Still bankrolling coal (for steel)

Why banks must quit metallurgical coal

Clairton Coke Works, February 2, 2017
Source: Mark Dixon via Flickr (CC BY 2.0 DEED)

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BANKTRACK

1. Summary

While many banks have taken steps to phase out finance for thermal coal, metallurgical coal (or "met coal", i.e. coal for steelmaking) has largely been left out of their coal phase-out plans. Only four major commercial banks have a policy that restricts finance for met coal. With recent advancements in fossil-free steelmaking technology, it is possible to phase coal out of steelmaking by 2040. Given the intensity of greenhouse gas emissions, negative health impacts, and ecological destruction inherent to the met coal industry, it is imperative that banks restrict finance for met coal as quickly as possible.

This briefing looks at:

- Role of met coal in steelmaking and alternatives
- Impacts of the met coal industry on climate, nature and human health
- Key companies driving expansion of met coal
- Current bank practice on met coal and recommendations for banks

Summary of recommendations for banks:

1. Immediately exclude direct project finance for all new met coal facilities, or the expansion of existing facilities.
2. Immediately exclude corporate finance, including the underwriting/facilitation of bonds, for steel companies pursuing coal-based steelmaking and metallurgical coal companies developing new assets.
3. Provide transition finance to support steelmakers and coal companies to phase out coal, with strict deadlines and KPIs that are in line with a phase-out in steelmaking 2030 in OECD countries, and 2050 in non-OECD countries.
4. Increase finance for key enabling sectors like renewable energy, green hydrogen for steelmaking, and Direct Reduced Iron (DRI) production, while ensuring that these sectors are rightfully categorised as high risk, and sufficient environmental and human rights due diligence is performed.

