiency and clean, renewable sources like solar and wind power will allow us to meet our future energy needs, build a stronger economy, keep our communities healthy, and curb climate change.

But as long as Citi and Bank of America continue to fund dirty energy, they are holding back the resources needed for clean energy to flourish.

> **"I can't understand why there aren't rings of young people blocking bulldozers, and preventing them from constructing coal-fired power plants."**

—Al Gore, August, 2007[1]

Coal is over. Fund the future.

The evidence is indisputable: human activity is disrupting the climate.[2] Top scientists warn that the U.S. has 10 years or less to stabilize emissions and start fundamentally restructuring the way that our energy needs are met.[3] Failure to do so will result in dangerous concentrations of greenhouse gases that will likely trigger ecosystem destabilization, species extinctions, increased public health threats, the creation of hundreds of millions of "climate refugees," and significant declines in the global economy.[4]

Despite overwhelming scientific evidence of a looming climate crisis, growing public demand for action, and widespread recognition of the seriousness of the problem, the federal government, most businesses and the banking sector are still operating in "business as usual" mode.

Coal consumption is the leading cause of climate change. Globally, coal-fired power plants are the largest source of carbon dioxide (CO_2)—greater than tropical deforestation or oil use for transportation.[5] In the U.S., the electricity sector is the single largest source of CO_2, responsible for almost 40 percent of the country's total emissions (nearly 2.5 billion tons).[6] While coal supplies approximately half of the U.S.'s electricity, it produces 80 percent of the sector's CO_2 emissions.[7]

Coal has other toxic effects as well. According to the American Lung Association, pollution from coal-fired power plants is responsible for 24,000 premature deaths in the U.S. every year.[8] Coal-fired power plants are also the country's top source of toxic mercury pollution and a leading source of radioactive waste. Coal mining is responsible for thousands of deaths annually, and mountaintop removal mining and strip mining destroy entire ecosystems and communities.[9]

Rather than phase out coal and reduce dangerous emissions, coal's proponents are pushing for the construction of more than 150 new coal-fired power plants throughout the United States. This new "Coal Rush" would add between 600 million and 1.1 billion tons of additional CO_2 emissions annually[10] and negate nearly every other effort currently on the table to combat climate change[11]. Scientists such as Dr. James Hansen (NASA's top climate scientist) and politicians like Al Gore, Senators John Edwards and John Kerry, Senate Majority Leader Harry Reid, and governors across the country recognize the consequences of increased coal use and have called for an immediate halt to new coal development.

Constructing these new plants will cost more than $140 billion dollars, and each plant will have a projected lifespan of 50 years.[12] The choice of whether to spend billions to build additional coal plants or to instead direct such resources toward clean energy options like solar, wind and energy efficiency is key to stabilizing climate change and keeping our society, economy and environment healthy for generations to come.

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Plans to construct 150 new coal-fired power plants across the U.S. would result in between 600 million and 1.1 billion tons of additional CO_2 emissions every year.

This is equal to:

- ★ Adding **100-180 million new passenger cars** to U.S. roads;
- ★ The total greenhouse gas emissions from the energy production of more than **95 percent of the world's countries** in 2002; and
- ★ Externalized social and environmental costs in excess of **$50-90 billion per year**.

Citi (formerly Citigroup) is a leading financier of fossil fuel energy and the world's top financier of coal.[13] According to Forbes, Citi's assets of $2.2 trillion make it not just the world's largest bank, but its biggest company.

In 2000, RAN launched a campaign against Citi that led to the bank's 2004 announcement of a then industry-leading policy which addressed environmental and human rights concerns associated with its project finance. Other banks quickly followed suit, and many have since committed to the Equator Principles.[14] While these policies and principles represent an important step toward the goal of socially and ecologically responsible banking, they have largely ignored the fact that financed greenhouse gas emissions contribute heavily to climate change. In order to address the most pressing environmental threat of the 21st century, bank policies and actions must address climate change more comprehensively.

