

# *Dirty Money*



## U.S. BANKS AT THE BOTTOM OF THE CLASS

*Coal Finance Report Card 2012*





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# I. INTRODUCTION

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*From the cradle to the grave,*  
coal is a risky business. Each stage in the life cycle of coal—  
extraction, transportation and combustion—presents increasing  
health, environmental, reputational, legislative and financial risks.

Burning coal to make electricity is the largest source of carbon pollution in the United States, and the U.S. is the 2nd largest coal producer in the world. Coal-fired energy generation is responsible for pollutants that damage cardiovascular and respiratory health and threaten healthy child development. To protect our climate and public health, the country must decrease its reliance on coal while building demand for a clean energy economy. Coal mining, burning, and storage all carry significant risks to public health and to the climate. No bank or power utility should invest even one more dollar in coal.

Coal not only represents serious social and environmental risks, but it also poses a financial risk for those who invest in it. The fluctuations in domestic coal markets mark an uncertainty for coal's future role as a cheap or reliable fuel source. In addition, there is unprecedented regulatory uncertainty in the areas of coal mining and coal-fired power production, and significant litigation challenges for proposed coal export terminals. As shown in this report, in recent years several investors have made the wrong bet on coal and lost big sums of money in the process.

# KEY FINDINGS

This is the third annual coal finance report card conducted by Rainforest Action Network (RAN), the Sierra Club and BankTrack. In the last two years, the report reviewed the top banks exposed to mountaintop removal coal mining, and analyzed their policies in dealing with the controversial practice. This year, exposure to and policies focused on coal-fired power plants (CFPP) have been added to the report card.

In the last three years, RAN, the Sierra Club and BankTrack have found that an increasing number of U.S. and European banks are waking up to the environmental, social, regulatory and reputational risks that arise when doing business with the coal industry. In order to address these risks, banks have developed an assortment of enhanced diligence processes around such transactions and in some cases have set limits as to the amount of exposure they are prepared to accept.

The Coal Finance Report Card 2012 sets out to identify the exposure of banks to some of the most controversial coal mining companies and to the riskiest coal-burning utility companies in the U.S. The report card focuses on two specific aspects of the coal industry that have come under increased regulatory scrutiny in recent years as a result of public pressure and litigation: mountaintop removal coal mining and coal-fired power generation. In addition, it assesses the range of approaches taken by the banking sector to address the risks associated with these practices.

The banks examined in this report are the largest six U.S. banks, based on total assets as of March 31, 2011, JPMorgan Chase, Bank of America, Citi, Wells Fargo, Goldman Sachs and Morgan Stanley, as well as two banks with a significant history of exposure to the coal industry, PNC and GE Capital.

Banks own a surprising number of coal-fired power plants. Whether it is Citi (Powerton and Joliet), Bank of America (Boardman), Goldman Sachs (Cogentrix), or General Electric (Homer City) their relationship to and control over these dirty dinosaurs is something they don't publicize or easily admit to.

This report finds that the top 5 worst banks on coal financing are:

1. **Bank of America**
2. **JPMorgan Chase**
3. **Citi**
4. **Morgan Stanley**
5. **Wells Fargo**

These findings are based on Bloomberg data of each bank's number of transactions with mountaintop removal and coal-burning utility companies from 2010 to 2012.

In addition, this report has graded each bank on its mountaintop removal (MTR) and coal-fired power plant (CFPP) policies with an A-F criterion. Since each bank treats its mountaintop removal coal mining investments and policies differently from its coal-fired power plant investments, banks are given multiple grades to accurately reflect their roles in different parts of the coal sector. The banks reviewed were given the following grades:

## Grades

BANK	MTR GRADE	CFPP GRADE
Bank of America	C-	D
Citi	C-	D
GE Capital	D	D
Goldman Sachs	F	*D / F
JPMorgan Chase	D+	D
Morgan Stanley	C-	D
PNC	C-	F
Wells Fargo	D	D

\* D (Cogentrix), F (other)

# II. REPORT CARD

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## METHODOLOGY

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### *Policy Assessment:*

This report examined the environmental finance policies that each bank has made publicly available, including Corporate Social Responsibility reports, environmental reports, annual reports, and on company websites.

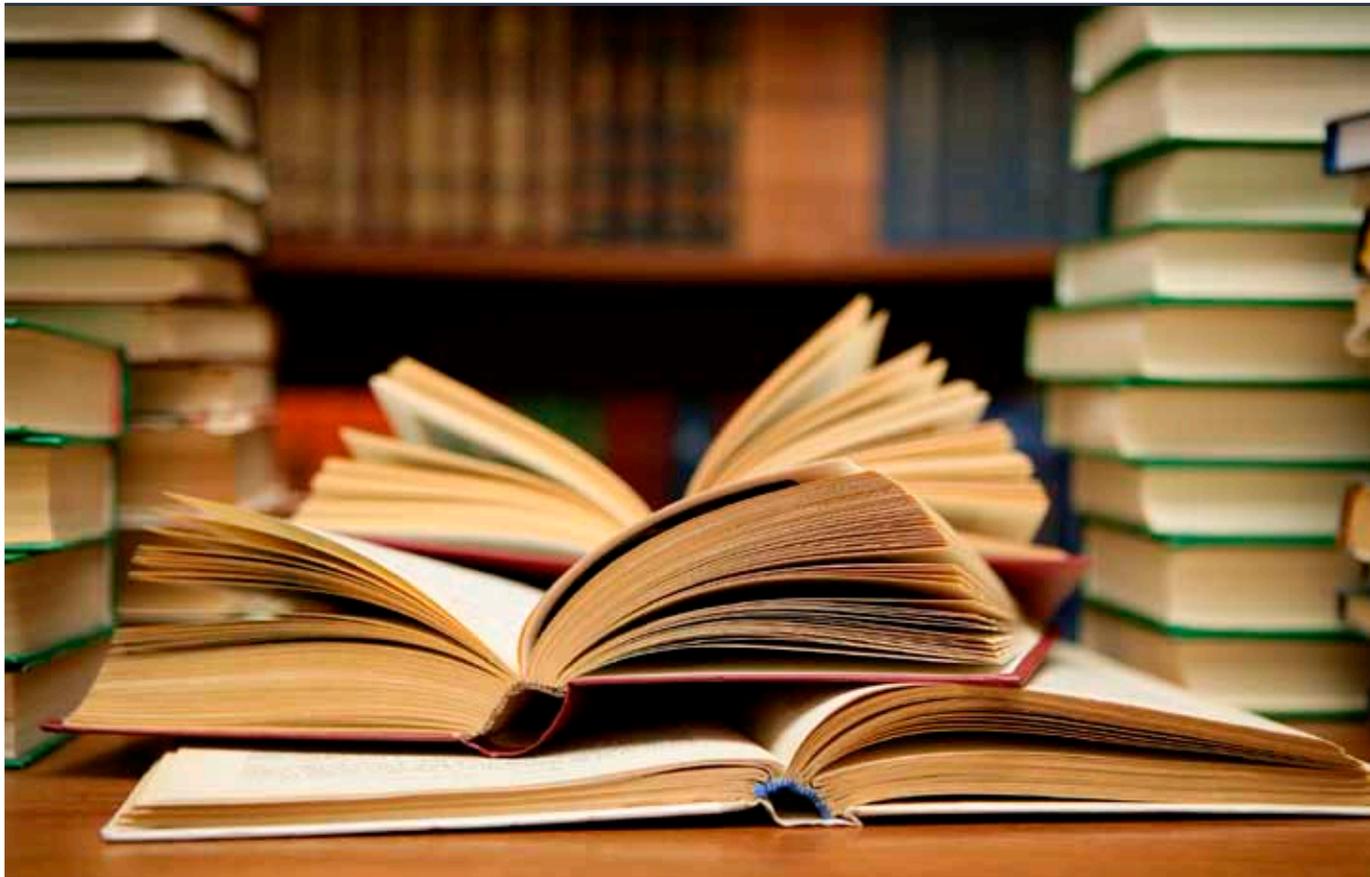
The report authors assessed each bank's policy on mountaintop removal and coal-fired power against a grading criterion ranked A-F. The authors then informed each bank of our assessments and gave them opportunity to provide further information that might affect the preliminary grades received. Six of the eight banks approached responded to communications. Where new information was provided in a written format, report authors re-considered the grade awarded. In several cases, a '+' or '-' grade indicates a change in that bank's level of exposure to that sector.