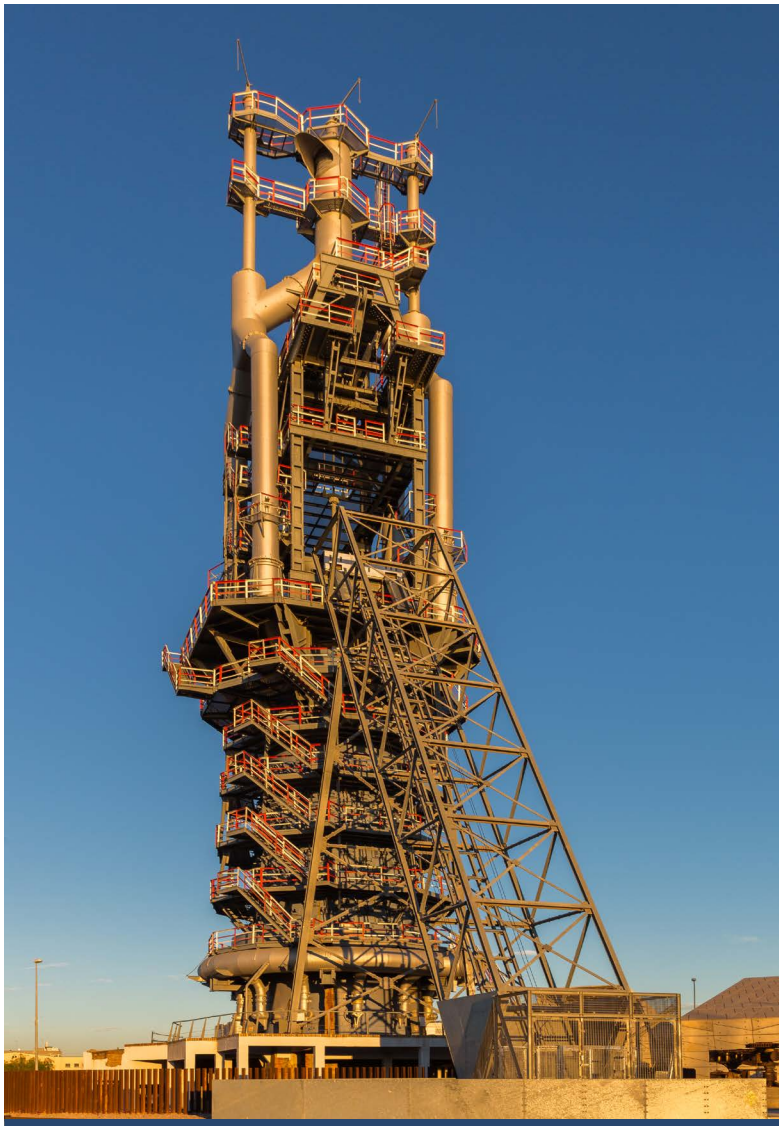
2. Introduction

For the world to limit the global temperature rise to 1.5ºC,it is essential to phase out fossil fuels as quickly as possible. Coal is the highest emitter of CO_2, making a coal phase-out crucial. Following the 2015 Paris Agreement, at least 87 banks have adopted policies that restrict their lending to the coal industry. But metallurgical (met) coal, or coal used in steelmaking, has thus far managed to remain outside the scope of the coal policies of commercial banks. Research by Reclaim Finance found that out of 150 banks reviewed, only three have policies that restrict their financial services to the met coal industry. This is despite met coal accounting for around a quarter of global coal trade.

Due to its reliance on coal, the steel industry is responsible for 11% of global CO_2 emissions, and 7% of overall global greenhouse gas emissions. Until recently, there was a perceived lack of alternatives to the use of coal to manufacture steel, which is one reason met coal remained absent from coal phase-out discussions for so long. However, given recent advancements in fossil-free steel production, a coal phase-out in steel production is now technologically feasible by 2040 globally. With fossil-free alternatives available, and steel companies rapidly deploying them, **now is the time for banks to include met coal in their coal phase out plans.**

It is essential that met coal is phased out as quickly as possible, not only for 1.5ºC alignment, but also to mitigate the harm done to communities, and to maintain critical natural places. This paper will illustrate the climate, environmental, social, and human rights issues associated with the met coal industry through case studies of companies with known ties to commercial banks. This includes companies that mine met coal, process it into coke fuel, and burn it in blast furnaces.

As lenders, underwriters, and financial advisors to the met coal industry, banks have a responsibility to rapidly phase out finance for met coal. The IEA's Net Zero by 2050 scenario states that emissions from the steel industry must fall 24% to 1.8 Gt CO_2 by 2030 and 91% to 0.2 Gt CO_2 by 2050. This can only be achieved by drastically reducing the use of coal in steelmaking, but currently the steel industry is way off track. Both absolute emissions, and the average emissions intensity for the steel sector, have been consistently rising since 2012. Additionally, according to Global Energy Monitor's (GEM) annual overview of the steel industry, 57% of the planned pipeline of steel projects is coal-based production. This sends a strong signal to the met coal industry that there will be continued demand for its products, when in fact the steel industry needs to urgently transition away from coal and towards fossil-free steelmaking.



Blast furnace in Port of Sagunt, Valencia Spain
Source: Diego Delso, (via Wikimedia, CC BY-SA 4.0)

What is metallurgical coal?

Metallurgical (met) coal is any type of coal that can be used for steelmaking. It is defined in contrast to thermal coal, which is used in power generation. In the EU's Critical Raw Materials list, met coal is equated with coking coal, however there are also non-coking coals used in steel production.

The grades of met coal and their uses in steel making are:

- **Coking coal (hard, medium, and semi-soft)** is heated in high volumes to produce coke, a primary ingredient in Blast Furnace - Basic Oxygen Furnace (BF-BOF) based steel making.
- **Pulverised Coal Injection (PCI coal)** is a grade of non-coking bituminous coal that can be used to generate heat in blast furnaces, coking ovens, and sintering plants (I.e the machines that remove impurities from iron ore before it's used in a blast furnace).
- **Non-coking coals** are used for different purposes in steel production, ranging from general heating purposes to special ironmaking technologies. Non-coking coals used for steel production can have very similar characteristics as thermal coal.