Is Citi Doing Enough?

In May 2007, Citi pledged to "direct $50 billion over the next 10 years to address global climate change through investments…" Financing for renewable energy, energy efficiency and improvements in energy infrastructure amount to $31 billion spread across 10 years. While this may seem like a significant commitment, it amounts to less than 0.2 percent of the company's $2.2 trillion in assets.[15] What is Citi doing with the other 99.8 percent?

Leading Financier of Dirty Energy

Citi underwrote more than $38 billion dollars for the energy industry in 2006. That same year, Citi underwrote just one transaction for alternative energy.[16] In 2006 Citi financed 200 times more money for dirty energy than it did for alternative energy.

Funding the U.S. Coal Rush

Citi's financial contributions to the coal rush are responsible for millions of tons of new CO_2 emissions annually. According to Bloomberg, Citi has been a top underwriter for the coal industry, issuing twice as much money to this sector in 2006 as its closest competitor. Citi is also a top financier of the electricity sector. In 2006, Citi was a lead arranger for $11 billion in financing for Texas utility company TXU's ill-advised proposal to build out 11 new coal-fired power plants in Texas. By 2007, this proposal was on the ropes due to growing opposition from a diverse coalition of environmental and community groups. Citi then helped to arrange financing for a $45 billion private equity buyout of the dirty energy giant; TXU has scaled back its coal power expansion ambitions but still plans to construct three new coal-fired power plants and is now considering nuclear energy.

Violating Human Rights

Peabody Energy is the world's largest coal mining company. In 2006, Citi helped finance more than $4 billion for Peabody.[17] For 40 years, Dine (Navajo) and Hopi communities in Arizona have been ravaged by Peabody's Black Mesa mine, which has taken land from thousands of families, drained 2.5 million gallons of water daily from the only community water supply, and left a toxic legacy along a 273-mile coal slurry pipeline. (See the case study on Peabody in the section on Bank of America, below.)

In 2006, Citi helped finance $400 million for the Drummond Company, a major global mining company with an extensive history of human rights abuses in South America. Drummond is facing a lawsuit for its alleged role in hiring paramilitary groups to assassinate coal miners who were attempting to unionize in Colombia.[18]

Destroying Appalachia's Mountains

Citi has financed billions of dollars to coal mining companies that practice mountaintop removal (MTR), including Massey Energy, Arch Coal, Alpha Natural Resources and others.[19] These companies are responsible for the loss of more than a million acres of Appalachian forests and mountains, the devastation of communities, poisoned water supplies, and rampant poverty throughout the region. Citi is continuing to bankroll this destruction of communities and ecosystems despite massive public opposition to MTR.

Citi's Dirty Deals

American Electric Power

American Electric Power (AEP) is the largest electricity generator in the U.S. AEP and its subsidiaries own and operate approximately 80 power plants around the nation, with nearly three-quarters of their electricity generation coming from dirty, outdated coal-burning facilities. AEP is the single biggest greenhouse gas polluter in the U.S., dumping 163 million tons of CO_2 into the atmosphere every year. It is also America's biggest emitter of toxic mercury and directly responsible for every body of water in Ohio being under a health advisory due to high levels of mercury found in the fish. AEP is also driving the destruction of communities and mountains throughout Appalachia as one of the top buyers of coal extracted via mountaintop removal coal in the region.[20]

AEP is proposing to build five new coal plants in the Midwest and the South, including:

- 600 MW coal-fired plant in Meigs County, OH
- 600 MW coal-fired plant in Mason County, WV
- 600 MW coal-fired plant in Hempstead County, AR (SWEPCO)
- 950 MW coal-fired plant in Red Rock, OK
- 600 MW coal-fired plant in Wise County, VA

Rather than join the fight to lower greenhouse gas emissions, curb climate change, and protect the environment, AEP is working to expand its dirty operations. The company is proposing to spend an estimated $6.4 billion dollars to construct the aforementioned power plants, maintaining its claim to the dubious title of "single largest source of climate change." With the help of Citi's financing, AEP will add 21 million tons of CO_2 to its annual emissions.