### *Practice Assessment:*

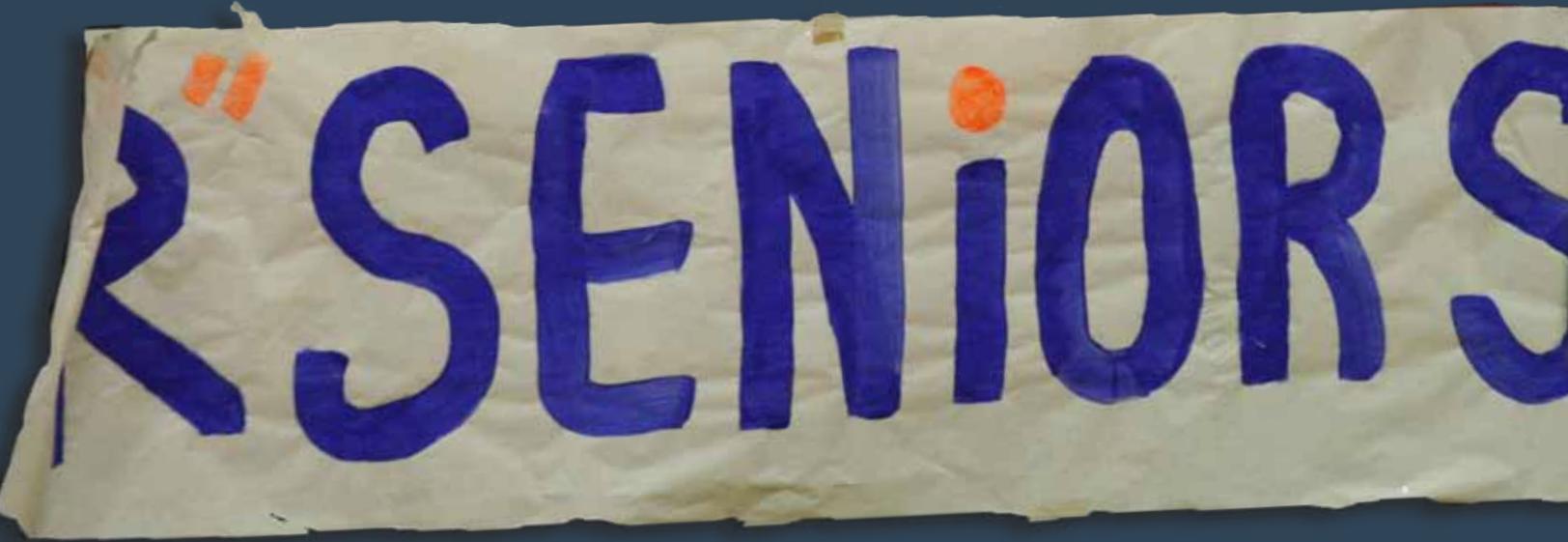
This report identifies the 'most exposed' coal companies in each sector: Mountaintop Removal Coal Mining (MTR) and Coal-Fired Power Plants (CFPPs).

For MTR: the report looked at the top producers of MTR coal in 2011, identifying those companies that are publicly held, and examining bond and loan underwriting transactions between January 1, 2010 and March 1, 2012.

For CFPPs: the report identified those publicly held utility companies operating U.S. coal-fired power plants who have announced intentions to invest significant sums of money to extend the lives of existing CFPPs. The report examined bond and loan underwriting transactions between January 1, 2010 and March 1, 2012.



# III. BANK FINANCING OF COAL





*The top financiers of the coal industry include:*



*Brian Moynihan*  
Bank of America



*Vikram Pandit*  
Citi



*Michel A. Neal*  
GE Capital



*Lloyd Blankfein*  
Goldman Sachs



*Jamie Dimon*  
JP Morgan Chase



*James Gorman*  
Morgan Stanley



*James Rohr*  
PNC Bank



*John G. Stumpf*  
Wells Fargo

**CLASS OF 2012**

## Bank of America



### MOUNTAINTOP REMOVAL

*Extract from Policy:*

[http://webmedia.bankofamerica.com/environment/pdf/COAL\\_POLICY.pdf](http://webmedia.bankofamerica.com/environment/pdf/COAL_POLICY.pdf)

“Bank of America is particularly concerned about surface mining conducted through mountain top removal in locations such as central Appalachia. We therefore will phase out financing of companies whose predominant method of extracting coal is through mountain top removal.”

*Involvement with MTR coal companies since January 1, 2010:*

Bank of America has supported Alpha Natural Resources LLC, Patriot Coal Corporation, Arch Coal Inc. and CONSOL Energy Inc. since January 1, 2010.

*Comments:*

Bank of America was the first bank to publicly commit to ‘phase out financing’ of coal companies that predominantly practice Mountaintop Removal coal mining. However, in the three years from that initial announcement, the bank has provided financing for four of the largest MTR producers, underwriting more than 43 percent of the MTR coal mined in Appalachia—more than any other bank except PNC. It is unclear to the report authors whether its coal policy has any real impact on the bank’s financing decisions. Bank of America has never produced a public report on the implementation of this policy. We downgraded the bank from a C grade to C- this year due to high exposure to the MTR sector.

GRADE:

C-

### COAL FIRED POWER PLANTS

*Extract from Policy:*

[http://webmedia.bankofamerica.com/environment/pdf/COAL\\_POLICY.pdf](http://webmedia.bankofamerica.com/environment/pdf/COAL_POLICY.pdf)

“Bank of America has taken a leadership position by committing to the Carbon Principles and reducing emissions associated with our utility portfolio as best practices for managing risks associated with coal.”

“Through our partnerships we will promote the necessary conditions for implementing carbon capture and storage on a global scale. We will employ our resources as a financial institution to promote the development and deployment of these advanced technologies to reduce the carbon emissions produced by the burning of fossil fuels.”

*Involvement with coal-burning utilities since January 1, 2010:*

Bank of America has supported DTE Energy Company, Ameren Corporation, Edison International, MidAmerican Energy/Berkshire Hathaway, NRG, Tennessee Valley Authority, Southern Company, Luminant/Energy Future Holdings and Duke since January 1, 2010.

*Comments:*

Bank of America has regressed in this policy area. In 2004, the bank made a commitment to reduce the overall emissions rate of its portfolio by seven percent by the end of 2008. However, this policy was abandoned in 2009 and the bank has chosen instead to focus on reducing its operational emissions. The bank has stated to the report’s authors that it aspires to be the “number 1 underwriter of coal power.” This is an ambition that is diametrically opposed to the bank’s climate commitment, which says: “We must reduce our greenhouse gas emissions and move towards a low-carbon economy.”<sup>2</sup> The support for ‘advanced technologies’ is a reference to carbon capture and sequestration (CCS), which report authors find to be a false solution to climate change. If coal is to remain a part of our energy future, it must be mined responsibly, burned cleanly and guaranteed to not worsen climate change pollution. At this time, there is no existing coal technology that meets these standards.

GRADE:

D



## MOUNTAINTOP REMOVAL

### *Extract from Policy:*

<http://citizenship.citigroup.com/citi/citizen/finance/environment/mrcm.htm>

“Prior to new transactions, Citi will conduct appropriate due diligence and evaluate companies that engage in MTR extraction in Central Appalachia, utilizing the following four principles: Regulatory compliance, Exposure to future regulatory changes, Litigation risk and Franchise risk.”

### *Involvement with MTR coal companies since January 1, 2010:*

Citi has supported Alpha Natural Resources LLC, Patriot Coal Corporation, ArcelorMittal, Arch Coal Inc., and TECO Energy Inc. since January 1, 2010.

### *Comments:*

Despite being one of the earliest banks to publicly address the issue of MTR, Citi remains one of the biggest funders of this sector. This policy has not reduced Citi’s exposure to MTR coal. In 2010, Citi reported on the number of MTR company transactions that have been through its “enhanced due diligence process,” and the number of transactions that were approved and closed. Citi’s 2011 citizenship report cites that the bank applied an Environmental & Social Risk Management (ESRM) review to 19 deals in the ‘Metals & Mining’ sector that were “expected to have significant adverse social and/or environmental impacts that are diverse, irreversible or unprecedented.” It is our understanding that this number includes, but is not limited to, MTR-related transactions. Citi was downgraded from a C grade to C- this year due to high exposure to this sector.