While certain hard coking coals are exclusively used in steel production, a good part of the coal used in steel production can also be sold to thermal coal markets. Following Russia's invasion of Ukraine, when the price of thermal coal exceeded the price of coking coal, coal miners began selling "metallurgical" coal to coal-fired power plants. As a result, **Coronado Resources** began selling its coking coal to European power plants. **Whitehaven Coal** took a similar strategy, stating in its 2023 annual report "Margins were enhanced by switching metallurgical coal into thermal blends while thermal price realisations were favourable". Because of the ambiguity in grades, **banks exposed to met coal miners could also be unknowingly exposed to thermal coal.**

Vale's Integra coking coal mine in Australia, April 2014. Source: D. Sewell via Flickr (CC BY 2.0 DEED)

3. Facts and figures on met coal

Coal in steelmaking

The amount of coal used in steelmaking depends on the production route. Steel is produced in one of two ways, either through a blast furnace - basic oxygen furnace route (BF-BOF), or the electric arc furnace route (EAF).

In the BF-BOF route, coking coal is first converted into coke by being heated to high temperatures in a coking oven. The coke is then burned alongside iron ore in a blast furnace, emitting large amounts of CO_2 in the process. It is common to use Pulverised Coal Injection (PCI) coal in a blast furnace to generate extra heat to support the reduction process. The molten iron is then moved to the basic oxygen furnace, where oxygen is blown into the iron to remove carbon, converting it into liquid steel. This route uses the most coal, thereby emitting the most CO_2, and currently accounts for 71.8% of global steelmaking capacity. BF-BOFs were designed to take advantage of the specific mechanical properties of coke, meaning it is impossible to fully remove coking coal from the BF-BOF production route.

The EAF route doesn't necessarily use coal as a primary ingredient. Instead it uses electric currents to melt down scrap steel, or direct reduced iron ore (DRI) into liquid steel. DRI plants serve a similar function to blast furnaces, in that they are used for "iron making" (i.e. reducing iron ore so it can be converted into steel). While DRI plants can use coal, they primarily use gas, and thanks to recent technological breakthroughs, they can also use hydrogen produced from renewable energy, making the process entirely fossil-free.

It should be noted that BF-BOFs, EAFs, and DRI plants are all large energy-intensive furnaces (although BF-BOFs are by far the most energy intensive), meaning that coal or other fossil fuels might be used as a power source in any of these production routes. Removing coal from steelmaking will also require significant investment in renewable energy sources. While EAF steelmaking is 5-7 times less energy intensive than BF-BOF steelmaking, steel making is still a largely energy-intensive process.

Redcar Coke Ovens, April 3, 2016
Source: Chris on Flickr (CC BY-NC 2.0)

Alternatives to met coal

While decades ago there was no alternative to metallurgical coal, today that's not true. A combination of decarbonisation technologies and strategies including increasing material efficiency, steel recycling, and green hydrogen-based iron making can eliminate coal in steelmaking worldwide by 2040.

- **Material efficiency,** or decreasing the amount of steel consumed and thereby produced, is an essential part of steel decarbonisation pathways. Using less steel in cars, updating building codes and expanding the lifetime of buildings are a few examples of measures that can be implemented.
- **Steel recycling** is already commonplace in the sector, and while the proportion of scrap mills will need to grow, there's a limitation in scrap availability, meaning it cannot fully replace primary steelmaking.
- **Green hydrogen-based iron making** is when iron ore is processed using hydrogen created from renewable energy. Rather than mining and transporting met coal to large steel mills, iron ore miners should invest in DRI facilities at the site of their iron ore mines for the production and export of green iron. According to a report by IEFFA, Brazil, Africa, the Middle East, and Australia are major potential hotspots for green iron manufacture and export, with major steel makers and mining companies investigating the production and export of iron from regions with sufficient iron ore and renewable energy resources.

