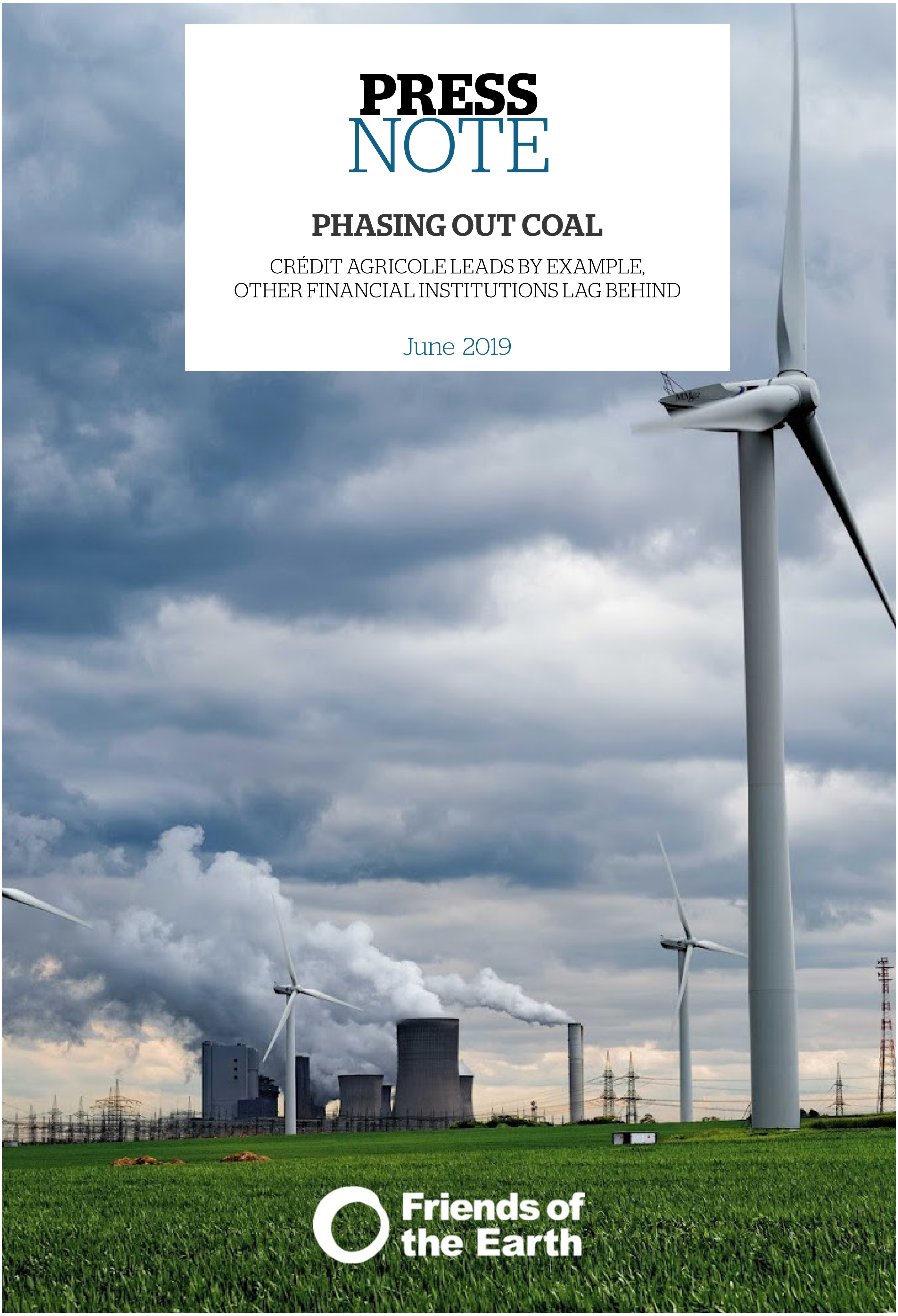


PRESS NOTE

PHASING OUT COAL

CRÉDIT AGRICOLE LEADS BY EXAMPLE,
OTHER FINANCIAL INSTITUTIONS LAG BEHIND

June 2019

Friends of the Earth

CREDITS

Writing : Lucie Pinson,
Layout : Edouard Marchal - edwarden.fr
Pictures credits : bp.blogspot.com, AFP / PATRICK KOVARIK , cdn.radiofrance.fr, pexel.com, GettyImage
Publication : June 2019