GRADE: **C-**

## COAL FIRED POWER PLANTS

### *Extract from Policy:*

<http://www.citigroup.com/citi/environment/esrmpolicy.htm>

“February 2008: Citi, along with JP Morgan and Morgan Stanley, announce the release of the Carbon Principles, a framework to evaluate carbon risk of financing coal-fired power projects in the US in the face of federal policy uncertainty. Bank of America, Credit Suisse and Wells Fargo sign on to the Carbon Principles as well in following months. The Principles were developed in close collaboration with clients and industry advisors, in addition to environmental NGOs Environmental Defense, NRDC and Ceres.”

### *Involvement with coal-burning utilities since January 1, 2010:*

Citi has supported DTE Energy Company, American Electric Power Company, Edison International, Entergy, American Electric Power Company, Inc., NRG, Southern Company, Luminant/Energy Future Holdings and Duke since January 1, 2010.

### *Comments:*

When the Carbon Principles were launched in 2008, the financial institutions involved announced that they expected a continuous trend towards lower-emitting sources of power generation. In 2011, Rainforest Action Network evaluated the material impact of the Carbon Principles, concluding: “There is no evidence that the Carbon Principles have stopped, or even slowed financing to carbon-intensive projects.” In the absence of market-based frameworks to help regulate carbon emissions, this policy approach does not adequately address the risks associated with the financing of coal-fired power plants.

GRADE: **D**



# GE Capital

## MOUNTAINTOP REMOVAL

### *Extract from Letter:*

“For future GE Citizenship reports, we intend to provide a robust explanation of our processes... Today GE Capital does not finance and, to my knowledge, we have never financed MTM. Over the years, we have provided limited financing to companies that are primarily engaged in underground and certain other forms of surface mining but which also extract a small portion of their production through MTM. Our relationships with these companies have been and continue to be limited to (i) loans and leases for equipment that is either used in other forms of mining or in applications that are unrelated to mining activities, (ii) asset based loans used for general corporate purposes and (iii) letters of credit used for various corporate purposes.... We plan to continue to follow regulatory actions and related research into this mining practice.”

### *Involvement with MTR coal companies since January 1, 2010:*

GE Capital has supported James River Coal Company since January 1, 2010.

### *Comments:*

This report finds that GE Capital provides general corporate financing for companies that engage in a small amount of mountaintop removal coal mining relative to its size, but with enhanced due diligence and a focus on financing not related to MTR. As indicated in conversations before this report card was published, the bank is still considering how to report on these issues. Should it provide and follow a clear reporting criteria and a public statement of the policy, or move to a complete and public sector exclusion policy the grade would increase further.

GRADE: **D**

## COAL FIRED POWER PLANTS

### *Extract from Letter:*

“GE Capital’s Energy Financial Service (EFS) is committed to fully comply with all EPA and state environmental requirements in connection with these investments, and to upgrade facilities to meet new and emerging standards as appropriate... EFS’s investments are consistent [sic] with the GE’s and the President’s support of an “all of the above” energy policy that relies on renewables, coal, and oil and natural gas... In addition, GE Company continues to support a responsible climate policy under which carbon is appropriately priced.”

### *Involvement with coal-burning utilities since January 1, 2010:*

GE Capital does not appear to be involved with this sector.

### *Comments:*

GE Capital holds a unique position as owner of the Homer City coal plant, including plans to provide more than \$700 million in financing to extend the life of the plant. Despite not providing financing to the utilities in our ‘risk’ list, GE Capital is active in this sector – in some ways more active than many other banks – and does not appear to have an internal policy that in any way limits such activity or contains specific portfolio decarbonization targets. However, the bank does clearly monitor and report on its activity, and supports carbon regulations.

GRADE: **D**



## MOUNTAINTOP REMOVAL

### *Involvement with MTR coal companies since January 1, 2010:*

Goldman Sachs has supported Alpha Natural Resources and Arch Coal.

### *Comments:*

Goldman Sachs receives a fail grade as the bank does not have a public-facing policy statement addressing the issue of MTR mining and its associated risks, while doing business with the two largest MTR companies.

## COAL FIRED POWER PLANTS

### *Extract from Policy:*

<http://www.goldmansachs.com/our-thinking/environment-and-energy/enviro-policy-framework.pdf>

“Goldman Sachs is the owner of Cogentrix, a company which operates power plants in the United States. We will report the annual greenhouse gas emissions from these plants, and will continue to work to reduce direct carbon emissions from them whenever practical. We support the need for a national policy to limit greenhouse gas emissions and where economically feasible will offer our plants as a demonstration site for innovative technology. We will continue to analyze reduction opportunities and consider potential off-sets.”

### *Involvement with coal-burning utilities since January 1, 2010:*

Goldman Sachs has supported Berkshire Hathaway, Entergy, American Electric Power Company, NRG, Southern Company, Luminant/Energy Future Holdings and Duke since January 1, 2010.

### *Comments:*

The bank is both the owner of a coal plant operating utility company and a significant financier of the majority of utility companies on our ‘risk’ list. Goldman Sachs has a public statement expressing interest in carbon reductions from its owned-plants ‘whenever practical,’ but without solid targets or timeline. The bank does not have any public-facing position addressing its role as a financier of coal-operating utilities, which we consider to be a serious policy gap.

GRADE:     **F**    

GRADE:     **D** (Cogentrix) and **F** (Other)



## MOUNTAINTOP REMOVAL

### *Extract from Policy:*

[http://www.jpmorganchase.com/corporate/Corporate-Responsibility/document/2010\\_CR\\_AR.pdf](http://www.jpmorganchase.com/corporate/Corporate-Responsibility/document/2010_CR_AR.pdf)

“We do have banking relationships with a few clients that employ MTR. Consequently, the firm considers an enhanced review to be appropriate until such time as the key controversies surrounding MTR are thoroughly addressed. The enhanced review is informed by the regulatory, legal and public discourse on this evolving issue. The firm considers the critical issues associated with MTR coal mining at senior levels and within the Reputation Risk Committee.”

### *Involvement with MTR coal companies since January 1, 2010:*

JPMorgan Chase has supported Alpha Natural Resources LLC, Arch Coal Inc. and TECO Energy Inc. since January 1, 2010.

### *Comments:*

In 2011 the report authors noticed a significant reduction in JPMorgan’s exposure to MTR coal mining. We are concerned that in 2012 this trend may reverse, most notably with Chase’s involvement in deals with Alpha Natural Resources, RepRisk’s “most controversial mining company.” This policy has no clear performance standard or reporting mechanism. JPMorgan Chase has been upgraded from a D grade to a D+ this year based on the bank’s reduced involvement in MTR transactions in 2011.

GRADE:

**D+**

## COAL FIRED POWER PLANTS

### *Extract from Policy:*

[http://www.jpmorganchase.com/corporate/Corporate-Responsibility/document/2010\\_CR\\_AR.pdf](http://www.jpmorganchase.com/corporate/Corporate-Responsibility/document/2010_CR_AR.pdf)

“JPMorgan Chase adopted the Carbon Principles in February 2008 in partnership with Citigroup and Morgan Stanley, seven leading electric utilities and three environmental organizations in order to better assess the risks in financing greenhouse gas-intensive electricity generation. The principles came into effect in August 2008. Thereafter, JPMorgan Chase began applying the Enhanced Diligence Process to transactions that finance coal-fired power plants for investor-owned utilities and, effective February 2009, for public power and electric cooperatives.”

### *Involvement with coal-burning utilities since January 1, 2010:*

JPMorgan Chase has supported DTE Energy Company, Ameren Corporation, Edison International, MidAmerican Energy/Berkshire Hathaway, Entergy, American Electric Power Company, NRG, Tennessee Valley Authority, Southern Company, Luminant / Energy Future Holdings and Duke since January 1, 2010.

### *Comments:*

JPMorgan finances more utility companies on our ‘risk’ list than any other bank, and is additionally the leading underwriter of the global coal industry. When the Carbon Principles were launched in 2008, the financial institutions involved announced that they expected a continuous trend towards lower-emitting sources of power generation. In 2011 Rainforest Action Network evaluated the material impact of the Carbon Principles, concluding: “There is no evidence that the Carbon Principles have stopped, or even slowed financing to carbon-intensive projects.” In the absence of market-based frameworks to help regulate carbon emissions, this policy approach does not adequately address the risks associated with the financing of coal-fired power plants.