Building a steel industry without coal requires using renewables to power both the production of hydrogen and the remaining energy consumption of steel mills**. However currently, only** 7% **of global energy financing by banks goes towards renewables.** Scaling up finance for renewable energy will be essential to getting coal out of steel, especially in economies where the steel industry is growing. Fourteen new steel mills in Southeast Asia (especially Indonesia and India) also include plans to build new captive thermal coal power plants to meet the energy needs of the mill. Captive power plants are electricity-generating facilities owned and operated by industry for its own energy consumption, and therefore not connected to the grid. Captive power is a huge source of coal expansion in Southeast Asia as manufacturing grows, but for the sake of human and planetary health, renewable energy must be scaled up instead to meet the needs of emerging economies.

New met coal capacity under development faces stranded asset risk

In 2021, the IEA called for no new coal mines if the world is to reach Net Zero by 2050. This includes coking coal as well. In its Net Zero by 2050 roadmap, the IEA states: “No new coal mines or extensions of existing ones are needed in the NZE [the Net-Zero Emissions by 2050 Scenario] as coal demand declines precipitously. Demand for coking coal falls at a slightly slower rate than for steam coal, but existing sources of production are sufficient to cover demand through to 2050."

Despite this, there is a large pipeline of met coal mining projects underway. According to Global Energy Monitor, there are currently plans for **116 new met coal mines, and 52 mine expansions.** If these plans are realised, it would add an additional 400 million tonnes of coal per annum (Mtpa), equivalent to Poland's 2022 GHG emissions. China has the largest planned capacity at 123.5 Mtpa, followed by Australia (105.59), Russia (68.8), South Africa (29.1), and Canada (26.6). These plans mean mines such as BHP Mitsubishi’s in Australia would still be producing met coal in 2119, a century from now.

But the transition to coal-free steelmaking is well underway, and the long-term outlook for coal-based steel is increasingly unprofitable. Between January and August 2023 alone, steelmakers in Europe received €8.7 billion in subsidies for steel decarbonisation. India’s Steel Ministry has set up 13 green steel task forces, and is considering mandating that steel makers allocate a portion of production to green steel. Additionally, the Indian government has launched a National Green Hydrogen mission, and plans to invest heavily in developing the sector for industrial decarbonisation. As countries adopt policy tools to support their net zero commitments and increase their carbon pricing, met coal mines and blast furnaces increasingly face a severe stranded asset risk. While no estimates of stranded asset risks for met coal mines have been developed, Global Energy Monitor estimated that for coal-based steel production facilities, the global stranded asset risk could be as high as US$ 518 to 554 billion.

“As countries adopt policy tools to support their net zero commitments and increase their carbon pricing, met coal mines and blast furnaces increasingly face a severe stranded asset risk.”

4. The impacts of met coal on climate, nature, and communities

The increase in demand for met coal poses serious risks to the health of communities, climate stability, and nature.

Impact on community health

Phasing out met coal can help not only planetary health, but human health. The mining, sintering and coking processes required for coal-based steelmaking are responsible for heavy dust, air pollution, and noxious particulate matter that can have fatal or life-altering health impacts on surrounding communities. In a steel plant, the parts of the mill that process and burn coal (i.e the blast furnaces, coke ovens, and sintering plants) are not only the largest emitters of CO_2, but also of harmful pollutants like benzene, mercury, sulphur dioxide, non-methane volatile organic compounds, and nitrogen oxide. Numerous studies have shown that breathing these emissions can lead to reduced lung functionality, cardiovascular disease, cancer, and premature death.

This is especially evident when observing the health benefits that come from the closure of such met coal facilities. For example, In January 2016, the Shenango Coke Works in Pittsburgh, Indiana, USA, owned by DTE Energy, was closed. Research led by the New York University-Langone School of Medicine found that after the coke works closed, there was a 42% drop in weekly emergency cardiovascular admissions at the local hospital. Additionally, there was a 90% drop in sulphur dioxide levels, and a 65% reduction in arsenic. The closure of the coking plant had an immediate, significant positive impact on community health.

