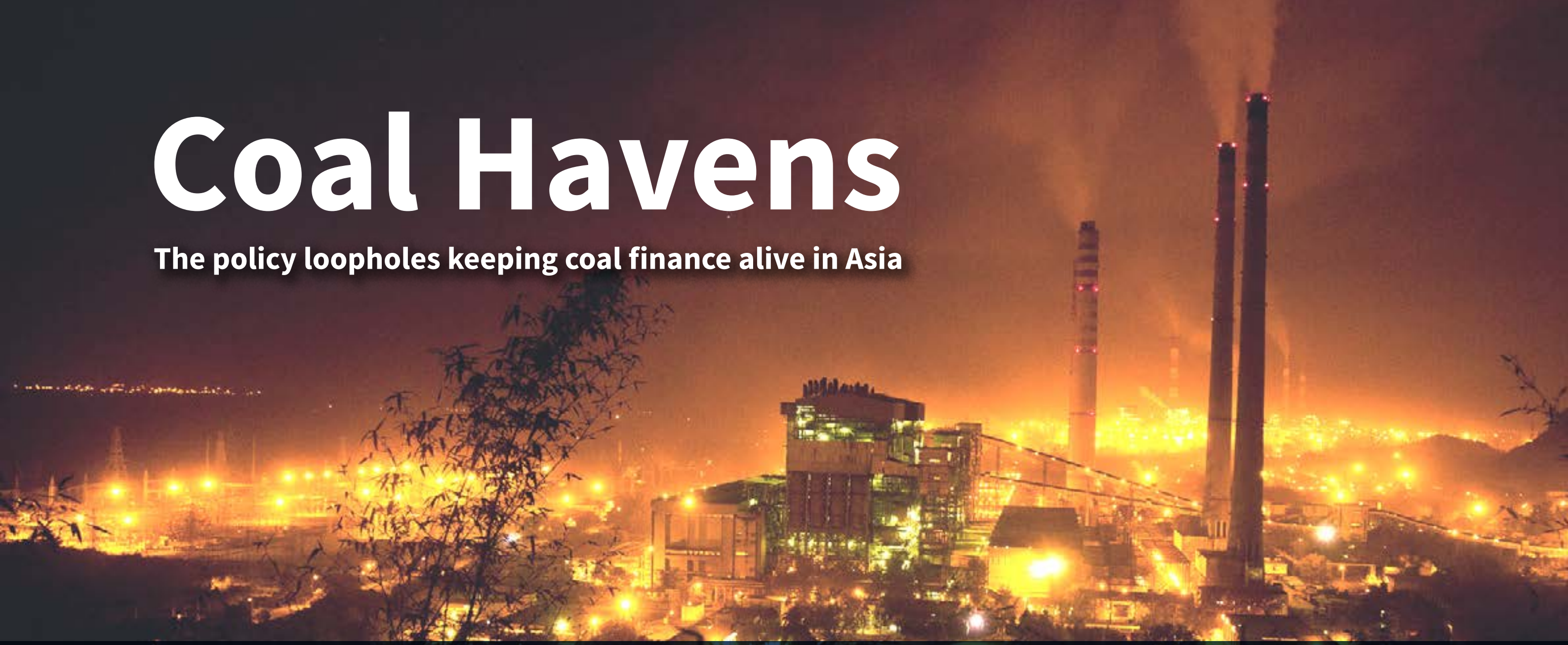


# Coal Havens

**The policy loopholes keeping coal finance alive in Asia**

January 2024

BANKTRACK

## Executive summary

The struggle to end the global reliance on coal is in its final stretch. At COP28 in Dubai in December 2023, significant national commitments on coal phase-out were announced. The US was among a group of new countries that committed to a moratorium on new coal, and France launched an initiative to plan and finance a faster global coal phase-out.

But, also in December, the International Energy Agency (IEA) said that it is still unclear when and how fast coal consumption will decline after a likely peak this decade. It also identified Asia as the “growth engine” for coal, where demand and supply for the fossil fuel is most resistant to the energy transition.

This briefing paper was therefore informed by two truths about the story of coal’s decline: first, that the vast majority of the remaining coal power is located in Asia and, second, that the availability of finance from banks and other lenders is a key factor in the development of coal power projects. The paper aimed to (1) survey the most prominent locations, types of finance, and types of coal power development that are keeping coal alive across Asia and (2) to make informed demands to financial institutions for their coal exclusion policies, so that the end of coal can be brought about as quickly as possible.

**We find that:**

1. the role of **captive coal power** is growing, especially in Indonesia;[1]
2. financiers are increasingly providing **corporate finance** in place of project finance; and
3. the role of international banks in coal asset transactions is waning, in place of **domestic and regional financiers and private equity**.

**We therefore demand that:**

- Banks adopt exclusion policies for project financing that covers *all* coal mining and power projects (including important loopholes like captive coal power);
- Banks adopt coal policies that exclude corporate finance for companies on urgewald’s Global Coal Exit List (GCEL), acknowledging that all coal expansion is incompatible with a 1.5ºC world; and
- Regional and domestic banks adopt the first two policies above, as well as a full, global and robust coal phase-out plan by 2040, that is consistent with Reclaim Finance’s prescriptions.

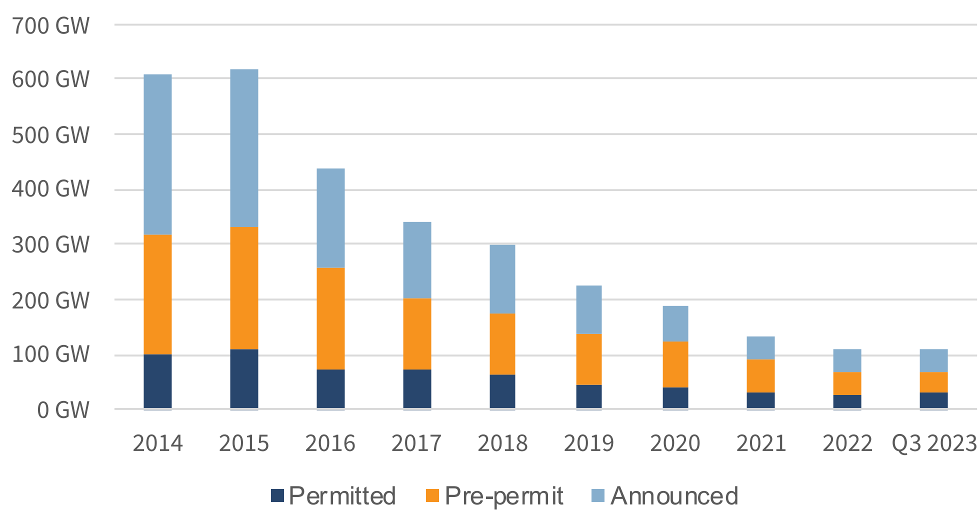
## Introduction

The International Energy Agency (IEA), United Nations and others have emphasised that ceasing the development of new coal infrastructure is the most urgent policy priority of corporations and states committed to the Paris Agreement's 1.5ºC target. But signals from markets and policymakers about coal's future as a fuel are contradictory.