GRADE:

**D**

# Morgan Stanley

## MOUNTAINTOP REMOVAL

**Extract from Policy:** [http://www.msdlw.org/global/Environmental\\_Policy.pdf](http://www.msdlw.org/global/Environmental_Policy.pdf)

“We will not finance companies for which a predominant portion of their annual coal production is from MTR activities as an extraction method. We will periodically disclose the process by which we are implementing these commitments including case studies of the types of effect the due diligence process has on transactions.”

### *Involvement with MTR coal companies since January 1, 2010:*

Morgan Stanley has supported Alpha Natural Resources LLC, Patriot Coal Corporation, Arch Coal Inc., and TECO Energy Inc. since January 1, 2010.

### **Comments:**

This policy has a clear, identified performance standard and a commitment to regular reporting with case studies. While report authors find a logical approach to be assessing “predominance” of this mining method within a company’s operations in Appalachia, Morgan Stanley appears to be assessing predominance across U.S. operations. In the bank’s 2010 Sustainability Report, Morgan Stanley disclosed that 11 potential transactions involving MTR were subject to the firm’s MTR review process and that 6 transactions did not proceed. However, Morgan Stanley remains one of the biggest funders of this sector, and this policy has not reduced the bank’s exposure to MTR coal. The bank was downgraded from a C grade to C- this year due to high exposure to this sector.

GRADE:

C-

## COAL FIRED POWER PLANTS

**Extract from Policy:** [http://www.msdlw.org/global/Environmental\\_Policy.pdf](http://www.msdlw.org/global/Environmental_Policy.pdf)

“Morgan Stanley is committed to engagement with clients, regulators and policy makers to establish and enhance strong carbon markets globally. We believe that the best way to reduce emissions is through a mix of technology changes, encouraging the transfer of clean energy technologies, improved energy efficiency and well-structured global markets for financing and trading emissions reductions. Markets are necessary to facilitate managed reductions in emissions and to ensure that an appropriate balance between economic and environmental factors is achieved. As carbon-related markets develop, Morgan Stanley is committed to participating in them actively as a financial advisor, underwriter, trader and investor.” Morgan Stanley is a founding signatory of the Carbon Principles.

### *Involvement with coal-burning utilities since January 1, 2010:*

Morgan Stanley has supported Edison International, Entergy, American Electric Power Company, NRG, Tennessee Valley Authority, Southern Company, Luminant/Energy Future Holdings and Duke since January 1, 2010.

### **Comments:**

Morgan Stanley clearly states the necessity for market-based mechanisms to incentivize carbon reduction. In the absence of such mechanisms, there is an obvious policy gap in the bank’s approach to financing of coal-fired power plants. The Carbon Principle approach does not adequately address the associated risks.

GRADE:

D



## MOUNTAINTOP REMOVAL

### *Extract from Policy:*

[https://www.pnc.com/webapp/unsec/Requester?resource=/wps/wcm/connect/0336ca0043c8b165986f994737af402a/2010\\_1025\\_v4\\_PNCCR\\_rev.pdf?MOD=AJPERES&CACHID=0336ca0043c8b165986f994737af402a](https://www.pnc.com/webapp/unsec/Requester?resource=/wps/wcm/connect/0336ca0043c8b165986f994737af402a/2010_1025_v4_PNCCR_rev.pdf?MOD=AJPERES&CACHID=0336ca0043c8b165986f994737af402a)

“PNC does not extend credit to individual MTR mining projects or to a coal producer that receives a majority of its production from MTR mining. This policy arose from our consideration of the legal, regulatory, and public policy developments concerning MTR activities and the mining industry, as well as discussions with various stakeholders throughout our communities.”

### *Involvement with MTR coal companies since January 1, 2010:*

PNC Bank has supported Alpha Natural Resources LLC, Patriot Coal Corporation, Arch Coal Inc. and CONSOL Energy Inc. since January 1, 2010.

### *Comments:*

This policy has an identified performance standard, “coal producers whose primary extraction method is MTR.” The bank has indicated to the report’s authors that it is considering publicly reporting on the implementation of this policy. Since adopting its MTR policy, PNC bank has continued to do business with most of the largest MTR companies and has exposure to more than 43 percent of the MTR coal mined in Appalachia in 2011, more than any other bank except for Bank of America. PNC was downgraded from a C grade to C- due to high exposure to this sector.

GRADE: **C-**

## COAL FIRED POWER PLANTS

### *Policy:*

None

### *Involvement with coal-burning utilities since January 1, 2010:*

PNC Bank has supported Duke Energy since January 1, 2010.

### *Comments:*

PNC has limited exposure to this sector compared to the other banks reviewed in this report. However, in 2012 PNC participated in a \$250 million bond offering with Duke Energy, which is the largest power utility in the U.S., operating 91 coal-fired power plants. PNC does not have a public position on its financing of this sector.

GRADE: **F**



## MOUNTAINTOP REMOVAL

### *Extract from Policy:*

[https://www.wellsfargo.com/downloads/pdf/about/csr/reports/environmental\\_lending\\_practices.pdf](https://www.wellsfargo.com/downloads/pdf/about/csr/reports/environmental_lending_practices.pdf)

“In all our customer relationships, we aim to do business with the best-in-class of each industry ... (Our approach:) Enhanced due diligence process, including evaluation of a company’s track record regarding litigation, regulatory compliance, worker safety and environmental compliance; and the degree of organizational capacity and commitment the company dedicates to these concerns... We recognize the significant concerns associated with this practice, as well as the heightened risks related to companies engaged in MTR mining. At the same time, it is important to acknowledge the significant investments made by our coal customers in their mine operations, which were entered into in good faith and in accordance with applicable regulations. As a result of our deliberate approach, and the broader movement of the industry toward other mining methods, our involvement with the practice of MTR is limited and declining.”

### *Involvement with MTR coal companies since January 1, 2010:*

Wells Fargo has supported Alpha Natural Resources, Arch Coal Inc., CONSOL Energy Inc. and TECO Energy Inc. since January 1, 2010.

### *Comments:*

In 2010, Wells Fargo communicated to the report authors its: “intention to disassociate itself from the practice of MTR.” Its newly released policy (April 2012) appears to re-affirm this intention. However, in the past year Wells Fargo’s exposure to MTR mining companies has increased from 3 percent in 2011 to almost 38 percent in 2012.

GRADE:

D

## COAL FIRED POWER PLANTS

### *Extract from Policy:*

[https://www.wellsfargo.com/downloads/pdf/about/csr/reports/environmental\\_lending\\_practices.pdf](https://www.wellsfargo.com/downloads/pdf/about/csr/reports/environmental_lending_practices.pdf)

“(Our approach:) ... Our due diligence in this sector includes an assessment of carbon risk as part of the underwriting process... Only one transaction to date has called for the application of the Carbon Principles... We do not finance coal-fired power plants on a stand-alone basis– i.e. we generally provide commercial banking services such as treasury management and general lines of credit that may be used for multiple purposes.”

### *Involvement with coal-burning utilities since January 1, 2010:*

Wells Fargo has supported Edison International, Berkshire Hathaway, Entergy, American Electric Power Company, Tennessee Valley Authority, Duke and Southern Company since January 1, 2010.

### *Comments:*

Wells Fargo has a clear commitment to “not finance coal-fired power plants on a stand-alone basis.” The bank states that an assessment of carbon risk is applied as part of its due diligence process and has confirmed to the report authors that it has “made decisions to decline transactions based on many risks, including carbon risk.”

GRADE:

D

## B. PUBLIC OPPOSITION TO COAL FINANCING

Opposition to coal expansion is surging across the country, from urban Chicago and Los Angeles to the less-populated Pacific North West, Utah and Montana.

Not only are these communities separated by vast geographical distances, they also span a diverse range of cultural, economic and social backgrounds. From students fighting for their climate future by opposing coal plants on their campuses to Colorado's community members, small business owners and students who are demanding the right to clean air and water; from groups in Montana who are fighting state and private mining to prevent further development of coal tracts in their state to Utah moms, grandmothers, Unitarians, students and doctors who are trying to evict local coal plants that are threatening air quality. Each fight is unique but ultimately the goal is the same: to transition communities away from coal.

Banks have become high profile targets in the civic movement against coal. Concerned customers and community members have been taking the message 'Not One More Dollar for Coal' to bank branches across the nation. In the fall of 2011, 60,000 people pledged to close their Bank of America accounts due to the bank's role as one of the leading financiers of the coal industry as well as its role in home foreclosures.