Communities affected by air pollution from the Shenango Coke Works, June 21, 2015
Source: Mark Dixon via Flickr (CC BY 2.0 DEED)

Impact on climate

According to a recent report by SteelWatch, coal-based steelmaking alone could eat up 23% of the world's remaining carbon budget for 2023-2050. Continuing to burn met coal in steelmaking will mean drastically overshooting 1.5ºC degrees.

There are three primary sources of greenhouse gas emissions from met coal: methane released from mining, CO_2 released from burning coke and PCI coals in a blast furnace, and CO_2 released from the burning of non-coking coal in various facilities in a steel mill. Because of the variety of sources of emissions, abating met coal emissions with solutions like carbon capture utilisation and storage (CCUS) is not likely to be successful.

Coal mining is responsible for high amounts of methane emissions, which has 84-86 times the global warming potential of CO_2 over a 20 year period. Met coal mining in particular is more methane-intensive than thermal coal mining. While methane stays in the atmosphere for a shorter amount of time than CO_2, it works much faster to heat up the atmosphere. Methane emissions from coal mining are largely estimated using decades-old methodologies, as most mining companies do not measure and/or disclose their methane emissions. As a result the IEA estimates that coal mine methane emissions are significantly underreported.

A report by climate think tank Ember found that steelmakers tend to not report on their scope 3 methane emissions – i.e. the emissions released from met coal mining. If they were included, it could result in a 29% increase to the steel industry's reported carbon footprint. The IEA estimates that mining of coking coal emitted 11.98 million tonnes of methane in 2021, and admits that these emissions are likely underestimated. Converting to CO_2 equivalents on a 20 year time frame, this is greater than the amount of CO_2 emitted by Germany or Canada in the same year. While there are several technologies available to mitigate methane emissions from coal mining, these are barely used by mining companies nor mandated by governments. While the ultimate goal is phasing out met coal mining in 2030 for OECD countries, and 2050 in non-OECD countries, existing met coal mines must act now to mitigate methane emissions with available technology.

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Impact on nature

From mining to manufacturing, met coal has the potential to destroy critical nature and fragile ecosystems. There has not yet been a systemic global review of the impact of planned met coal mines on biodiversity. But there are several studies demonstrating overlap in the expansion of the mining industry and biodiversity hotspots. Coal mining, whether underground or open pit, is often extremely land-intensive, and detrimental to the health of soil and water surrounding the mine. There have been multiple cases of met coal mining companies polluting waterways with mercury, selenium, and arsenic, leading to mass death of aquatic life. Proposed new and expanded met coal mines threaten rivers, endangered species and ecosystems. Examples include BHP Mitsubishi's proposed new met coal mine Blackwater South in Queensland Australia, which will destroy thousands of hectares of habitat of the koala, a species recently listed as endangered by the Australian Government.

The most environmentally hazardous materials from coal-based steelmaking are often the by-products/waste generated in the process like slag (i.e. the metals and particulate matter melted out of the steelmaking process). Compared to coal-based steel making, fossil-free steelmaking generates far fewer by-products. BF-BOF steelmaking generates an average of 400 kg of slag per ton of steel, whereas the EAF route is only responsible for 200 kg/ton. Slag often contains toxic matter and dust that can contaminate proximate water sources, air, and soil.

Protest at Whitehaven Coal AGM in Sydney, October 30, 2015
Source: Kate Ausburn via Flickr (CC BY 2.0 DEED)

5. Key companies in the met coal industry

According to the IEA, while demand for thermal coal is falling, demand for met coal is currently projected to increase globally. Demand is driven by steel companies who are continuing to build new coal-based steelmaking capacity, and expanding the lifetimes of existing coal-based assets. As major lenders to the steel industry, banks can support steelmakers' transition to fossil free technologies, helping decrease demand for met coal.

As the restrictions on financing have made it increasingly difficult to grow thermal coal operations, some major miners are looking to diversify their portfolios and secure met coal assets. Existing met coal miners are also positioning themselves to financial institutions as "the good coal", as Teck Resources has put it. Thermal coal miners like Glencore or Whitehaven Coal are seeking to 'diversify' by buying or building met coal mines to ensure long-term corporate finance. However, as we have set out above, met coal is just as detrimental as thermal coal. There is also an increasing trend of steel makers securing their own met coal assets to guarantee a consistent and cheap supply.