The outlook is disastrous from the perspective of our climate. According to the IEA, every year since 2020 has broken records for global coal demand. Demand rose to 8.3 billion tonnes in 2022, and is set to be the same in 2023. Of the 1,400 companies on Urgewald's Global Coal Exit List, a database capturing coal companies operating across the entire coal value chain, only 71 have announced coal exit dates and 577 are still expanding their operations. Coal companies are "failing the phase-out", according to Urgewald. Financial support for coal is even persistent at multilateral development banks.

Yet at the same time, the construction and financing of coal are inexorably declining (see figure 1). Outside China, the world is on a sharp downward curve in terms of planning and developing coal power. According to Global Energy Monitor (GEM), global coal power capacity under development collapsed by two-thirds from about 1,500 to 500 gigawatts (GW) between 2014 and 2019. However, capacity has then oscillated around 500GW since 2019 because China and, to a lesser extent, other Asian countries have increased their total coal capacity at a faster rate than the rest of the world is phasing it out. As of January 2024, 101 countries have explicitly committed to cease coal power development or have no coal power development plans in the past decade. Over 200 financial institutions around the world have set a policy restricting coal, as of May 2023. OECD and EU countries have seen a 90% drop in planned coal capacity since 2015, including no new coal developments since 2019, while Southeast Asia has dropped 86%. Research highlights how new coal projects are struggling to find finance around the world. The cost, even in Southeast Asia, of financing the development and acquisition of coal assets is rising substantially. Global criticism of coal and its climate and health impacts as a fuel has risen for decades. "No new coal" is a simple, and widely-adopted slogan.

**Figure 1: Coal-fired power capacity proposed outside China since 2014**

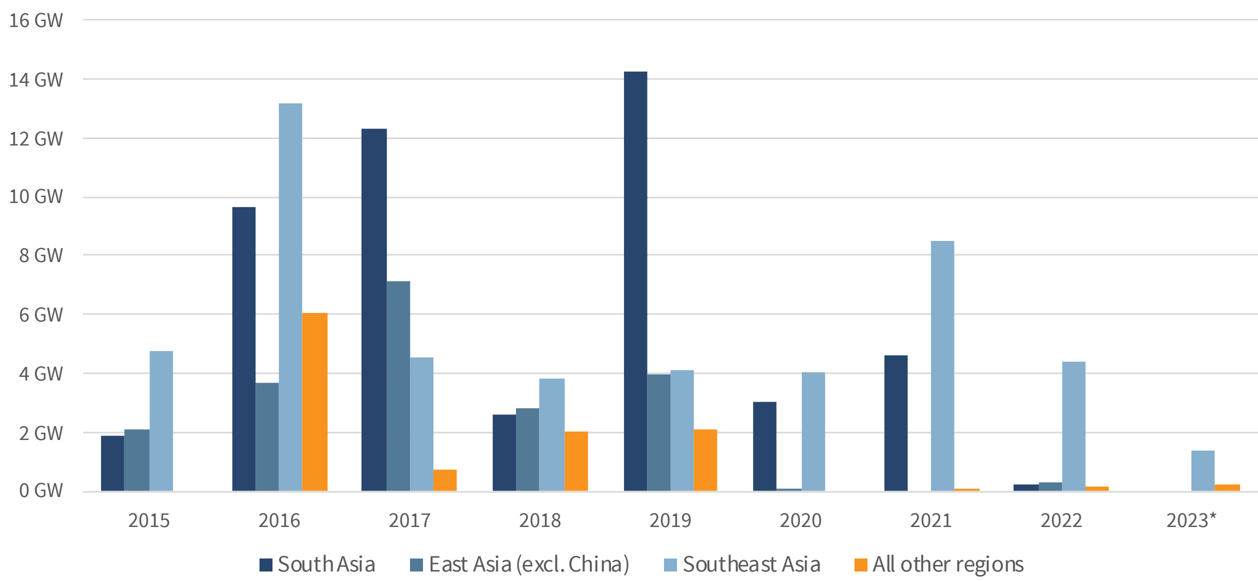



Source: Global Energy Monitor, Global Coal Plant Tracker, October 2023 Supplement release, link.

**This briefing draws attention to the coal financiers resisting the energy transition in some of the largest hotspots for coal expansion in the world, with a focus on Indonesia, the Philippines, South Korea, Singapore and India.** Although China dwarfs the rest of the world in terms of coal power financing and generation capacity in the pipeline,[2] these countries in South, East and Southeast Asia are the most notable areas of coal power outside that. According to the Glasgow Financial Alliance for Net Zero (GFANZ), the Asia-Pacific region "accounts for around half of global GHG emissions, of which the largest contributor is power generation at ~40% of APAC's GHG emissions".[3] As GEM notes in its annual review of coal power expansion, 14 countries commissioned new coal power in 2022. China accounted for 59% of that, with most of the remaining expansion taking place elsewhere in Asia, including 16% in South Asia (India, Pakistan, and Bangladesh), 11% in Southeast Asia (Vietnam, Philippines, Indonesia, Cambodia), and 9% in east Asia (Japan and South Korea). Coal provides about half of all power generated in the region.[4]

Finally, the IEA forecasts that coal power usage up to 2025 will grow more in Southeast Asia (14%) than in India (7%) or China (5%), and it describes Indonesia and Vietnam as places where coal dependency is high and transitions are likely to be challenging. New construction starts on coal plants since GEM data began in 2015 are on track for a record low this year (outside China), but most of those are in Asia (see figure 2). National policies on coal are hugely important in shifting coal markets in Asia, where state ownership of banks and coal developers is relatively high. These policies have crept in the right direction over the past two decades (see box 1), but the progress has still been woefully inadequate.

**Figure 2: Construction starts outside China have been overwhelmingly in the rest of Asia since 2015**




Source: Global Energy Monitor, Global Coal Plant Tracker, October 2023 Supplement release, link.

*Capacity figures for 2023 is data from the first 9 months of 2023. Countries: South Asia (Bangladesh, India, Pakistan), East Asia (Japan, Mongolia, North and South Korea & Taiwan, excl China), Southeast Asia (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Thailand, Vietnam).


**Asian People's Movement on Debt and Development (APMDD) protest against 's coal finance**
Source: Victor Barro on Flickr (CC BY-NC-ND 2.0)

Globally, coal finance datasets tell us that project finance is waning, but that general corporate finance to coal developers is relatively stable. Project finance has hit a 12-year low outside of China, according to GEM's Global Coal Project Finance Tracker. For every $1 of coal project financing that reached final investment decision in 2022, $14 was abandoned. Nevertheless, while a decreasing number of project finance deals are reaching financial close, USD $17.8bn was still earmarked for coal power projects as of October 2023. And the Banking on Climate Chaos 2023 report found that the world's 60 largest banks lent and underwrote USD $154bn and USD $260m, respectively, to the world's top 30 coal mining and coal power companies alone, since the Paris Agreement was signed in December 2015.