Furthermore, AEP will then own or manage nine coal-fired power plants within 10 miles of Meigs County, Ohio - a community already ravaged by health and environmental impacts from nearby coal power plants, which are locally referred to as the "ring of fire." In the 1940s and

'50s, the residents of Meigs County were promised jobs and economic prosperity in exchange for the first two large coal-fired power plants. Sixty years later, the county is one of the poorest in Ohio and residents continue to suffer from cancer and other serious health problems that stem from pollution of the air, soil and water. Now, the barrage of false coal industry promises has returned and the local community is fighting for its survival.[21]

Citi is AEP's top underwriter, contributing to more than $12 billion in financing that AEP has received over the past seven years.[22] In 2006, Citi arranged a $3 billion loan for AEP, which provided the company with the capital to accelerate climate change, degrade our air quality, and increase our reliance on dirty energy.

Dynegy

Already scarred by scandals from its dealings with Enron and accusations of price manipulation during the California energy crisis in 2000, Dynegy barely averted bankruptcy amid accusations of accounting fraud in 2001. With the recent merger of utility giants Dynegy and LS Power, the combined company now wields a massive portfolio of electricity-generating facilities across the country. The merger also drastically changed Dynegy's power-generation portfolio. While its primary business model used to be based on cleaner-burning natural gas, Dynegy is now at the forefront of the U.S. coal rush. Dynegy is sponsoring the corporate sector's largest build-out of new coal power plants with its proposal to build eight additional coal-fired power plants across the country. If these were built, Dynegy would emit 65 million tons of additional greenhouse gases every year. These new coal plants will increase the company's coal capacity by 260 percent and annual CO_2 emissions by 200 percent,[23] and the company has alluded to even further expansion!

Dynegy's proposed plants include:

- ★ 500-1600 MW coal-fired plant in White Pine County, NV
- ★ 500-1100 MW coal-fired plant Marion City, SC
- ★ 1600 MW coal-fired plant in Sussex County, VA
- ★ 800 MW coal-fired plant in Riesel, TX
- ★ 1000 MW coal-fired plant in Sequoyah, OK
- ★ 750 MW coal-fired plant in Waterloo, IA
- ★ 665 MW coal-fired plant in Osceola, AK
- ★ (2) 600 MW coal-fired plants in Early County, GA (LongLeaf Energy)
- ★ (2) 650 MW coal-fired plants in Baldwin, IL

Citi is Dynegy's top underwriter. In other words, Citi is the bank Dynegy turns to fund its dirty projects. Citi has helped finance more than $5 billion for Dynegy in recent years.

Bank of America: Killing communities and climate with coal

In March 2007, Bank of America pledged to support "environmentally sustainable business" and "to address global climate change." Unfortunately, CEO Ken Lewis' lofty rhetoric is at odds with his company's track record. In 2006, Bank of America spent nearly 100 times more money on dirty energy than it did supporting clean energy. Bank of America's new climate pledge commits less than 0.2 percent of the company's $1.5 trillion in assets to curbing climate change. What is Bank of America doing with the other 99.8 percent?

Accelerating Climate Change

Bank of America has lent billions of dollars to companies planning to build dozens of new coal-fired power plants. If these plants are built, Bank of America will be helping finance hundreds of millions of tons of new CO_2 emissions. The bank's clients include some of the largest utility and power companies: American Electric Power, Dominion Resources, Dynegy, Florida Power & Light, Great Plains Energy, Peabody Energy, Southern Company and many more.

Destroying Appalachia's Mountains: A Case Study

Bank of America has financed billions of dollars to companies that practice mountaintop removal (MTR), including Massey Energy, Arch Coal, Alpha Natural Resources and others. These companies are responsible for the loss of thousands of square miles of Appalachian forests and mountains and the devastation of Appalachian communities. Yet, Bank of America continues to bankroll this destruction.

