

CRÉDIT AGRICOLE:

QUIT COAL!

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

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CRÉDIT AGRICOLE STILL RIDING THE COAL FINANCE WAVE AS THE INDUSTRY SINKS

Crédit Agricole may have announced in March this year that it has ruled out financing for huge coal mining projects in Australia's Galilee Basin, as well as associated facilities that would have serious impacts for the Great Barrier Reef, but there are worrying signs that controversial coal investments continue to slip through cracks in the bank's mining and power policies. The bank's up and down attachment to coal finance in recent years cannot disguise the fact that it remains a key coal player globally – even as warnings grow louder from the likes of HSBC that

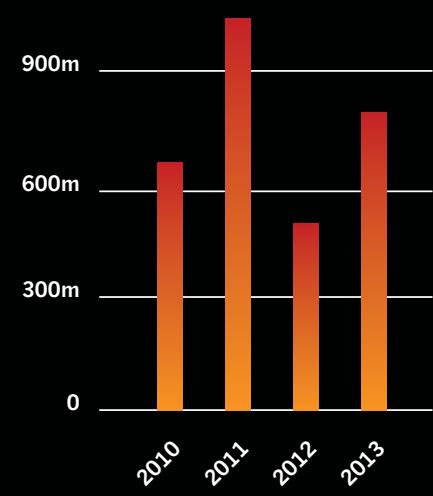
there is an increasing probability of fossil fuel companies becoming "economically non-viable", with the coal industry now widely recognised as being in crisis.

BankTrack research into the global private banking sector's coal financing, covering project finance, corporate loans and revolving credit facilities, and share and bond issues for coal mining and coal power companies alike, has revealed that between 2005 and April 2014 Crédit Agricole extended €7.15 billion to the most climate-damaging fossil fuel sector.

With various major international banks – including in recent months US bank PNC, UK bank Barclays and Dutch bank ING – now officially declaring that they are ending their support for mountaintop removal (MTR) coal mining, Crédit Agricole's threadbare 'commitment' on MTR financing is now coming under renewed scrutiny.

Without firm new commitments, this and other more subtle engagements with the industry are guaranteed to present high risks for the bank's reputation and the world's climate.

CRÉDIT AGRICOLE COAL LOANS AND UNDERWRITING FOR SELECTED COMPANIES, 2010-2013 IN MILLION EUROS



CLOSE OF BUSINESS FOR CA'S MTR ATM

In March 2014, the US mining firm Alpha Natural Resources agreed to pay more than \$227 million dollars in fines and penalties to settle US federal allegations that it illegally dumped large amounts of toxins into waterways in Pennsylvania and four other states for seven years, including in West Virginia, the unfortunate home of the company's mountaintop removal (MTR) coal extraction practices in the Appalachian mountains. In 2014, Alpha Natural Resources continued to receive financing from Crédit Agricole – this despite the bank's environmental policy stating that it "will not develop relationships with clients predominantly involved in MTR."

The Appalachians are among the oldest and most ecologically diverse mountains in the world. Thousands of species of plants and animals live there, many of which are found nowhere else in the world. Yet MTR is a practice that, literally, blasts the tops off mountains in order to extract the coal inside. In 2013, the United Nations Working Group on Business and Human Rights visited MTR sites in West Virginia, and subsequently called for investigations into the reported violations of the right to health and water. The legacy of MTR in the state is, according to scientific studies, widespread illness among the resident population, 4,000 'excess deaths' every year and families being forced off the land.

The reliance of MTR companies on banking finance has led some to refer to the banks as 'ATMs' for the companies engaged in this horrific practice, and international campaigns in recent years have led to many US and European banks finally pulling out of the MTR sector for good. As Paul Corbit Brown, from the Appalachian organisation Keepers of the Mountains, puts it: "Damage from MTR operations does not start at one million tons, but with the first one." Crédit Agricole is implicit in this damage, but it could go some way to redeeming itself by now unequivocally closing its own MTR ATM – and doing so urgently.



COAL POLICY WORDS FAILING TO PREVENT DIRTY COAL FINANCE PRACTICES

Crédit Agricole has specific policies covering at least some of its financing to coal mining and coal power projects and companies.