Next to commercial banks, the role of **international finance institutions (IFIs),** or public development banks is also pivotal in the energy transition. These IFIs must also ensure that their financial intermediaries – third parties including banks that receive IFI finance and lend money on – do not exploit loopholes in those policies by continuing to finance coal projects and developers.

### Box 1: Ending coal in Southeast Asia: national policy changes

- In October 2020, the **Philippines** announced no new permitting of coal power.
- In April 2021, **South Korea** announced an end to state-backed foreign coal finance.
- In May 2021, **Japan** joined the rest of the G7 to announce the same moratorium on foreign coal financing.
- In 2021, the year of its G20 presidency, **Indonesia** announced its Joint Energy Transition Partnership (see below), a USD $20bn fund for the phase-out of the country's coal-fired power plants (CFPP).
- Also in 2021, **Indonesia** committed to reach net zero emissions by 2060, announced a commitment to no more unabated coal power beyond 2040, which excluded captive coal power, and directed the state utility, PLN, not to build any more coal power beyond what was in the pipeline.
- In May 2022, **South Korea**'s electric utility KEPCO followed national policy and announced that it will sell all its CFPP assets outside its home country.
- In August 2022, the **Philippines'** new administration reaffirmed the previous government's ban on new coal power.

This briefing first explores three important "havens" of coal finance, or ways coal is continuing to receive bank finance in Asia; these havens are captive coal, corporate finance and regional financiers. It then presents evaluations of the coal exclusion policies of 32 financiers, on the basis of being major coal financiers in the region or because they exploit these havens. The paper concludes by reiterating its key demands of banks.

## 1. The captive coal power loophole

Indonesia is Southeast Asia's largest emitter of CO2 and one of the largest in the world. Coal is the primary driver of this within the energy sector. But a new and important part of its coal power pipeline is captive coal: coal power plants and units being developed to feed power to industrial facilities such as aluminium and nickel smelters, and not connected to national grids.

Indonesia is the world's top producer of nickel, much of which is smelted and refined for use in electric vehicle batteries using coal-fired power.[5] Captive coal power accounts for a quarter (10.8GW) of Indonesia's current electricity generation capacity, but three quarters (14.4GW) of its total planned new coal capacity (18.8GW). This shows the expanding role for non-grid coal power in the country's industrial plans, and why the Centre for Research on Energy and Clean Air (CREA) has called captive coal plants the "dark clouds on Indonesia's clean energy horizon".

The most prominent recent example of this trend came in May 2023, when financial close was reached for Adaro's North Kalimantan aluminium smelter captive coal project. The project will be financed by Indonesia's four largest Indonesian banks – Bank Central Asia (BCA), Bank Mandiri, Bank Negara Indonesia (BNI) and Bank Rakyat Indonesia (BRI). It is a large 1.1 GW proposed captive coal power plant that will be used to smelt aluminium. Adaro, the developer, defends the environmental sustainability of the project by claiming the coal power phase is just preliminary, and will be replaced by hydropower by 2030. GEM estimates that 5.2 megatonnes of CO2 will be emitted by the coal power plant supplying the smelter with energy in the first two phases of the project before hydropower takes over.

**There is a risk of captive coal power becoming a major refuge for coal finance and development, particularly in Indonesia.**

**Adaro's South Kalimantan coal mine**
Source: Mining Advocacy Network (Indonesia) - JATAM

Outside Indonesia, captive coal is increasingly being represented among the coal plants that are clearing bureaucratic hurdles in India. In 2022, no new non-captive coal plants received environmental clearance. But JSW Steel's fiercely opposed Utkal steel plant captive coal power facility received environmental clearance in 2022, the Bodal captive plant in Gujarat, India broke ground, and the Malibrahmani captive plant was projected to provide power to a steel plant in Angul imminently.

### Box 2 – Public and transition finance: accepting captive coal?

Two cases show how captive coal is emerging as a common and significant caveat to financiers' coal phase-out plans. The first is the Joint Energy Transition Partnership (JETP) deliberations and the second is the International Finance Corporation's (IFC) approach to encouraging its equity clients to reduce exposure to coal.

Firstly, spearheaded by the UK in advance of its hosting of COP26 in 2021, JETPs are a nascent mechanism for accelerating the decarbonisation of countries with high reliance on fossil fuels, using finance from industrialised nations, commercial banks and development finance institutions. Indonesia was one of the first countries to have a JETP announced but it has faltered because of debate within the JETP secretariat on whether or not to include data on captive coal power generation. If included, this data would significantly increase estimates of Indonesia's projected emissions, making the JETP's original decarbonisation targets much more difficult to meet. The plan released in November 2023 ultimately excluded captive power (while recognising it as a loophole and saying it will be included in emissions models in future iterations of the policy). At the same time, Indonesia's financial regulator, the OJK, is reportedly considering giving the cleanest label in its green taxonomy to finance for captive coal power.

Secondly, a major captive loophole has been identified in the sustainability policies of the World Bank's private sector lending arm, the IFC. The IFC has adopted a "Green Equity Approach", its approach to working with financial intermediary clients, in which IFC purchases an equity stake, to encourage them to reduce exposure to coal-related projects over time. The GEA commits the IFC's equity clients to reduce their exposure to coal-fired power projects to near-zero by 2030 (and, as of 2023, to no longer provide project finance for new coal power projects). However, this "*excludes* captive coal-fired power plants used for industrial applications such as mining, smelters, cement or chemical industries, etc."

In these cases, private finance institutions and multilateral banks are essentially carving captive coal power out of their definition of coal, even as they say that coal needs to be left behind. The result is that captive coal power risks being tacitly accepted in the future of Indonesia's energy landscape, and could be setting a precedent for other countries where JETP's have been or are being adopted. Further, given that an explicit aim of both the JETP and the IFC is to spur private transition finance with "catalytic", trend-setting and low-interest public finance, private financial institutions may take those signs and follow suit, compounding the effect of this loophole. This may include the international commercial banks that are part of GFANZ and the JETP process, including **Bank of America**, **Citi**, **Deutsche Bank**, **HSBC**, **Mitsubishi UFJ Financial Group (MUFG)** and **Standard Chartered**, as well as domestic Indonesian banks and regional lenders.

Captive coal plants comprise 24% of all under-construction coal projects outside of China, according to GEM. While captive coal may not currently account for the majority of the global coal power pipeline, it has the potential to be the quintessential "haven", for four reasons. Firstly, developers and financiers have falsely presented it as "sustainable", because it is often used for industrial processes that in part support renewable energy development. They use this to advocate for its entrenchment. For example, Indonesia has a power pipeline with 20GW of captive coal, largely to power smelters for nickel which, once processed, will be destined for electric vehicle batteries and hydropower and geothermal facilities. According to the think-tank CELIOS, using coal power to process nickel nullifies any contribution to renewable energy deployment, when the paramount goal for decarbonising the global energy mix is the phase-out of coal as a power source.