## C. COAL INVESTMENTS GONE BAD

### *AES Eastern Energy Bankruptcy – New York*

On May 14, 1999, AES Eastern Energy acquired operational control over half a dozen coal-fired power plants in New York, including the Somerset and Cayuga plants that were financed through a “sale-leaseback” transaction. The Somerset and Cayuga “sale-leaseback” deal was originally financed with \$550 million from Morgan Stanley, Credit Suisse, and CIBC, who became the owners of the coal plants while AES operated them. Over the next few years, the owners and operators invested additional money in the hopes of extending the life of these older, inefficient coal plants by adding expensive pollution control technologies. The bet didn’t pay off.

Last year, AES Eastern Energy filed for bankruptcy as its coal-fired power plants couldn’t compete with decreased demand for energy, cleaner energy options, and resulting lower power prices. Due to the structure of the “sale-leaseback” deal, the current owners, represented by Deutsche Bank, could lose hundreds of millions of dollars this year.

In a similar case, General Electric and dozens of other banks and insurance companies are likely to lose hundreds of millions of dollars due to “sale-leaseback” financing of the massive Homer City coal plant in Pennsylvania. In addition, Public Service Enterprise Group and a number of creditors represented by U.S. Bank are fighting over similar losses due to their financial support for the Danskammer coal plant in Newburgh, New York.

Just a few of many examples of why investing in existing coal-fired power plants are a bad bet. Any company considering putting up hundreds of millions of dollars to extend the life of coal plants, particularly through a “sale-leaseback” transaction, will face losing their money.

### *Spiritwood Station – North Dakota*

Great River Energy, a cooperative electric generating and transmission company, put \$437 million into building the Spiritwood coal plant based on projected energy needs. However, those needs haven’t materialized, and the plant was shut down as soon as it was completed. Due to the high cost of building a coal-fired power plant, the 28 member cooperatives served by Great River Energy are now paying higher electricity rates for a coal plant that doesn’t even produce power.

There are currently around a dozen electric cooperatives and other utility companies still considering building new coal-fired power plants across the country. Prominent among those are members of Old Dominion Electric Cooperative in Virginia, Wolverine Electric Cooperative in Michigan, Sunflower Electric Cooperative in Kansas, and Power4Georgians. For years tens of millions of dollars have been poured into developing dirty coal plants similar to Spiritwood, and every time it costs ratepayers money they can’t afford to waste.

### *Central Power and Lime – Florida*

JPMorgan Chase acquired the small 150 MW Central Power and Lime coal plant through its purchase of the assets of Bear Stearns after the financial crisis. As it became clear that it didn’t make sense to continue to invest in or operate the Central Power and Lime facility as a coal plant, JPMorgan Chase looked for other opportunities to continue to support the community and the facility, which is co-located with a cement plant. With a final permit received in February of this year, the Central Power and Lime facility will convert to a 70-80 MW biomass project. While biomass is not a clean fuel in many cases, JPMorgan Chase’s commitment to finding a workable solution to transition off of coal is notable, particularly as its peers that own coal plants seem to be heading in the opposite direction.

### *Powerton and Joliet coal plants - Illinois*

Edison International subsidiaries Edison Mission Energy and Midwest Generation made headlines in March 2012 when Chicago Mayor Rahm Emmanuel and numerous citizen groups announced plans to shutter two coal-fired power plants in Chicago – Fisk and Crawford. Unfortunately, Edison is responsible for operating other coal plants that are similarly uncontrolled and much larger than the two Chicago-area coal plants, including the Powerton and Joliet facilities. While Edison operates Powerton and Joliet, they are actually owned by two partners, Public Service Enterprise Group (PSEG) and Citi.

Edison International has indicated that it will not put up its own money for its subsidiaries to extend the life of the Powerton and Joliet plants, leaving PSEG and Citi in the position of deciding the fate of the plants. Will Citi and PSEG take the route of General Electric at the Homer City coal plant, and try and sink nearly a billion of its own money into these polluting facilities or allow a new investor to come in and do the same? Or, will Citi follow the path JPMorgan Chase and try to find a creative solution to retire the Powerton and Joliet coal plants by investing in energy efficiency, wind energy, or solar power?



# IV. ISSUE PROFILE: MOUNTAIN TOP REMOVAL (MTR) COAL MINING

Mountaintop removal (MTR) is a highly controversial mining practice where explosives are used to remove the tops of mountains to expose thin seams of coal. Once blasted, the earth from the mountaintop is typically dumped into neighboring valleys, which poses significant threats to water quality in Appalachia and undermines the objectives and requirements of the Clean Water Act. According to a 2005 environmental impact statement, nearly 2,000 miles of Appalachian streams have already been buried or contaminated by toxic coal waste.

## *Regulatory Uncertainty*

Since June 2009, the federal administration has publicly stated its intention to apply a more consistent strategy to the permitting process for MTR mining. This new approach includes common standards across regional agency divisions, enhanced coordination across agencies and a series of new and revised rules. Developments in the last 12 months include, but are not restricted to:

In February 2012, the Army Corps of Engineers renewed a version of the Nationwide 21 permitting process<sup>3</sup>, which streamlines strip-mining permits. This included an expressed prohibition on valley fills, but did not implement the best practice option of requiring that coal companies apply for individual permits in every instance.

As of 2012, the Office of Surface Mining Reclamation and Enforcement (OSMRE) is rewriting the Stream Buffer Zone rule in order to create a “more thorough rule to better protect streams from the adverse effects of coal mining”<sup>4</sup>. This rulemaking effort fulfills a commitment set out in a June 2009 Memorandum of Understanding among the U.S. Department of the Interior, U.S. Environmental Protection Agency, and the U.S. Army Corps of Engineers to reduce the environmental impacts of coal mining in Appalachia. The rule-making process has been further delayed in the last 12 months amid controversy surrounding Interior Secretary Ken Salazar’s announced and delayed consolidation of the OSMRE with the Bureau of Land Management (BLM).

In January 2011, the EPA withdrew the previously-issued 404 Clean Water Act permit for Arch Coal’s mine at the Spruce site in the Blair area of Logan County, West Virginia, as it would cause irreparable damage to the environment, including the destruction of 2,278 acres of temperate rainforest and the burying of 7.5 miles of streams in the Spruce Fork sub-watershed. DC Federal Judge Amy Berman Jackson overruled this decision in March 2012. It is anticipated that the EPA will appeal this ruling.

## *Public Outcry*

There is widespread public opposition to the practice of MTR. An August 2011 CNN poll revealed that 57 percent of the American public said they oppose mountaintop removal; while only 36 percent said they favor it. In addition, across Appalachia thousands of people regularly participate in mass mobilizations and non-violent direct action to protest MTR mining.

In February 2011, Wendell Berry and 13 other environmental activists from Kentucky staged a four-day occupation in the Kentucky Governor Steve Beshear’s office. In a statement delivered at the end of the occupation to a crowd of more than 1000 people on the steps of the State Capital, Berry said: “We came because the land, its forests, and its streams are being destroyed by the surface mining of coal, because the people are suffering intolerable harms to their homes, their health, and their communities.”

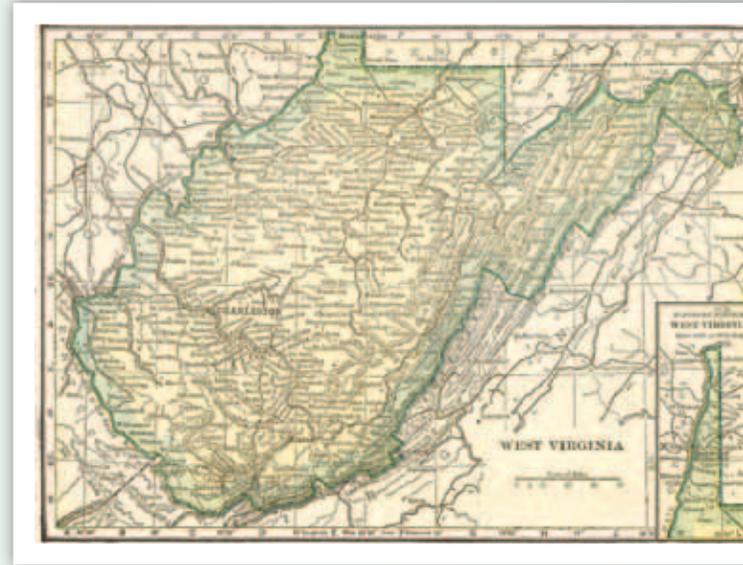
In June 2011, more than 1000 citizens participated in a five-day, 50-mile march to save Blair Mountain. Blair Mountain is a historically important site. In 1921 it was the site of what is now known as the Battle of Blair Mountain, where 10,000 coal miners fought mine operators for the right to form a union in what was the largest armed uprising in the U.S. since the Civil War. The mountain was added to the National Register of Historic Places in March 2009, but was delisted December of that year because of protests from coal operators who wanted to mine the area. Since 1991, six MTR permits have been issued around Blair Mountain. No mining has yet occurred on the historic battlefield, but a site owned by Alpha Natural Resources is now encroaching on it.