At issue, however, is how effective these policies are proving to be when the bank's support for the coal industry is generally being maintained – and inevitably following from this are the bank's negative impacts on the global climate and local communities that also continue to stack up.

As the Medupi and Kusile case study describes (see below), Crédit Agricole has a legacy of problematic involvement in egregious coal-fired power plant projects; in 2014, it kept up its support for some of the world's largest coal power companies, including the likes of Engie (formerly GDF Suez) and FirstEnergy. Crédit Agricole does have a sector policy covering the power sector which requires it to report on the implementation of its due diligence practices as well as including substantial environmental oversight, and the policy also prohibits project financing for new construction of sub-critical coal plants.

One key limitation, however, to this policy prohibition is that it does not apply to Crédit Agricole's financing of coal companies through general corporate loans or underwriting. And if it applies to advisory services, it is still not stringent enough: in 2014 the bank provided such services for the proposed 500 megawatt Plomin C coal-fired plant in Croatia, and it has not yet ruled itself out of financial involvement in this project which is facing huge public opposition. Nor would have Crédit Agricole's policy strictures prevented financing in the case of the Medupi and Kusile power plants in South Africa (described below) if they had been in place in 2009.

For the mining sector, while Crédit Agricole has a specific sector policy describing its environmental due diligence processes, a major concern remains as to how the bank approaches the devastating mountaintop removal (MTR) mining practice. The bank states that it "will not develop relationships with clients predominantly involved in MTR." Yet in 2014 it financed Alpha Natural Resources, a significant – and notorious – MTR producer.

Coal policies at Crédit Agricole may be getting some things right on paper, but they are not curbing some egregious practices or the bank's consistent coal finance volumes.

TWO COAL PLANTS WITH HUGE ENVIRONMENTAL, SOCIAL AND CLIMATE COSTS IN SOUTH AFRICA

In 2009, Crédit Agricole, in the company of a string of other international private banks as well as the World Bank, has been integral in supporting South Africa's troubled state-owned power utility Eskom in its plans to further deepen the South African power sector's reliance on climate-busting coal power. In the face of national and international opposition, Eskom is proceeding with the development of two huge 4,800 megawatt coal-fired power plants at Medupi and Kusile.

The projects have been controversial from the beginning, with Kusile set to be built in a region that already exceeded South African air pollution limits. The Medupi plant alone will add an estimated 25 million metric tons of CO₂ emissions per year – the South African power sector is already one of the most carbon intensive in the world. Firing up these two plants – Medupi is reported to be running four years behind schedule and projected to be fully on line by 2019 at the earliest – will involve additional demand for coal, and that means the inevitable opening or expansion of coal mines in South Africa. This will likely lead to severe local environmental impacts, including strains on already scarce water resources. If all of Eskom's plans go ahead – at Medupi, Kusile and a range of life-extensions and expansions at other plants – the company's own consultants anticipate that 35 new mines will be required to support them.

As ever with such major coal plant investments, the cumulative environmental, economic and climate impacts will be immense, and their effects are likely to be felt for decades to come. As part of the lender consortium, Crédit Agricole should be prepared to address and solve such impacts. And the bank must now resist becoming implicated in other developing world coal dodgy deals in the future.

CRÉDIT AGRICOLE COAL COMMITMENTS

With coal finance levels remaining firm at Crédit Agricole, we really think it's about time that the bank:

- **Commits to end any new coal project finance, starting with the Plomin C, Batang and South African coal projects, 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.**

CRÉDIT AGRICOLE, YOU ARE CORDIALLY INVITED ... TO TAKE THE PARIS PLEDGE AND QUIT COAL

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 allies around the world – is launching 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 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 bank 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, CRÉDIT AGRICOLE!

As a prominent 'coal bank', Crédit Agricole (you're currently number 20 in our Coal Bank Top 20 rankings), we hereby invite you to consider and take the Paris Pledge prior to the Paris Summit. You'll be hearing from us – and thousands of others – again about this in the weeks and months ahead. All the best, BankTrack

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 pledge to fully phase out its 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: Crédit Agricole?

COMING SOON, THE PARIS PLEDGE RESOURCE WEBSITE: DOTHEPARISPLEDGE.ORG