Secondly, captive coal receives less scrutiny off of national grids. Being used for specific industrial purposes, it is often owned and operated by independent, private companies whose industrial processes it is powering, rather than the national power providers of grid electricity, who face comparatively greater scrutiny. Third, as described in box 2, it already has a foothold in both private and public financiers' coal policies.[6] Finally, captive coal power is actively expanding and attracting new financing.

**Demand #1**

Banks must urgently adopt exclusion policies for project financing that covers all coal projects (including coal power and mining projects, and loopholes like captive coal power projects).


**Grassroots protesters (Piglas Pilipinas and APMDD) of Asian Development Bank finance for dirty energy**
Source: 350.org via Flickr. (CC BY-NC-SA 2.0)

## 2. Corporate over project finance

Project finance for coal power has been severely curtailed in recent years. Last year, finance for coal projects outside China reached a 12-year low; only USD $544m reached close in 2022 (compared to a recent peak in 2017 of USD $39bn). All of this money came from Asian banks highlighted in the policy analysis section below.[7] A high-profile example of multi-year struggles to secure project financing was the large, 2GW Samcheok coal power station in South Korea. The North Kalimantan aluminium smelter in Indonesia, highlighted above, is another case in which the search for committed project finance became desperate for the developers. In comparison, corporate finance for coal developers has been booming.

One of the biggest and most common loopholes in coal policies adopted by banks is the continuation of corporate finance: banks commit not to give any loans for specific coal-fired power projects or mines, but leave open the possibility of corporate finance to the developers of those same projects.[8] This is in spite of the fact that corporate finance accounts for the vast majority of the money that has been provided to coal since 2016, according to the Banking on Climate Chaos report. Banks continue to finance the value chains for coal, oil and gas companies via substantial amounts of general purpose corporate lending and capital markets facilitation (that is, underwriting or managing the sale of bonds issued or shares sold by those companies). **It is therefore essential to the coal phase-out – and climate mitigation – for banks to restrict corporate financing for coal developers**, including both general-purpose lending and bond underwriting**.**

**In the landscape of finance for coal power, project finance is "virtually dead" in comparison to corporate finance and bond underwriting.**

In the Philippines, the Centre for Energy, Ecology and Development (CEED) has noted in its Withdraw from Coal report that domestic financiers' support for the coal industry has undergone a significant recent change in this regard: while bond underwriting accounted for 28% of financing to coal developers from 2009 to 2020 (compared to 72% in direct loans and project finance), that split has practically reversed since 2020, with bonds accounting for 83% of all finance by domestic Filipino banks. San Miguel Corporation, a Filipino conglomerate and one of Southeast Asia's largest LNG and coal expansionists, was also identified as having dramatically increased its revenue from bond issuances, many of which have been supported by devoted and loyal international banks like **Bank of America**, **HSBC**, **JPMorgan Chase**, **MUFG**, **Sumitomo Mitsui Banking Corporation (SMBC)**, **Standard Chartered** and **UBS**. Domestic banks, including some of the largest like **BDO Unibank**, **Bank of the Philippine Islands (BPI)** and **Rizal Commercial Banking Corporation (RCBC)**, have also participated.

**Banten Suralaya coal plant in Indonesia, site of the Java 9 & 10 plant expansion**
Source: Market Forces

One side-effect of a shift towards corporate finance for coal is the increasing opacity of that money. As money is fungible, when it is provided to companies with diverse interests it becomes difficult or impossible to trace how it is spent. This means that it is difficult to identify the end use of general purpose corporate lending to San Miguel Corporation, for example, with its sprawling commercial interests ranging from beer and batteries to LNG and coal.

Even when banks underwrite so-called "sustainability-linked bonds", or bonds that have favourable financial characteristics for the issuing company that are contingent on meeting sustainability criteria, a high-profile case shows that banks must still rigorously enforce their policies on capital markets facilitation. Sembcorp, a Singaporean energy and infrastructure company, used financial engineering (namely, shifting coal assets from operational emissions to financed emissions) to ensure that it avoided an interest payment increase to its investors, an in-built provision of the "sustainability linked bonds" it has issued. This cut Sembcorp's reported absolute emissions in half, while remaining exposed to the plants. So, even when a bank underwrites a sustainability-linked bond, its money could continue to support a coal developer.

And while domestic and regional financiers in Southeast Asia still have appetite for project financing, as noted above, international lenders remain heavily involved in corporate financing in the region. According to the Toxic Bonds Network, which collects data on USD and euro-denominated bonds, coal developers across South Korea, Indonesia, India and China have relied on banks to underwrite their bond issuances to raise capital for their coal empires.[9] The Indonesian state utility PLN has 16 bonds outstanding, worth almost USD $11.5bn, the South Korean state utility KEPCO has 14 bonds worth USD $5bn and Indonesia's largest coal company by market capitalisation, Adaro, has a USD $750 million bond. In India, the Adani Group has 15 bonds worth USD $7.8bn outstanding, and has relied on its most loyal financiers of **Barclays** and **Standard Chartered** to continue underwriting those issuances, propping up the company's vast and corrupt coal infrastructure. The Power Finance Corporation, mentioned above, has 10 bonds outstanding worth USD $4.5bn.

### Table 1: Selection of relevant bond issuers from the Toxic Bonds Network's Dirty 30 list, as of November 2023

| Bond issuer | Country | Outstanding bonds | Total across all outstanding bonds (USD) | Soonest maturity date | Arrangers-/ underwriters |
|---|---|---|---|---|---|
| KEPCO | South Korea | 14 | $5.1bn | 24 June 2024 | **Bank of America, Citigroup, Crédit Agricole, Goldman Sachs, HSBC, JPMorgan, Mizuho, Standard Chartered, UBS** |
| PLN | Indonesia | 16 | $11.5bn | 25 Oct 2025 | **ANZ, Bank Mandiri, Bank of America, Bank of Asia, BNP Paribas, Barclays, Citigroup, Crédit Suisse, HSBC, MUFG, Standard Chartered, UBS** |
| Adaro[10] | Indonesia | 1 | $750m | 31 Oct 2024 | **Citigroup, DBS, MUFG, OCBC, UBS** |
| Adani Group | India | 15 | $7.8bn | 8 Sept 2024 | **Axis Bank, Bank of America, Barclays, BNP Paribas, Citigroup, Crédit Suisse, DBS, Deutsche Bank, Emirates NBD, Intesa Sanpaolo, JPMorgan, Mizuho, MUFG, SMBC, Société Générale, Standard Chartered, State Bank of India, UBS, Yes Bank** |
| Power Finance Corporation (PFC) | India | 10 | $4.5bn | 18 June 2024 | **Barclays, MUFG, State Bank of India, Standard Chartered** |

All of these companies have bonds maturing in 2024 or 2025. Maturity dates are key moments for the banks underwriting those bonds to withdraw their support, before being locked back into decades-long capital markets arrangements.

**Demand #2**

Banks must urgently adopt policies excluding general corporate finance, bond underwriting and other financial services for coal developers, first and foremost the 577 companies identified on Urgewald's GCEL as having coal expansion plansv.