August 18, 2011 marked the conclusion of the longest tree-sit in West Virginia history. Catherine-Ann MacDougal, an activist with the RAMPS campaign had been living in an Oak Tree on the site of Alpha Natural Resources’ Bee Tree permit since July 20, effectively halting blasting on the Bee Tree hollow portion of the site for 30 days.

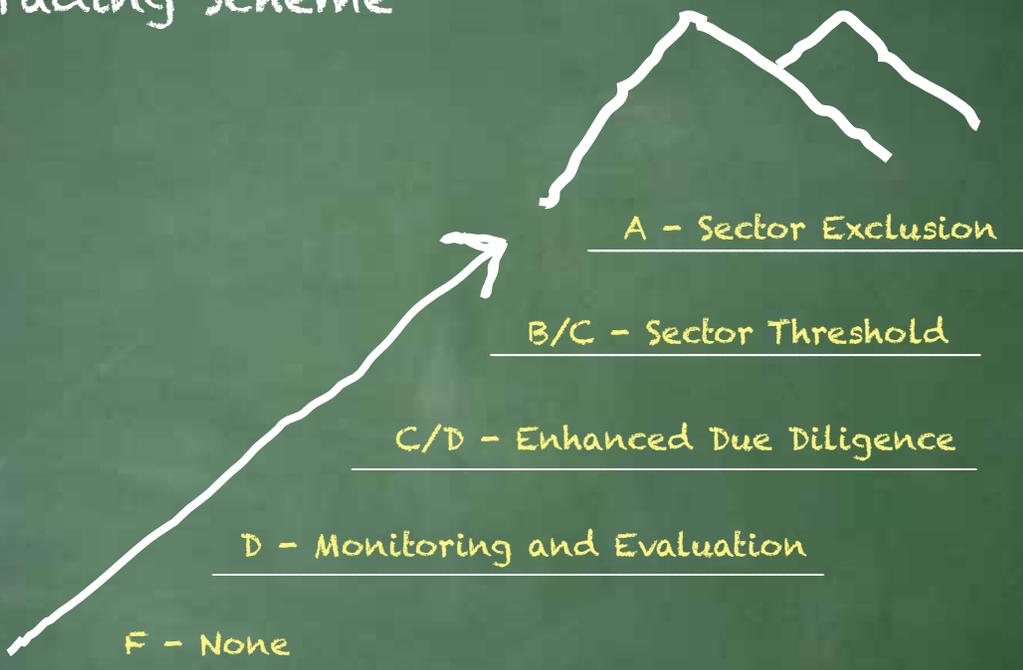
MacDougal explained: “I have written letters, tried to educate others, lobbied and volunteered. Yet throughout all of these things, I have felt the frustration of being up against the outrageous power of the coal industry. We do not live within a democracy but within a plutocracy—a government increasingly controlled by economic interests, by state and multi-national corporations.”<sup>5</sup>

## A. MTR POLICY GRADING CRITERIA

The policy assessment used in this report on MTR has been revised from the one originally used in the 2010 and 2011 reports. This is because seven banks have issued new public policies on this topic since early 2010. Key themes have emerged: transparency, reporting, public availability of policy, willingness to disclose number of transactions. Our new grading criterion reflects these themes, and recommends a "Sector Exclusion" as the best practice for banks. We have included Credit Suisse in our grading table as they have developed a sector exclusion policy on MTR – demonstrating best practice.



### Grading Scheme



### Sector Exclusion

The bank has developed its own policy: complete sector exclusion (all MTR mining companies) in its lending and investment banking as well as its asset management.

### Sector Threshold with Reporting

The bank has developed its own policy to include:

- Enhanced due diligence with a publicly-stated threshold performance standard with no funding of companies whose surface mining activities are more than a stated percentage of their total coal extraction activities in KY, TN, VA and WV.
- Due diligence to include: a review of legal compliance and potential material legal abilities, exposure to litigation
- Policy publicly available, alongside other environmental policies
- Regular, public reporting on policy implementation with case studies

This must apply to its lending and investment banking as well as its asset management.

### Sector Threshold without Reporting

The bank has developed its own policy to include:

- Enhanced due diligence with a publicly-stated threshold performance standard with no funding of companies whose surface mining activities are more than a stated percentage of their total coal extraction activities in KY, TN, VA and WV.
- Due diligence to include: a review of legal compliance and potential material legal abilities, exposure to litigation
- Policy publicly available, alongside other environmental policies

This must apply to its lending and investment banking as well as its asset management.

### Enhanced Due Diligence with Reporting

The bank has developed its own policy to include:

- Enhanced due diligence to include: a review of legal compliance and potential material legal abilities, exposure to litigation
- Policy publicly available, alongside other environmental policies
- Regular, public reporting on policy implementation with case studies

This must apply to its lending and investment banking as well as its asset management.

### Enhanced Due Diligence without Reporting

The bank has developed its own policy to include:

- Enhanced due diligence to include: a review of legal compliance and potential material legal abilities, exposure to litigation
- Policy publicly available, alongside other environmental policies

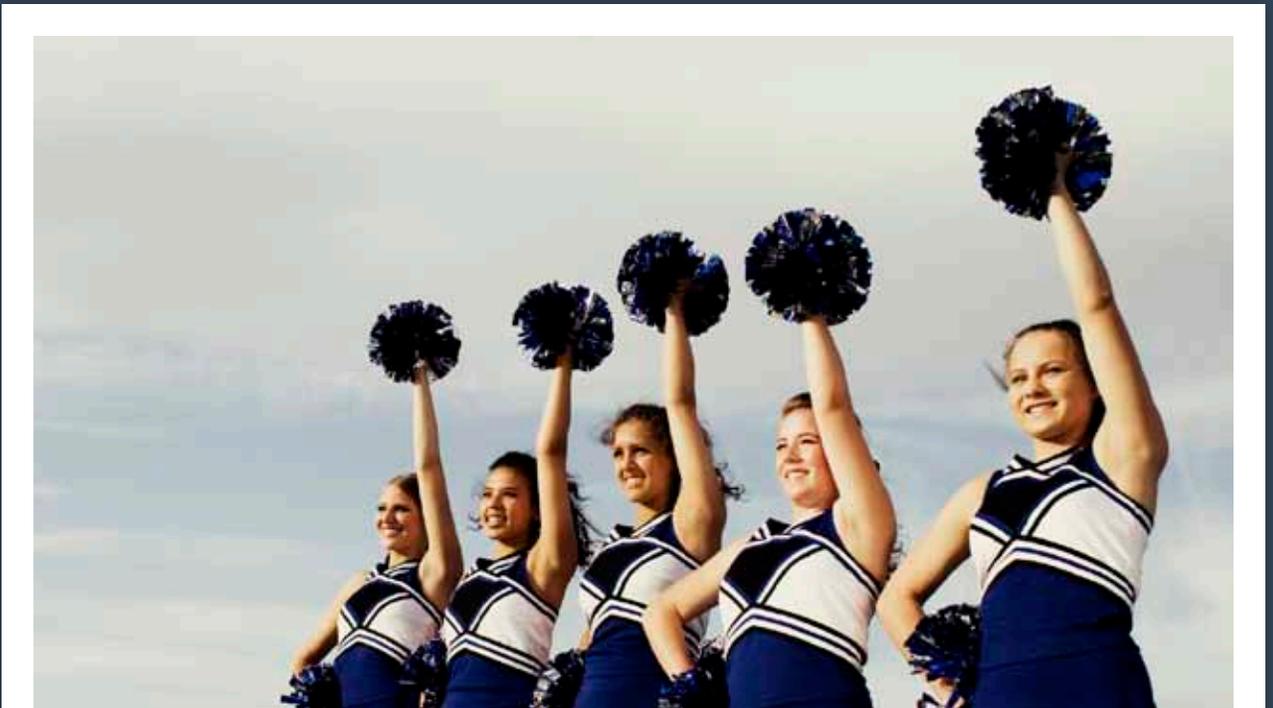
This must apply to its lending and investment banking as well as its asset management.