Friends of the Earth

Meeting the objectives of the UN Paris Climate Agreement requires that no further coal-fired power plants be built and that coal be phased out of the global energy mix in the coming years.

Against this backdrop, Crédit Agricole has published a landmark climate policy. Whilst certain shortcomings are prevalent within the policy - for example a lack of reference to gas and oil, which we will need to be addressed in the near future - it is not these that shall be remembered, but rather the impact this announcement will have for curtailing the expansion of the coal sector. The policy applies to all of the group's activities, which is significant, given that Crédit Agricole is not only one of the top 10 commercial banks in the world, but its Amundi asset management branch is also among the top 15 asset management companies globally. Furthermore, the policy applies to all €1,832 billion in assets under management, including third parties or passively managed assets.

"THERE IS NO SPACE FOR NEW COAL"

In spite of the adoption of the Paris Climate Agreement in 2015, global CO_2 emissions reached an all time high in 2018. And **while innumerable reports from the UN, the IPCC, the IEA and other international institutions have consistently warned that coal is the single largest source of CO2 emissions warming our planet, the world's coal plant fleet continues to grow. Since the Paris Agreement was signed, the world's installed coal capacity grew by 105 GW – an amount equal to the combined coal plant fleets of Germany and Russia.**

The implications of the Paris Climate Agreement for new coal investments are clear. In 2015, Christiana Figueres - then Head of UNFCCC - warned: "There is no space for new coal"[1], while the Secretary General of the OECD, Angel Gurria, called new coal plants the "most urgent threat to our climate[2]."The period since has seen the call to stop building new coal plants broaden into a more general call that encompasses anything that emits carbon emissions.

But instead of heeding these warnings and immediately ending all support for new coal projects and companies with coal expansion plans, the vast majority of commercial banks and insurers have pursued a business as usual approach[3]. At best, some have adopted nominal measures in an attempt to demonstrate their good will without having to significantly adapt their financial services to the climate emergency.

Close to 30 commercial banks and 14 insurers have policies in place that exclude direct financing and coverage of new coal projects. But many of them, including HSBC, MUFG, DBS, OCBC, Talanx and Hannover Re have retained significant loopholes in their policies that allow them to continue to provide finance to new coal projects[4].

Moreover, up to now, no major bank or insurer has ever applied a zero tolerance policy towards the companies behind these new coal projects. On the contrary, despite having committed to divest from some, or all companies planning new coal plants, the global insurers Allianz, AXA, Generali and reinsurer SCOR can still provide the coverage these companies require to operate. Similarly, BNP Paribas Cardif - the insurance branch of BNP Paribas - has divested from the more aggressive coal plant developers, yet the group remains the fourth biggest European financier of these companies.

In total, BNP Paribas and Crédit Agricole have provided $4,5 and $3.9 bln of financing respectively to these companies, contributing to a total of $478 bln financing provided by commercial banks to these companies between January 2016 and September 2018[5].

This situation changes with Crédit Agricole. For the first time, a major financial institution has committed to end all support for companies expanding or planning to expand their coal operations. For Crédit Agricole, who have previously financed more than € 3.4 bln of coal, and were the first financier of the korean KEPCO, this means a direct loss of clients. Moreover, while similar commitments previously taken by other investors only covered coal power companies, **Crédit Agricole's zero tolerance approach applies to all companies expanding or planning to expand their activities in the coal sector, from coal extraction to coal power production, including coal trading and transport.**

10 YEARS TO CLOSE MORE THAN 1000 COAL PLANTS IN EU/OECD COUNTRIES

Crédit Agricole has committed to gradually reduce to zero the exposure of its financing and investment portfolios to coal by 2030 in European and OECD countries, by 2040 in China and by 2050 in the rest of the world.