## 3. The importance of domestic and regional financiers and private equity

While corporate finance is still flowing in great quantities from lenders around the world, coal project finance has suffered from worsening financial evaluations. The financiers that are stepping in at this point are regional banks and national banks, but also opaque private equity investors.

> **As international criticism for coal heightens and projects become less attractive investments, private equity and domestic and regional banks are stepping in.**

The recently-financed and staunchly-opposed North Kalimantan aluminium smelter captive coal power plant is an illustrative case. The Financial Times reported on the range of international financiers that had committed not to finance Adaro because of their pre-existing climate commitments. International banks that had been rumoured to have been interested or approached by Adaro but who ultimately declined to participate included **Deutsche Bank**, **Standard Chartered**, ING, Commerzbank, **DBS**, and **BNP Paribas**. Adaro struggled to raise money given this lack of appetite, but ultimately succeeded after falling back on the four largest Indonesian banks – **Bank Central Asia (BCA)**, **Bank Mandiri**, **Bank Negara Indonesia (BNI)** and **Bank Rakyat Indonesia (BRI**), alongside **Permata Bank**, a subsidiary of **Bangkok Bank**.

Separately, analysis from the Anthropocene Fixed Income Institute (AFII), a bond market and climate focused financial think-tank, has pointed out the prominence of domestic and regional financiers in both coal power and mining in Asia-Pacific. For example, they found that finance for Indonesia's coal mining was overwhelmingly being provided by regional and domestic banks; in particular, Singaporean banks **UOB**, **OCBC** and **DBS**, and Malaysian banks **CIMB** and **Maybank**, had strong and close relationships with Indonesian mining companies Adaro, Bumi, Indika and Bayan. Related to the first section of this briefing, **OCBC** and **DBS** are financing Harita Nickel and its 114 megawatt (MW) captive coal power plant on Obi Island. In summary, AFII states, "Coal exclusions from international banking institutions have resulted in almost non-existent lending relationships with the coal mining sector in Indonesia, which is now mostly serviced by regional banks from Singapore and Malaysia and domestic institutions in Indonesia."

This trend is also present in another AFII paper about how the ownership of coal assets is increasingly shifting to opaque and unaccountable private equity – and away from public institutions like state utilities. Specifically, domestic and regional banks are being relied upon by private equity buyers of coal power and mining assets, which are increasingly unattractive to investors that see them as stranded assets. For example, in 2022, BNI and **Bank Mandiri** financed Indonesian coal company Astrindo's takeover of the coal assets of the Thai PTT Group, while the Bank of the Philippine Islands and Rizal Commercial Banking Corporation loaned USD $234m for the refinancing of the Ayala Group's Puting Bato power station in Batangas, Philippines.

In the Indian coal mining and power sectors, the Centre for Financial Accountability (CFA) identified substantial financing by domestic and state-backed entities. Financing for thermal coal from 2005 to August 2023 came from large domestic entities like the Power Finance Corporation (USD $31bn), Rural Electrification Corporation (USD $19bn), and the **State Bank of India** (USD $9bn).

This level of financing by domestic financiers dwarfed that of even the most active international lenders in Indian coal; the top three international lenders (JBIC, or Japan's export credit agency, China Development Bank and **Standard Chartered**), by comparison, provided USD $2bn combined. Indeed, CFA's data identifies *seven and a half times* more finance provided collectively by domestic financiers (USD $86bn) for thermal coal, compared to international lenders (USD $6.5bn). Meanwhile, international lenders like **Barclays**, **Standard Chartered**, **Citi**, **Bank of America** and **DBS**, as well as the Japanese megabanks **SMBC**, **MUFG** and **Mizuho** still support India's coal baron, Adani. **Barclays** is a particularly steadfast supporter of the Adani Group, in spite of its financial turmoil and controversy – a relationship that should end for the sake of people and planet.

CEED's annual coal finance benchmarking project Withdraw from Coal also highlights a thriving financial interest in coal development in the Philippines. Virtually all of the major Filipino banks have provided robust underwriting to bond issuances by coal developers like the sprawling San Miguel Corporation.[11]

A notable point in the cases of Indonesia and India is that the domestic financiers are almost all state-owned, and therefore a significant driver of dependence on coal is national energy policy including subsidies and energy tariffs. In South Korea, the electric utility KEPCO provides an interesting case of where national policies inhibit renewable energy expansion (see box 3). Research also supports the notion that domestic policy environments are a key – if not the most important – driver of Chinese state-backed coal power investment. CREA's analysis of China's coal plant "permitting spree" identifies inefficient and reactionary state policies on coal plant permitting that disincentivise phase-out of coal assets. Similarly, Indonesia has effectively perpetuated the reliance of the state utility, PLN, on coal as a fuel source: the $70-per-tonne price cap on coal sold to the utility by domestic producers depresses coal power prices artificially and therefore also the competitiveness of renewables. This is in keeping with current global coal subsidy trends, according to the IMF: "80% of global coal consumption was priced at below half of its efficient level in 2022".

**Demand #3**

Regional and domestic banks must adopt the first two policies demanded in this report, as well as a full, global and robust coal phase-out plan by 2040, that is consistent with Reclaim Finance's prescriptions.

**Box 3 – KEPCO: how national policy influences coal finance**

National policies heavily influence the development of coal assets, and therefore the flow of finance to coal.

KEPCO is facing "an unprecedented debt crisis", according to its CEO who arrived to helm the company in September 2023. In particular, Kim flagged the importance of diversifying the energy mix of KEPCO (and therefore South Korea writ large), given the fact that imported coal and gas, subject to volatile commodities markets, were part of the reason for KEPCO's dire situation. Solutions for Our Climate calls KEPCO's overreliance on fossil fuels "the main culprit" behind its financial woes, in fact, and points out that KEPCO has a "structurally unprofitable model while continuing to invest in stranded assets at home and abroad". The state-owned utility's failure to diversify into those markets is arguably locking the company into more financial headaches.

One specific driver of this is a distorted market structure, wherein KEPCO's power generation subsidiaries are buffered from volatile coal or gas prices by a government policy that ensures KEPCO covers any of those losses. On the other hand, as 90% of renewable electricity in the country is owned by independent power producers, "for KEPCO, paying for renewables is cash going out the door, because it is going to independent renewable power producers rather than staying within the KEPCO system," according to Joojin Kim, director of Solutions for Our Climate.

**Insure out Future's #StopAdani protest at Lloyd's of London**
Source: Stop Adani via Flickr (CC BY 2.0)

## Policy evaluations

The evaluations below use the methodology adopted by Reclaim Finance for its Coal Policy Tracker. The 30 banks in table 2, together with over USD $8trn in assets under management, were chosen on the basis of their size and their historic investment in coal."