Mountaintop removal is a highly destructive method of surface mining for coal. Rather than remove coal from the mountain, MTR removes the mountain from the coal. Throughout Appalachia, hundreds of mountains have been flattened - first by clear-cutting forests, then by blowing off the top layers of rock with powerful explosives. Giant cranes (draglines) expose buried coal by scraping billions of tons of dirt off the mountain. The debris is then dumped into neighboring valleys and streams.

The Environmental Protection Agency estimates that more than one million acres across Appalachia have already been lost to MTR and that more than 1,200 miles of streams have been buried by these valley-fills.[24] Flying rocks and debris from the explosions have damaged neighboring homes, and rampant flooding has become a fact of life for coalfield residents. For these marginalized communities, MTR has meant the loss of thousands of jobs and growing health risks. Poverty has increased in MTR regions while corporate profits soar.[25]

Coal sludge dams can contain billions of gallons of toxic waste from mining operations. Some are located directly adjacent to homes and schools, offering the potential for deadly spills or breaches. One such dam, owned by Massey Energy, holds 2.8 billion gallons of toxic sludge just 400 yards above Marsh Fork Elementary School in West Virginia.[26] In 2000, a spill at a Kentucky mine owned by a Massey subsidiary sent 306 million gallons of toxic coal sludge gushing through a nearby community. The spill, which was 30 times the size of the Exxon Valdez accident, contaminated water supplies for 27,000 residents and fouled hundreds of miles of waterways.

The biggest MTR coal mining companies responsible for this destruction in Appalachia are all being directly financed by Bank of America:

Alpha Natural Resources

In 2005, Bank of America helped finance $525 million dollars for Alpha Natural Resources (ANR), which operates 27 surface mines throughout Virginia, West Virginia, Kentucky and Pennsylvania.

Arch Coal

Arch is the second-biggest mining company in the U.S. and operates 21 surface mines in Wyoming, Utah, Colorado, West Virginia, Kentucky and Virginia. Bank of America provided financing for a five-year, $700 million dollar loan to Arch Coal.

Massey Energy

Massey is the most notorious of mountaintop removal practitioners, owning the infamous coal silo and 2.8 billion gallon toxic sludge reservoir above West Virginia's Marsh Fork Elementary School. Massey is currently being sued by the EPA and faces $2.4 billion dollars in fines for violating the Clean Water Act 4,633 times. Bank of America helped finance a $175 million loan for Massey in 2006 and held another $1 million in Massey notes as of 2005.

Foundation Coal

In 2006, Bank of America provided financing for an $835 million credit facility for Foundation Coal, the fourth-largest mining company in the United States.

Peabody Energy—Violating Human Rights: A Case Study

Peabody Energy is the world's largest coal mining company, operating mines throughout North America, South America, and Australia. In addition to mining 240 million tons of coal per year, Peabody is proposing new coal-fired power plants in New Mexico, Illinois and Kentucky. These plants would emit more than 21 million tons of CO_2 every year. In 2006, Bank of America helped finance more than $4 billion to Peabody Energy.

For 40 years, Dine (Navajo) and Hopi communities in Arizona have been ravaged by Peabody's Black Mesa mine, which affects the land rights of thousands of families and has left a toxic legacy along a 273-mile coal slurry pipeline, the largest coal slurry pipeline in the world.

Located on stunning Native American reservation lands, the delicate ecosystem of Black Mesa has been destroyed by Peabody's pursuit of cheap coal. In a region that typically receives only 7-12 inches of rain per year, the Black Mesa mine drains 2.5 million gallons daily from the only community water supply. This has caused massive damage to the aquifer and lowered water levels at some wells by 100 feet. While the main purchaser (Southern California Edison's Mojave Generating Station) of this coal was recently shut down due to air quality violations, Peabody is still pushing to expand its mining operations.[27]

Stop Passing the Buck!