Despite being based upon research carried out by Climate Analytics on several 1.5°C scenarios, Crédit Agricole's deadlines for coal phase out in China and non EU/OECD countries are less ambitious than the date recommended by the IEA in its Beyond 2°C scenario and far less ambitious than the date adopted by other financial institutions.

To achieve this without loosing more clients, Crédit Agricole will have to convince current and potential clients that it is committed to these coal phase out deadlines and warn them of the consequences of failing to do so. What distinguishes **Crédit Agricole** from other financial players, such as ING, Allianz, or Storebrand, which have all set a more ambitious deadline for phasing out coal, is that **Crédit Agricole asks these companies to publish by 2021 a detailed plan to close and not sell their coal assets by 2030/2040/2050 - depending on the location of their assets. If the demand is not met, support will be reduced and the companies will be put on notice, before being fully excluded if no change transpires.**

This note details Crédit Agricole's commitments, their progress and limitations, and compares them with other French and European financial players

STEP N°1 :
COMMIT TO FULLY PHASE-OUT COAL

Crédit Agricole is committed to «defining a path compatible with the Paris Agreement on fossil fuels and other sectors impacted by the transition».

Apart from the implementation of a transition note that will make it possible to measure the level of commitment of each company, including those active in fossil fuels, **nothing is said about the oil and gas sector. Limiting global warming below 1.5°C will not be possible without addressing these two sectors.**

On the other hand, with regard to coal, Crédit Agricole is committed to discontinuing all financial services and gradually eliminating all coal assets from its financing and investment portfolios under management by 2030 in the EU/OECD countries, by 2040 in China and by 2050 elsewhere. These dates derive from research undertaken by Climate Analytics Institute for Policy Analysis and Research on Climate Science, on several 1.5°C scenarios and have been recognised by investors managing around €25 trillion in assets. Other more recent scenarios, such as the IEA's Beyond 2°C scenario, which aims for a warming between 1.5 and 2°C, recommend a global coal exit by 2040 at the latest.

This commitment and all the following criteria cover all financial services provided by the Crédit Agricole group, as well as all assets under management, including those managed on behalf of third parties and on a passive basis. Friends of the Earth will be vigilant to ensure that the group creates and standardizes coal-free offers for all customers and for all assets under management.

ING, Storebrand, QBE, Hannover Re/Talanx and Allianz have already made similar commitments to Crédit Agricole on coal, with the following dates respectively: 2025, 2026, 2030, 2038 and 2040. Crédit Agricole is therefore not an innovator in this area...

...But Crédit Agricole is the first French financial player to make such a commitment. Called upon to commit to reducing their coal support to zero by the deadlines set by climate science at their 2019 general meetings, no major insurer or bank has responded as positively to these requests.

STEP N°2 :

REQUIRE ITS CUSTOMERS TO PRODUCE A COAL EXIT PLAN

Crédit Agricole requires all companies to which the group is currently exposed to publish, by 2021, a detailed plan to close their coal assets within the 2030-2040-2050 timetable, depending upon the location of their assets.

Crédit Agricole is not the first bank or financial institution to commit to a gradual, but total, exit from coal, but it is the first to require companies to publish such an exit plan.

This responds to an obvious need identified by Les Amis de la Terre France and their partners: **we have ten years to close the overwhelming majority of coal-fired power plants in the world.** In Europe alone, 263 power plants do not have a scheduled shutdown date. However, the level of debate and uncertainty surrounding the fate of the 4 French power plants illustrates how important it is to think, plan and organise, well in advance, the closure of such assets. Requiring companies to publish a plan to close their coal assets is an essential step if we are to phase out coal in time to stay below 1.5°C of warming. It is also a prerequisite for anticipating the social and economic consequences of a rapid exit from coal and for integrating as effectively as possible the so-called issues of just transition and the rights of workers in the sector.