### Monitoring & Evaluation

The bank has made a public commitment to monitor and evaluate companies in the MTR mining sector.

### None

The bank is active in the MTR sector, but has no specific investment policy for this sector/issue.



**B. MTR BANK GRADES IN FOCUS**

POLICY	GRADE	BANK
Sector Exclusion	A	Credit Suisse
Sector Threshold with Reporting	B	
Sector Threshold without Reporting	C	PNC (C-), BofA (C-), MS (C-)
Enhanced Due Diligence with Reporting	C	Citi (C-)
Enhanced Due Diligence without Reporting	D	WF, JPMC (D+)
Monitoring & Evaluation	D	GE Capital
None	F	Goldman Sachs

**BANK EXPOSURE TO MTR MINING COMPANIES (BLOOMBERG RESEARCH)**

	BofA	Citi	GE	GS	JPMC	MS	PNC	WF	WEIGHT
Alpha	X	X		X	X	X	X	X	22.2
Arc-M		X							1.7
Arch	X	X		X	X	X	X	X	9.1
CONSOL	X						X	X	4.2
James River			X						1.2
Lapari									1.1
Mechel									3
Patriot	X	X				X	X		7.8
Teco		X			X	X		X	2.4
<b>WEIGHT</b>	43.3	43.2	1.2	31.3	33.7	41.5	43.3	37.9	

\* 'Weight' refers to the percentage of total MTR coal in Appalachia that each company mined in 2011

# V. ISSUE PROFILE: COAL FIRED POWER PLANTS (CFPP)

Coal combustion is the leading cause of greenhouse gas emissions, and coal's pollution contributes to four out of the five leading causes of mortality – heart disease, cancer, stroke, and respiratory illness.

The EPA has recently issued a series of new rules designed to significantly limit toxic emissions from U.S. coal-fired power plants. This new regulatory environment presents banks with

a stark choice: invest significant sums of money to keep aging coal fleets operational, or retire these plants and invest in cleaner energy solutions.

A number of recent case studies illustrate why money spent on continuing dependence on coal is a high-risk investment. See section III in this report.

## A. CFPP POLICY GRADING CRITERIA

There is a range of policy responses that banks can take to address the risks associated with financing coal-fired power plants. Our recommended 'best practice' is a commitment to 'zero emissions.'

Over the past few years, several of the largest European banks have released public policies that address their financing of both new and existing coal-fired power plants, these include HSBC (2011), WestLB (2010), Société Générale (2011) and BNP Paribas (2011). In 2007, OPIC, the U.S. Government's Development Finance Institution announced a major effort to reduce the climate impact of U.S. overseas investment, including a

commitment to reduce the direct emissions associated with OPIC supported projects by 30 percent over a ten-year period from the 2008 baseline and by 50 percent over a fifteen year period. As these institutions have all made more progress in the coal-fired power policy arena than any of the major U.S. private banks examined in this report, some of these banks are included in the grade table as benchmarks.

This report card recommends a grade of "Sector Exclusion" or "Zero Emissions" as the best practices.



# Grading Scheme

A - Sector Exclusion / Zero Emissions



B - Decarbonization



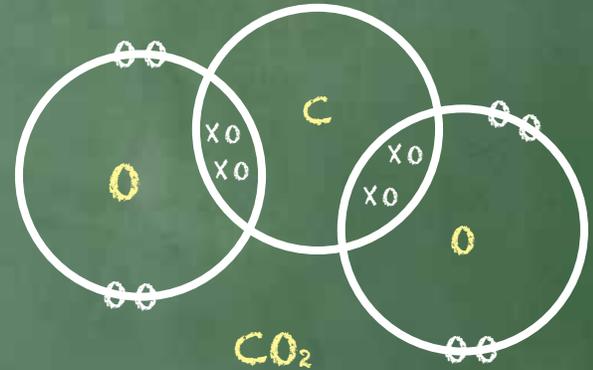
C - Plant Threshold



D - Carbon Principles /  
Monitoring and Evaluation



F - None



										He
										2
B	C	N	O	F	Ne					
5	6	7	8	9	10					
11	12	13	14	15	16					
Al	Si	P	S	Cl	Ar					
13	14	15	16	17	18					
19	20	21	22	23	24					
K	Ca	Sc	Ti	V	Cr					
19	20	21	22	23	24					
25	26	27	28	29	30					
Ga	Ge	As	Se	Br	Kr					
31	32	33	34	35	36					
37	38	39	40	41	42					
Rb	Sr	Y	Zr	Nb	Mo					
37	38	39	40	41	42					
43	44	45	46	47	48					
In	Sn	Sb	Te	I	Xe					
49	50	51	52	53	54					
55	56	57	58	59	60					
Ba	La	Ce	Pr	Nd	Pm					
56	57	58	59	60	61					
62	63	64	65	66	67					
Pb	Bi	Po	At	Rn						
82	83	84	85	86						
87	88	89	90	91	92					
Fr	Ra	Ac	Th	Pa	U					
87	88	89	90	91	92					
93	94	95	96	97	98					
93	94	95	96	97	98					
99	100	101	102	103	104					
Es	Fm	Md	No	Lr						
101	102	103	104	105						
105	106	107	108	109	110					
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117	118	119	120	121	122					
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147	148	149	150	151	152					
147	148	149	150	151	152					
153	154	155	156	157	158					
153	154	155	156	157	158					
159	160	161	162	163	164					
159	160	161	162	163	164					
165	166	167	168	169	170					
165	166	167	168	169	170					

## Sector Exclusion

The bank has developed a policy with complete sector exclusion of all companies operating coal-fired power plants in its lending and investment banking as well as its asset management.

## Zero Emissions

The bank has developed its own policy to include:

- A commitment to zero carbon emissions across its portfolio
- Policy publicly available, alongside other environmental policies
- Regular, public reporting on policy implementation

This must apply to its lending and investment banking as well as its asset management.

## Decarbonization

The bank has developed its own policy to include:

- A commitment to reduce carbon emissions across its portfolio
- Policy publicly available, alongside other environmental policies
- Regular, public reporting on policy implementation

This must apply to its lending and investment banking as well as its asset management.

## Plant Threshold

The bank has developed its own policy to include:

- A stated emissions performance standard: specific limits for the quantity of CO<sub>2</sub> emissions per unit of electricity generated by coal-fired power plants in the operating company's fleet
- Policy publicly available, alongside other environmental policies
- Regular, public reporting on policy implementation with case studies

This must apply to its lending and investment banking as well as its asset management.

## Carbon Principles

The bank is a signatory to the 'Carbon Principles.'

## Monitoring & Evaluation

The bank has made a public commitment to monitor and evaluate this sector (companies operating coal fired power plants).

## None

The bank is active in this sector, but has no specific investment policy for this sector/issue.

***A. CFPP BANK GRADES IN FOCUS***

<b>POLICY</b>	<b>GRADE</b>	<b>BANK</b>
<b>Sector Exclusion</b>	<b>A</b>	
<b>Zero Emissions</b>	<b>A</b>	
<b>Decarbonization</b>	<b>B</b>	<b>OPIC</b>
<b>Plant Threshold</b>	<b>C</b>	<b>WestLB</b>
<b>Carbon Principles</b>	<b>D</b>	<b>JPMC, BoA, Citi, MS, WF</b>
<b>Monitoring &amp; Evaluation</b>	<b>D</b>	<b>Goldman Sachs (Cogentrix), GE Capital</b>
<b>None</b>	<b>F</b>	<b>PNC, Goldman Sachs (other)</b>

***BANK EXPOSURE TO THE DIRTIEST COAL-BURNING UTILITY COMPANIES  
(BLOOMBERG RESEARCH)***

	<b>BofA</b>	<b>Citi</b>	<b>GE</b>	<b>GS</b>	<b>JPMC</b>	<b>MS</b>	<b>PNC</b>	<b>WF</b>
<b>Ameren</b>	X				X			
<b>AEP</b>		X		X	X	X		X
<b>Berk H</b>	X			X	X			X
<b>DTE</b>	X	X			X			
<b>Duke</b>	X	X		X	X	X	X	X
<b>Edison</b>	X	X			X	X		X
<b>EFH</b>	X	X		X	X	X		
<b>Entergy</b>		X		X	X	X		X
<b>NRG</b>	X	X		X	X	X		
<b>Southern Company</b>	X	X		X	X	X		X
<b>TVA</b>	X				X	X		X

# VI. EMERGING RISK: WEST COAST COAL EXPORTS

As the U.S. begins to shift away from carbon-emitting coal-fired power plants, coal producers are gearing up to ship more of the fuel overseas.