Some of the financial institutions below are already published on the Tracker (marked with an asterisk), while the rest have been evaluated solely for the purpose of this briefing. The tracker's five criteria for financiers' coal exclusion policies are "projects" (the exclusion of thermal coal mines, coal plants and coal infrastructure), "expansion" (the exclusion of all financial services to companies planning new thermal coal mines, coal plants or coal infrastructure projects), "relative threshold" (the exclusion of companies which are most exposed to the thermal coal sector, based on their share of revenues or electricity production from coal), "absolute threshold" (the exclusion of the largest thermal coal producers and largest coal plant operators) and "phase-out" (the quality of the thermal coal phase-out strategy). **Most of the financial institutions score 0 across all criteria, in other words meaning that they have no public commitment whatsoever to exclude coal from their investment portfolios.**

Among the banks that have any policy at all, they vary widely in quality and scope, from **Maybank**'s narrow exclusion of new coal power projects (2 out of 50 points) to **DBS**'s exclusion based on 50% coal revenue thresholds and its request for diversification strategies (14 out of 50), albeit the latter is still insufficient. They confirm the wider trend of financial institutions' coal policies focusing more on project finance restrictions than corporate. No study yet exists that evaluates the coal policies of all Asian financial institutions and the proportion of those with satisfactory policies.

Besides Reclaim Finance's Coal Policy Tracker, other relevant evaluations, using different methodologies, include CEED's annual Withdraw From Coal report on Filipino financial institutions and Climate Risks Horizon's Still Unprepared report on Indian banks.

**The conclusion from this analysis is that the largest and most prominent coal-financing banks in Asia outside China have either not adopted coal restrictions in their investment policies, or adopted weak restrictions that narrowly focus on project finance.**

## Table 2: Coal investment policy scores of select financial institutions across Asia.

| Bank | Country | Coal Policy Tracker scores | | | | |
|---|---|---|---|---|---|---|
| | | Projects | Expansion | Relative Threshold | Absolute Threshold | Phase-out |
| Axis Bank | India | 0 | 0 | 0 | 0 | 0 |
| Bank of Baroda | India | 0 | 0 | 0 | 0 | 0 |
| Bank of India | India | 0 | 0 | 0 | 0 | 0 |
| Export-Import Bank of India | India | 0 | 0 | 0 | 0 | 0 |
| Industrial Development Bank of India (IDBI) | India | 0 | 0 | 0 | 0 | 0 |
| Punjab and Sind Bank | India | 0 | 0 | 0 | 0 | 0 |
| State Bank of India* | India | 0 | 0 | 0 | 0 | 0 |
| Union Bank of India (UBI) | India | 0 | 0 | 0 | 0 | 0 |
| Bank Mandiri* | Indonesia | 0 | 0 | 0 | 0 | 0 |
| Bank Central Asia* | Indonesia | 0 | 0 | 0 | 0 | 0 |
| Bank Rakyat Indonesia* | Indonesia | 0 | 0 | 0 | 0 | 0 |
| Bank Negara Indonesia* | Indonesia | 0 | 0 | 0 | 0 | 0 |
| Permata Bank | Indonesia | 0 | 0 | 0 | 0 | 0 |
| Bank BTPN | Indonesia | 7 | 0 | 1 | 0 | 0 |
| SMBC* | Japan | 7 | 0 | 1 | 0 | 0 |
| Mizuho* | Japan | 7 | 0 | 1 | 0 | 0 |
| MUFG* | Japan | 7 | 0 | 1 | 1 | 0 |
| Maybank* | Malaysia | 2 | 0 | 0 | 0 | 0 |
| CIMB* | Malaysia | 7 | 0 | 0 | 0 | - ** |
| Rizal Commercial Bank of Corporation* | Philippines | 1 | 0 | 0 | 0 | 0 |
| Banco de Oro (BDO Unibank) | Philippines | 0 | 0 | 0 | 0 | 0 |
| Bank of the Philippine Islands | Philippines | 3 | 0 | 0 | 0 | 0 |
| OCBC* | Singapore | 8 | 0 | 0 | 0 | 0 |
| UOB* | Singapore | 8 | 0 | 1 | 0 | - ** |
| DBS* | Singapore | 8 | 0 | 2 | 0 | 2 |
| Hana Bank* | South Korea | 5 | 0 | 0 | 0 | 0 |
| CTBC | Taiwan | 1 | 0 | 1 | 0 | 0 |
| Bangkok Bank | Thailand | 0 | 0 | 0 | 0 | 0 |

*Already published in Coal Policy Tracker

** A dash indicates where Reclaim Finance could not give a definite score and have contacted the financial institution for clarification. https://coalpolicytool.org/

## Conclusion

1. We have identified several trends that shape the current coal landscape in Indonesia, the Philippines, South Korea, Singapore and India. Captive coal accounts for a major part of Indonesia's pipeline, and also has several features that mean it should be preempted as an entrenched destination for coal finance.
2. General corporate finance and capital markets facilitation is alive and well, where project finance is waning. Domestic financiers and private equity are increasingly stepping in to finance the projects that international lenders have fled.
3. In all of this, the most vital banks across Asia either have no coal finance restrictions at all, or have weak ones with narrow project finance screens.

### Our demands:

1. Banks must urgently adopt exclusion policies for project financing that covers all coal projects (including coal power and mining projects, and loopholes like captive coal power projects).

2. Banks must urgently adopt policies excluding general corporate finance, bond underwriting and other financial services for coal developers, first and foremost the 577 companies identified on Urgewald's GCEL as having coal expansion plans.

3. Regional and domestic banks must adopt the first two policies demanded in this report, as well as a full, global and robust coal phase-out plan by 2040, that is consistent with Reclaim Finance's prescriptions.

# Annex A: Coal policy analysis of major banks involved in Southeast Asian coal finance

## India

The CFA wrote in July 2023 that only two commercial banks in India, Federal Bank and Suryoday Small Finance Bank. The majority of the banks below, those involved in coal, are publicly-owned.

| Axis Bank | |
|---|---|
| Projects | 0 |
| Expansion | 0 |
| Relative Threshold | 0 |
| Absolute Treshold | 0 |
| Phase-out | 0 |

**Analysis and next steps:**
Everything remains to be done. The bank's ESG policy is here. Climate Risk Horizons identifies **Axis Bank** as having no coal policy.

| Bank of Baroda | |
|---|---|
| Projects | 0 |
| Expansion | 0 |
| Relative Threshold | 0 |
| Absolute Treshold | 0 |
| Phase-out | 0 |

**Analysis and next steps:**
Everything remains to be done. **Bank of Baroda**'s "Business Responsibility and Sustainable Development Manual" is here. Coal is unmentioned.

| Bank of India | |
|---|---|
| Projects | 0 |
| Expansion | 0 |
| Relative Threshold | 0 |
| Absolute Treshold | 0 |
| Phase-out | 0 |

**Analysis and next steps:**
Everything remains to be done.

| Export-Import Bank of India | |
|---|---|
| Projects | 0 |
| Expansion | 0 |
| Relative Threshold | 0 |
| Absolute Treshold | 0 |
| Phase-out | 0 |

**Analysis and next steps:**
Everything remains to be done. Coal is unmentioned in its ESG policy. Climate Risk Horizons confirms a general lack of coal policy among Indian banks, save two.