It should be noted that Crédit Agricole not only requires companies to detail their exit plan - which we hope will be exacted on an asset-by-asset basis. **They also insist that these plans are based upon the closure, not the sale, of their assets.** This is a major point at a time when many companies, including Engie, tend to favour the selling of their assets in order to quickly decarbonise their portfolios without having to take responsibility for employee retraining, environmental clean-up, or renaturation. This approach tends to have a negative impact upon workers, and usually serves to extend the life of power plants, thereby failing to address the decarbonisation of the economy as a whole.

Other French banks would do well to be inspired by this criterion. This is particularly the case for Rothschild, which is playing an increasing role in the transaction of coal assets and is now involved in the sale of Uniper's French power plants to the Czech company EPH.

STEP N°3 :

EXCLUDE COMPANIES THAT ARE DEVELOPING IN COAL

Crédit Agricole has undertaken to immediately stop working with companies that are developing or planning to develop their activities in the thermal coal sector throughout the value chain - from coal mining to coal-fired power generation, including transport and coal trading activities.

It is the first major financial institution to adopt such a commitment throughout the value chain and to apply it to all its business lines. However, this is common sense given that climate science has been saying for several years now that there is no room for more coal. It is also a decision in response to the current emergency: to prevent the construction of the more than 1300 coal-fired power plant projects still planned worldwide, or the expansion of RWE's huge open-pit lignite mines in Germany.

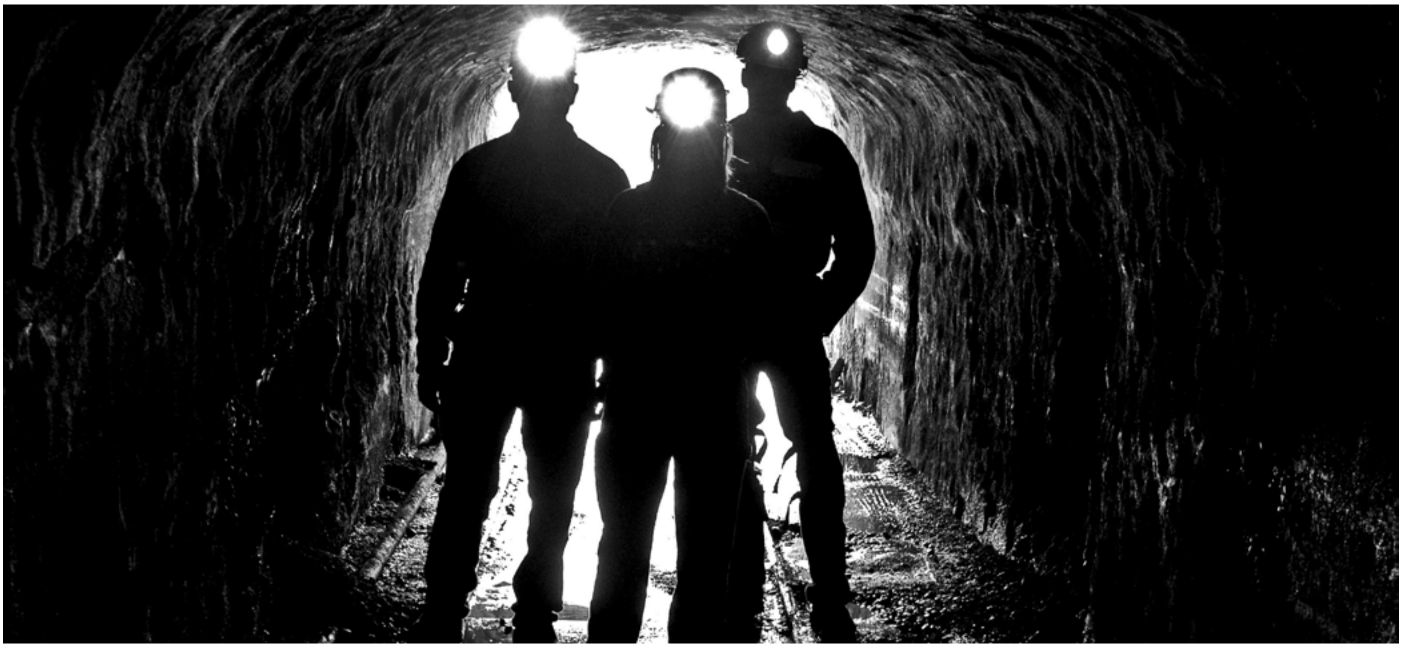
Between January 2016 and September 2018, Crédit Agricole financed the 120 most aggressive coal-fired power plant developers with €3.5 billion, including more than €1.7 billion to the Korean company KEPCO, which plans to develop more than 6 GW of new coal capacity in 6 countries. Crédit Agricole is also the 22nd biggest international investor and the 2nd largest European investor in coal-fired power plant development, with €1 billion in bonds and shares held by companies listed on the Coal Plant Developers List. The commitment will therefore have a very clear impact on the bank's balance sheet and the climate.