The Pacific Northwest is at a crossroads. Global coal companies are seeking permits to build at least seven coal export terminals in Washington and Oregon – currently four along the Columbia River, two on the Coast and one on the banks of the Puget Sound. If all of these terminals were built, more than 150 million tons

of coal annually would travel through Washington, Oregon, Montana and Idaho. Some Northwest communities could see as many as 60 coal trains each a mile-and-a-half long rolling through town every day. Communities all along the rail corridor and at the terminal sites have serious concerns about the coal dust, diesel pollution, traffic congestion, safety, noise, and the disruption to daily commerce and quality of life that would follow from construction of these facilities.

## A. BANK EXPOSURE TO EXPORT TERMINAL DEVELOPMENTS

Bank exposure to companies pursuing export terminal developments (Bloomberg research)

	BofA	Citi	GE	GS	JPMC	MS	PNC	WF
Arch	X	X			X	X	X	X
Carrix								
Kinder	X	X		X	X	X		X
Peabody	X	X				X	X	X

## B. COAL EXPORT CASE STUDY: PORTLAND AND LOS ANGELES

Two large west coast cities have gambled and lost on coal export terminals. With high hopes for big profits, both Los Angeles and Portland invested millions of dollars and high-value acreage at their ports in coal export terminals, only to watch those facilities fail.

During a coal rush in the 1980s, the Port of Portland signed a 25-year lease with Pacific Coal, committing 90 acres of riverfront to the project. After investors and the Port spent \$25 million dollars on the new facility, not one lump of coal was ultimately shipped from the Port of Portland. Investors and public officials had been fooled by an over-hyped estimate of Asian demand that bottomed-out.

Despite its knowledge of the failure of the Portland project, the Port of Los Angeles forged ahead to develop a large coal export facility in the 1990s, partnering with Peabody Energy and a large consortium of investors. Just six years after it opened, the facility shut down due to unfavorable market conditions, forcing the City of Los Angeles to forfeit \$94 million in expected revenue and write off \$19 million in capital investment in the facility. Finally, the city had to pay a \$28 million settlement to resolve a lawsuit that alleged that the city had failed to consider alternate uses for the site and had improperly managed it.

## C. COMPANIES INVOLVED IN WEST COAST EXPORT PROPOSALS

### *Arch Coal / Ambre*

In 2012, Ambre will begin exporting upwards of two million tons of coal out of the Texas port of Corpus Christi. Ambre, along with New Elk Mining Company, a subsidiary of Cline mining, are considering joining forces to propose a new bulk terminal that will solely export coal, capable of handling upwards of 20 million tons of coal annually starting in 2017.

Ambre Energy is also planning to construct a facility on the Columbia River in eastern Oregon that will transfer coal from rail to barges, which will then be towed downriver to be exported at Port Westward. The company says that the system will be capable of handling eight million tons of coal per year.

*SSA Marine* was founded in 1949 and is today one the largest marine operators in the world. When it changed the name in

2003, it created a new company, *Carrix, Inc.*, which is currently the parent company of SSA. SSA is a \$1 billion a year, family-owned company with over 10,000 employees and a long history of anti-labor union activity.

In 2011, SSA Marine created a subsidiary, Pacific International Terminals, to develop the Gateway Pacific Terminal, a proposed coal export terminal at Cherry Point near Bellingham, Washington. In February 2011, SSA Marine applied for state and federal permits for the \$500 million terminal. If approved, the terminal would begin construction in early 2013 and operations in 2015. SSA Marine and partner Peabody Energy plan to export up to 24 million metric tons of coal per year from the terminal, railing coal from the Powder River Basin in Montana and Wyoming through the Gateway Pacific Terminal to Asian markets. If completed, the terminal is expected to have the capacity to export as much as 54 million tons of coal annually.

*Peabody Energy* is the largest private-sector coal company in the world. In 2010, the company sold 246 million tons of coal and had total revenue of \$6.9 billion. The company claims that it fuels approximately 10 percent of the electricity generated in the United States and two percent of electricity generated throughout the world. It states that it has nine billion tons of proven and probable coal reserves.

On February 28, 2011, Seattle-based SSA Marine announced it had entered into an agreement with Peabody Energy to develop the Gateway Pacific Terminal. According to Peabody, the terminal would serve as the West Coast hub for exporting Peabody's coal from the Powder River Basin to Asian markets.

*Kinder Morgan Energy Partners, L.P.* (KMP) is a pipeline transportation and energy storage company in North America with more than 37,000 miles of pipelines and 180 terminals transporting gasoline, natural gas, and CO<sub>2</sub> for enhanced oil recovery projects. Its terminals handle coal, petroleum coke, and steel products. Kinder Morgan, Inc. (NYSE: KMI), an American energy transportation and storage company, owns KMP.

In late April 2011, Kinder Morgan Energy Partners stated that the company would begin exporting Colorado mined coal through its bulk terminal at the Port of Houston in Houston, Texas. According to its first quarter earnings report, Kinder wrote that it had signed an agreement with a "large western coal producer," and would invest about \$18 million to expand the ship channel facility. Kinder stated that it would be the first time Western coal would be exported from the Port of Houston. The company is also planning a seven million ton per year expansions of coal export facilities at the Charleston, SC Shipyard River Terminal and at the Fairless Hills Terminal in Philadelphia, PA in 2011.

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### *Endnotes*

1 Where 2 or more companies have merged or combined, we have counted the total production figures of all the composite companies towards the total for the company that existed as of March 1 2012.

2 <http://environment.bankofamerica.com/policies-and-practices/climate-change.html>

3 <http://www.usace.army.mil/Missions/CivilWorks/RegulatoryProgramandPermits/NationwidePermits.aspx>

4 <http://www.osmre.gov/topic/StreamProtection/StreamProtectionOverview.shtm>

5 <http://rampscampaign.org/tree-sit-concludes-after-thirty-days-of-blocking-work-on-coal-river-mountain/>

6 [http://www.banktrack.org/show/pages/banks\\_and\\_financed\\_emissions](http://www.banktrack.org/show/pages/banks_and_financed_emissions)

### *Photo Credits*

Rich Clement; iStock; Kent Kessinger/Appalachian Voices/Southwings; Library of Congress; morguefile; Nell Redmond; Vivian Stockman/OHVEC

# VII. CONCLUSION AND RECOMMENDATIONS

As this report reveals, most of the banking sector coal policies reviewed focus solely on the financial risks posed by coal. However, this report urges the country's leading banks to take serious their climate and energy leadership, and the increasing environmental and health risks posed by their energy investments. The policies reviewed in this report reveal that there is no lack of words spent by banks on how to deal with the climate and environmental health risks of the coal industry; what is lacking are serious policies that are implemented in earnest. Continuing to be a major financier of coal is not going to save banks' hard-won reputations, support their long-term financial stability or protect our climate.

The first step is for banks to assess and report on the carbon emissions associated with their loans. The methodology for this already exists<sup>6</sup>. The second step is for banks to establish ambitious emission reduction targets across their lines of business. Our organizations are committed to working with the banking sector to achieve these.

Rainforest Action Network and the Sierra Club advocate the following policies for all financial institutions:

- No financing for companies pursuing new coal-fired power plants and life extending retrofits of existing coal-fired power plants.
- No financing for companies engaged in mountaintop removal coal mining.
- No financing for companies pursuing coal export infrastructure.
- Shift the balance of energy financing to support renewable energy generation and energy efficiency that is less threatening to our health and environment.





[RAN.org](http://RAN.org)



[BankTrack.org](http://BankTrack.org)



[SierraClub.org](http://SierraClub.org)