| Industrial Development Bank of India (IDBI) | |
|---|---|
| Projects | 0 |
| Expansion | 0 |
| Relative Threshold | 0 |
| Absolute Treshold | 0 |
| Phase-out | 0 |

**Analysis and next steps:**
The Indian government has attempted to divest its shares of **IDBI**. Joe Athialy at the CFA has said that the government has struggled to find bidders because of international lenders' hesitancy around **IDBI**'s significant exposure to coal. Everything remains to be done. Climate Risk Horizons confirms a general lack of coal policy among Indian banks, save two.

| Power Finance Corporation (PFC) and REC |
|---|
| These are major coal financing companies that are government-owned arms of the Ministry of Energy. According to the CFA, they are the largest financiers of coal in India, ahead of SBI. They have no coal exclusion policies. Source: https://datacorner.cenfa.org/ |

| Punjab and Sind Bank | |
|---|---|
| Projects | 0 |
| Expansion | 0 |
| Relative Threshold | 0 |
| Absolute Treshold | 0 |
| Phase-out | 0 |

**Analysis and next steps:**
Everything remains to be done. **PSB**'s environmental policy is here. Coal is unmentioned.

| State Bank of India |
|---|
| See evaluation and analysis of **State Bank of India** here. |

| Union Bank of India (UBI) | |
|---|---|
| Projects | 0 |
| Expansion | 0 |
| Relative Threshold | 0 |
| Absolute Treshold | 0 |
| Phase-out | 0 |

**Analysis and next steps:**
Everything remains to be done. **Union Bank of India**'s sustainability policy is here. Coal is unmentioned.

## Indonesia

| Bank Mandiri* | |
|---|---|
| Projects | 0 |
| Expansion | 0 |
| Relative Threshold | 0 |
| Absolute Treshold | 0 |
| Phase-out | 0 |

### Analysis and next steps

**Bank Mandiri** is the biggest bank in Indonesia, the world's largest coal exporting country, and a major coal financier (see Urgewald's Global Coal Exit List finance research, as well as investigative reporting here, here and here). The bank states that **"no exclusion policy has yet been adopted in the energy sector and Bank Mandiri continues to finance both renewable and non-renewable energy projects**" (source: OECD). When financing coal mining and power projects, the bank says it "considers" whether the financing period aligns with the Indonesian government's coal phase-out regulations (which aim for 2050 coal phase-out) (source: Bank Mandiri specific ESG sector policy, December 2022). The Indonesian government coal phase-out plan referenced above is here, with commentary here by Transition Zero. In sum, the plan aims for coal phase-out by 2050. This is 10 years later than the UN phase-out deadlines of 2040 for non-OECD countries. Everything remains to be done for Indonesia's largest coal financer.

| Bank Central Asia (BCA)* | |
|---|---|
| Projects | 0 |
| Expansion | 0 |
| Relative Threshold | 0 |
| Absolute Treshold | 0 |
| Phase-out | 0 |

### Analysis and next steps

**BCA** is Indonesia's largest non-state bank and a major coal financier (see Urgewald's Global Coal Exit List finance research and a civil society report here on its coal funding practices). **BCA**'s only available coal-related policy is its ESG policy on coal mining. The company has taken no unequivocal stance on coal mining or power, and continues to provide finance to the sector. Everything remains to be done.

| Bank Rakyat Indonesia (BRI)* | |
|---|---|
| Projects | 0 |
| Expansion | 0 |
| Relative Threshold | 0 |
| Absolute Treshold | 0 |
| Phase-out | 0 |

### Evaluation criteria-by-criteria:

Source: Vague announcement at Davos, June 2022

### Analysis and next steps:

**Bank Rakyat Indonesia (BRI)** is one of "The Big 4" Indonesian banks. Despite a vague announcement to no longer lend to the coal sector, **Bank Rakyat Indonesia**, one of Indonesia's biggest banks, still has no public coal exclusion policy, so everything remains to be done.

| Bank Negara Indonesia (BNI)* | |
|---|---|
| Projects | 0 |
| Expansion | 0 |
| Relative Threshold | 0 |
| Absolute Treshold | 0 |
| Phase-out | 0 |

**Analysis and next steps:**
**Bank Negara Indonesia (BNI)** is one of "The Big 4" Indonesian banks, and a major coal financier (see Urgewald's Global Coal Exit List finance research, as well as investigative reporting here, here and here). **BNI as recently as February 2023** confirmed **its plans to increase investment in coal, oil and gas**, among other sectors, motivated by a combination of the global energy crisis prompted by Russia's invasion of Ukraine as well as China's economic strength and reliance on coal imports. Everything remains to be done.

| Permata Bank | |
|---|---|
| Projects | 0 |
| Expansion | 0 |
| Relative Threshold | 0 |
| Absolute Treshold | 0 |
| Phase-out | 0 |

NB: **Permata Bank** is majority-owned by **Bangkok Bank**

**Analysis and next steps:**
Everything remains to be done. **Permata Bank**'s sustainability report is here. Coal is unmentioned, and there is no bank sustainability policy.

| Bank BPTN | |
|---|---|
| Projects | 7 |
| Expansion | 0 |
| Relative Threshold | 1 |
| Absolute Treshold | 0 |
| Phase-out | 0 |

**Analysis and next steps:**
Coal is unmentioned in **BTPN**'s Sustainability Report 2021 or its Annual Report for 2022. But **BTPN** is the Indonesian branch of the Japanese bank SMBC, and therefore adopts its score.

## Japan

| SMBC | |
|---|---|
| Projects | 7 |
| Expansion | 0 |
| Relative Threshold | 1 |
| Absolute Treshold | 0 |
| Phase-out | 0 |

See evaluation and analysis for SMBC here.

| Mizuho | |
|---|---|
| Projects | 7 |
| Expansion | 0 |
| Relative Threshold | 1 |
| Absolute Treshold | 0 |
| Phase-out | 0 |

See evaluation and analysis for Mizuho here.

| MUFG | |
|---|---|
| Projects | 7 |
| Expansion | 0 |
| Relative Threshold | 1 |
| Absolute Treshold | 1 |
| Phase-out | 0 |

See evaluation and analysis for MUFG here.

## Malaysia

| Maybank | |
|---|---|
| Projects | 2 |
| Expansion | 0 |
| Relative Threshold | 0 |
| Absolute Treshold | 0 |
| Phase-out | 0 |

See evaluation and analysis for Maybank here.

| CIMB | |
|---|---|
| Projects | 7 |
| Expansion | 0 |
| Relative Threshold | 0 |
| Absolute Treshold | 0 |
| Phase-out | - |

See evaluation and analysis for CIMB here.

## Philippines

| Banco de Oro (BDO Unibank) | |
|---|---|
| Projects | 0 |
| Expansion | 0 |
| Relative Threshold | 0 |
| Absolute Treshold | 0 |
| Phase-out | 0 |

**Evaluation criteria by criteria:**
Phase-out: **BDO** has committed to reducing its exposure to coal by half by 2033. This does not amount to a full coal phase-out, however, and makes no mention of the financing it applies to (project, corporate), nor the sectors (mining, power).