By far the biggest impact banks have on the climate is through their financing of greenhouse gas-intensive industries, activities, projects and infrastructure. Citi and Bank of America have focused most of their attention on reducing the much smaller climate footprint of their operations (such as offices). If these banks are seriously committed to combating climate change and being environmental leaders, they must take responsibility for the greenhouse gas emissions of the projects they finance, stop funding coal, and prioritize clean energy. Citi and Bank of America claim to care for the climate, but bankrolling dozens of new coal-fired power plants and notorious coal companies says otherwise.

These banks *must* set real goals to reduce the "financed emissions" from their investment portfolio and start funding the future.

By transitioning to a clean energy future that prioritizes energy efficiency and clean, renewable sources like solar and wind power; we can meet our future energy needs, build a stronger economy, keep our communities healthy, and curb climate change. Tell Citi and Bank of America to stop funding dirty coal projects and to redirect their resources and investments toward clean energy. Don't let your money be used to fund climate change.

The Energy Revolution: A coal-free future is possible

If invested in energy efficiency measures, the $144 billion being spent on new coal plants could reduce U.S. electricity demand by roughly 19 percent by 2025 and eliminate the need for new coal power plants.[28]

By 2020, the U.S. could meet 20 percent of its electricity needs from renewable sources. This would avert the need for 975 new power plants, allow for the closing of 180 old coal plants and 14 existing nuclear plants, and save consumers $440 billion.[29]

According to the Department of Energy, strong wind-power resources in just six percent of the U.S. could supply more than 150 percent of current U.S. electricity consumption.[30]

For more information about RAN's Global Finance Campaign, visit:

www.dirtymoney.org

Notes

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9 Mountaintop Removal Mining: Stealing Appalachia, Mountain Justice Summer Newsletter, May 2005, http://mountainjusticesummer.org/facts/steps.php

10 http://www.nrdc.org/air/pollution/benchmarking/2004/benchmark2004.pdf

11 http://pdf.wri.org/wri_analysis_of_ctproposals-110th_2.pdf

12 http://www.netl.doe.gov/publications/press/2006/06046-Coal-Fired_Power_Plants_Database.html

13 In 2006, Citi bank was the number 1 underwriter of coal globally according to Bloomberg.

14 http://www.equator-principles.com/

15 Balance Sheet as of 6/30/07

16 League table and related information from Bloomberg.

17 Information on Citi financing from Peabody Energy SEC filings

18 The Estate of Valmore Lacarno Rodriquez vs. Drummond Company, Inc., Drummond Ltd, and Garry N. Drummond, http://www.iradvocates.org/Drummond.html

19 Information from coal company SEC filings.

20 Sierra Club Fact Sheet on America Electric Power http://ohio.sierraclub.org/central/AEP.asp

21 EPA studies estimate that fine particle pollution from power plants shortens the lives of 1,743 Ohioans each year and that Ohioans have the fourth highest risk in the country of dying from power plant pollution. In Ohio, 2,577,634 children live within 30 miles of a power plant, the area in which the greatest health impacts are felt. Clean Air Task Force, Children at Risk, How Air Pollution from Power Plants Threatens the Health of America's Children. May 2002. www.cleartheair.org.

22 Bloomberg Terminal custom league table. Query performed on 9/6/07

23 Innovest Report -"Dynegy: Carbon Risk Accompanies LS Power Merger," 2007

24 Mountaintop Mining/Valley Fills in Appalachia Final Programmatic Environmental Impact Statement. 2005. United States Environmental Protection Agency. p. 7 http://www.epa.gov/region03/mtntop/index.htm . Accessed on September 25, 2007

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26 The Story of Marsh Fork Elementary School, Coal River Mountain Watch, http://www.crmw.net/tools.php

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28 US Public Interest Research Group, "Making Sense of the 'Coal Rush': The Consequences of Expanding America's Dependence on Coal," July 2006

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