Since the declaration by the French Insurance Federation in December 2017 - in advance of the One Planet Summit where the FFA was «acknowledging the willingness of its members to stop investing in companies that would not abandon their development plans for new coal-fired power plants» - AXA, SCOR, AG2R La Mondiale, Macif, Groupama, CNP Assurances, MAIF and recently BNP Paribas Cardif, have adopted a policy excluding some or all new coal-fired power plant developers.

In addition to the French players, other investors, including Allianz, Generali, Candriam, Storebrand, have also excluded some developers of new coal-fired power plants from their support.

However, the commitments of other French and European financial institution only cover electricity production, while Crédit Agricole's commitments cover the entire value chain. In addition, not all commitments regarding electricity generation are equal. AXA, the only asset manager of a similar size to Amundi, has undertaken to exclude only companies with more than 3 GW of new coal capacity.

Last but not least, the commitments taken by Allianz, AXA, Generali, SCOR, and BNP Paribas Cardif only apply to their investments and not to their underwriting or financing activities. This is indeed the major step forward in Crédit Agricole's policy: to be uncompromising towards companies that continue to rely on coal development, and to exclude them from all its support, even if it means now losing customers on the financing side. Other financial institutions - starting with BNP Paribas, the leading French funder of the 120 most aggressive companies in terms of developing new coal-fired power plants - would be well advised to draw inspiration from Crédit Agricole's leadership.



STEP N°4 :

EXCLUDE COMPANIES THAT ARE TOO EXPOSED TO COAL

Crédit Agricole has also adopted a new criteria for companies deriving more than 25% of their turnover from coal, stating that they will only be able to receive support if they have already published a detailed plan for the closure of their coal assets within the 2030-2040-2050 time frame - depending on the location of their assets. Pre existing customers exposed above this threshold will only be able to benefit from «financing dedicated to renewable energy or greenhouse gas reduction projects pending the publication of the detailed plan» for coal exit.

Crédit Agricole refers to the share of coal in a company's total income to calculate a company's coal exposure. However, the share of coal in electricity production would be a much more relevant criterion for power producers.

Crédit Agricole leaves the door open to financing gas projects, or other projects that are less emitting than coal-fired power plants in terms of combustion, yet nevertheless unsustainable, for companies that are already customers.

With Crédit Agricole's commitment to fully exit coal by 2030, 2040, 2050, **the bank should also have committed itself to regularly reducing the threshold from 25% to zero by these dates, as Allianz and Storebrand have done.**

At its last general meetings, Natixis announced that it would exclude from all support, companies exposed to more than 25% coal, with no possible exception for dedicated financing, which Crédit Agricole has made. Natixis is also an example to follow, as the group refers to the share of coal in income and in electricity production to calculate the exposure of electricity producers to coal.

However, Crédit Agricole is doing much better than Société Générale - which has just announced the 50% threshold and requires companies to reach the 30% threshold in 2025 - and even better than BNP Paribas, which still lacks one or more criteria for excluding electricity producers based upon their exposure to coal.