**Analysis and next steps:**
Everything remains to be done.

| Bank of the Philippine Islands (BPI) | |
|---|---|
| Projects | 3 |
| Expansion | 0 |
| Relative Threshold | 0 |
| Absolute Treshold | 0 |
| Phase-out | 0 |

Phase-out applies only to lending to coal power generation projects. Reclaim Finance only considers phase-outs that apply to corporate finance, and result in a final threshold of 5% or less.

The bank is no longer financing new greenfield coal power projects.

**Evaluation criteria by criteria:**
Projects: exclusion of all new greenfield coal power projects

Phase-out: loans to coal power generation facilities will be zeroed by 2032.

**Analysis and next steps:**
According to CEED, **BPI** is the largest domestic financier of coal in the Philippines. It has instituted some partial coal restrictions in its lending policies but, as CEED points out, these are inadequate. **BPI** must extend its coal phase-out to all coal sectors (notably mining) and all types of financing (project and capital markets facilitation). Its project exclusion should also be absolute, not limited to power projects on greenfield sites.

| Rizal Commercial Banking Corporation (RCBC)* | |
|---|---|
| Projects | 1 |
| Expansion | 0 |
| Relative Threshold | 0 |
| Absolute Treshold | 0 |
| Phase-out | 0 |

**Evaluation criteria by criteria:**
Projects: 2020 announcement not to finance new coal-fired power projects

Source: **RCBC** Sustainability Page, December 2020

**Analysis and next steps:**
**RCBC** has announced a ban on its financing of new coal projects (which followed the government's moratorium on new coal plants three months earlier) and a phase-out of its coal exposure by 2031. However, much like the government's policy, **RCBC**'s coal policy is plagued by loopholes and omissions. **RCBC** has been a major financier of coal in the past decade, including at least 19 coal plants (source: Action plan by the IFC for RCBC investments).

## Singapore

| OCBC | |
|---|---|
| Projects | 8 |
| Expansion | 0 |
| Relative Threshold | 0 |
| Absolute Treshold | 0 |
| Phase-out | 0 |

See evaluation and analysis for OCBC here.

| UOB | |
|---|---|
| Projects | 8 |
| Expansion | 0 |
| Relative Threshold | 1 |
| Absolute Treshold | 0 |
| Phase-out | - |

See evaluation and analysis for UOB here.

| DBS | |
|---|---|
| Projects | 8 |
| Expansion | 0 |
| Relative Threshold | 2 |
| Absolute Treshold | 0 |
| Phase-out | 2 |

See evaluation and analysis for DBS here.

## South Korea

| Hana Bank | |
|---|---|
| Projects | 5 |
| Expansion | 0 |
| Relative Threshold | 0 |
| Absolute Treshold | 0 |
| Phase-out | 0 |

See evaluation and analysis here for **Hana Bank** (5 pts). **Hana Bank** has an Indonesia branch.

## Taiwan

| CTBC Bank | |
|---|---|
| Projects | 1 |
| Expansion | 0 |
| Relative Threshold | 1 |
| Absolute Treshold | 0 |
| Phase-out | 0 |

**Evaluation criteria by criteria:**
Project: immediately, restricts coal project financing for new customers, with large exceptions (state-ownership or provision of a transition plan).

Relative threshold: immediately, commits to an exclusion of some new clients (companies with 25% or more (a) revenue from coal mining or (b) coal share of power production, with exception for a transition plan).

Phase-out: Reclaim Finance's methodology only considers a policy as a phase-out if its ultimate threshold is 5% or less. A company with coal revenue/power generation up to 25% could still receive finance from CTBC after 2035.

**Analysis and next steps:**
Aside from some weak restrictions on new coal project finance and new coal customers, the bank has a long way to go in developing a robust policy. Source: link.

## Thailand

| Bangkok Bank | |
|---|---|
| Projects | 0 |
| Expansion | 0 |
| Relative Threshold | 0 |
| Absolute Treshold | 0 |
| Phase-out | 0 |

**Analysis and next steps:**
Everything remains to be done. **Bangkok Bank**'s environmental policy is here. Coal is virtually unmentioned.

## Endnotes

1 Captive coal power: coal-fired power that is operated and used off of the power grid, for example to power a specific industrial facility such as a nickel smelter or steel production plant.

2 China is a special case. As of January 2023, a staggering 72% of worldwide planned coal capacity was in China. President Xi Jinping's commitment in 2021 to cease all development of coal outside China's borders. Though it seems some projects may still go ahead.

3 Glasgow Financial Alliance for Net Zero. "Financing the Managed Phaseout of Coal-Fired Power Plants in Asia Pacific", June 2023.

4 Furthermore, "subcritical" technology, an outdated and inefficient coal power technology wherein water is not super-heated or -pressurised, makes up the largest portion of coal power in the region, at ~45% share of capacity.

5 See GEM's online summary table for a fuller picture of the sectors, geographic areas, and stages of development of worldwide captive coal facilities.

6 **ING**, the largest bank in the Netherlands, explicitly permits finance for captive coal: the bank allows financing for thermal coal-fired power plants when the plant is "dedicated to a specific project, such as an aluminium smelter or a steel mill". See page 11, footnote 11, of the June 2021 update of ING's ESR framework, available on Reclaim Finance's ING profile.

7 India's EXIM bank provided USD $310m for the refurbishment of Hwange power station in Zimbabwe, and two Filipino banks, **Rizal Commercial Banking Corporation (RCBC)** and the **Bank of the Philippine Islands (BPI)** refinanced two units at the Puting Bato power station in the Philippines for USD $234m.

8 See Reclaim Finance's analysis of banks' support for bonds, Cojoianu, et al. 2021a and Cojoianu, et al. 2021b.

9 NB: Toxic Bonds Network collects data for the Dirty 30 list solely from USD- and euro-denominated bond issuances. Many of these figures for each company's issuances may be considerably higher, when accounting for local currency-denominated bonds.

10 Adaro is not included on the Toxic Bonds Network's Dirty 30 list. This data comes directly from the Singapore Stock Exchange.

11 CEED's report does not provide a comparison of domestic and international lenders' relative finance for coal in the Philippines.

**Acknowledgements:** This briefing is part of the work of the End Coal Finance coalition, made up of BankTrack, Inclusive Development International (IDI) and Recourse.

**Author:** Will O'Sullivan at BankTrack, with valuable feedback or data provided by CELIOS (Center of Economic and Law Studies), Climate Risk Horizons, Global Energy Monitor, the Centre for Financial Accountability, Reclaim Finance, Solutions for Our Climate, Recourse, Market Forces, IDI, Toxic Bonds Network and Urgewald.

**Design & layout:** Raymon Van Vught, BankTrack

**Front page image:** Coal-fired thermal power plants in Singrauli, Madhya Pradesh, India Source: International Accountability Project on Flickr (CC BY 2.0), adapted by BankTrack.

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