Internationally, 8 other major banks have defined coal revenue or coal power thresholds to screen out clients that are heavily dependent on coal. They are Natixis, KBC, Abn Amro, RBS BBVA, Commerzbank, UBS, Société Générale[6]. While the thresholds adopted go from 25% to 50%, there is a clear trend to adopt a threshold more and more restrictive. Crédit Agricole is aligning with the threshold previously adopted by the German (re)insurers Talanx and Hannover Re for their investment policy.

CONCLUSION

While particular attention will have to be paid to the implementation of, and compliance to, Crédit Agricole's policy, this is certainly the best coal policy adopted so far by a financial player of this size.

We must acknowledge Crédit Agricole's leadership and hope that other French and international banks will quickly follow suit.

The bank's coal policy adopted corresponds to what humanity is entitled to expect from political and economic decision-makers. This is though only the first step to be taken to limit global warming to 1.5°C. While financial institutions have generally still not adopted coal policies consistent with the objectives of the Paris Agreement, we already need to begin addressing the oil and gas sectors.

Clearly, Crédit Agricole has set what is now industry best practices for the coal industry. These benchmarks have now to be met or beaten by other players. In Europe, all eyes are on BNP Paribas, Barclays, Deutsche Bank, Santander, Standard Life Aberdeen and Unicredit that keep pouring billions of euros into the destructive coal industry[7]. Globally, the gap between European financial institutions on one side, and US and Asian ones on the other keeps broadening and the lack of climate action from non-European financial institutions is alarming.

FOOTNOTES

(1) theguardian.com/environment/2015/may/04/un-climate-chief-says-the-science-is-clear-there-is-no-space-for-new-coal
(2) unfccc.int/news/coal-investments-most-urgent-threat-to-climate
(3) This includes not only the construction and development of coal plants, coal mines and other coal infrastructure, but also the life time extension of coal assets through retro-fitting and acquisition sales.
(4) Talanx and Hannover allow exceptions in countries highly dependent to coal, and UFG, DBS allow financing for projects that they considered for financing before they adopted new policies.
(5) coalexit.org/sites/default/files/download_public/Media%20Briefing%20BankTrack_Urgewald%20-%20COP24_final%20web.pdf
(6) Commerzbank expects clients in Germany from the energy supply sector to limit the share of electricity generated from coal (based on their production performance) to below 30 per cent by the end of 2021. A corresponding cap of 50 per cent is expected for clients based outside of Germany.
(7) beyond-coal.eu/wp-content/uploads/2019/05/foolsgold_final.pdf

PRESS CONTACT

LUCIE PINSON
lucie.pinson@amisdelaterre.org - 06 79 54 37 15

Financial institutions must commit to, over time (2030 in OECD/Europe, 2040 globally), eliminating coal assets from all business lines, and condition their support to companies active along the whole coal value chain to the publication by 2020 of a clearly articulated and detailed implementation plan for the gradual closure (not sale) of their existing coal assets by the aforementioned deadlines.

OUR **DEMANDS**

THEY MUST IMMEDIATELY EXCLUDE FROM ALL FINANCIAL SERVICES :

1. COMPANIES WHICH HAVE COAL EXPANSION PLANS - INCLUDING THE CONSTRUCTION/DEVELOPMENT/ EXPANSION OF COAL PLANT/MINE/INFRASTRUCTURE, LIFE EXTENSION OF EXISTING COAL PLANTS THROUGH RETROFIT, ACQUISITION OF EXISTING COAL ASSETS;

2. COMPANIES WHICH PRODUCE MORE THAN 20 MT OF COAL PER YEAR, OR HAVE MORE THAN 10 GW OF COAL POWER CAPACITY;

3. COMPANIES WHICH GENERATE MORE THAN 30% OF REVENUES FROM COAL MINING OR PRODUCE MORE THAN 30% OF POWER FROM COAL.