Below we look at three key met coal mining companies who are expanding their met coal production despite the IEA's call for no new met coal mining. While we focus on met coal mining companies, it should be noted that steel producing companies who are expanding their coal-based steelmaking capacity are a key driver of demand for met coal. These case studies can serve as examples of the types of bank clients that require enhanced climate and human rights due diligence, and that should not receive additional finance until they have committed to end coal expansion and are able to demonstrate their pathway for a coal phase out.

BHP Mitsubishi Alliance (BMA)

BHP Mitsubishi Alliance is Australia's biggest met coal miner and the world's largest exporter of met coal. BHP currently operates 7 metallurgical coal mines in Queensland's Bowen Basin that produced 29 million tonnes of metallurgical coal in FY23.

BHP Mitsubishi plans to mine coal for almost another 100 years, through 4 major expansion projects. Together, these projects could create over 6 billion tonnes of scope 3 carbon emissions over their lifetimes, equivalent to about 17% of the world's total annual energy-related emissions.

- Peak Downs expansion, proposing to mine an additional 18 million tonnes of coal every year for 93 years, creating over 3.2 billion tonnes of carbon emission.
- Blackwater South, a new metallurgical coal mine, proposing to mine 10 million tonnes of coal every year for 90 years, creating almost 2 billion tonnes of carbon emissions.
- Caval Ridge expansion, proposing to mine an additional 10 million tonnes of coal every year for 30 years, creating 473 million tonnes of carbon emissions.
- Saraji East expansion, proposing to mine an additional 8 million tonnes of coal every year, creating 356 million tonnes of carbon emissions.

BHP Mitsubishi's Peak Downs mine in Australia 2016
Source: Lock the Gate Alliance, via Flickr (CC BY 2.0 DEED)

BHP Mitsubishi's proposed mines would have major impacts on the land and culture of First Nations peoples, and on water resources. They would also have major impacts on several threatened species, including the greater glider and the koala, which has recently been listed as endangered. BHP Mitsubishi's Blackwater South mine threatens to destroy almost 7000 hectares of koala habitat - more than any other coal mine in Queensland.

BMA's existing mines are major polluters of fugitive methane, and BHP has stated it has no plans to do anything about methane emissions from open cut mines.

According to the 2023 Banking on Climate Chaos Report, BHP Mitsubishi has received 1.2 billion US$ from commercial banks since 2016. Its largest and most recent financiers are **Citi, Bank of America, MUFG, Barclays and Mizuho.**

Teck Resources/Elk Valley Resources

Teck Resources is a zinc, copper, and met coal mining company headquartered in Vancouver Canada. In 2022, Teck produced 21 million tonnes of met coal, making it the second largest producer of met coal. In 2023, Teck Resources separated it's met coal operations into a new company called Elk Valley Resources, and is looking to sell off parts of it's met coal mining operations as they come under scrutiny by the US and Canadian governments for breaching environmental regulations. While being vocally committed to sustainability, Teck is choosing to sell, rather than close its met coal operations. Additionally, Teck has been planning a major expansion of its Fording River Project, a major met coal mine in South West Canada, which would result in the extraction of an additional 360 million tons of coal over the mine's lifetime.

Teck Resources' met coal operations have historically disregarded human rights, indigenous sovereignty, and the health of ecosystems. A 2023 investigation by The Narwhal found that despite the US$1.2 billion it has spent on water treatment, selenium levels were 267 times higher than what's considered safe for aquatic life in waterways surrounding Teck's coal mines. As a result, the liability for Teck's Elk Valley mines is estimated to be US$ 1.71 billion.

According to the 2023 Banking on Climate Chaos Report, Teck Resources has received at least US$ 10.7 billion from commercial banks since 2016. Its largest and most recent financiers are **Canadian Imperial Commerce Bank** (US$ 1 billion in 2021), and **JPMorgan Chase** (US$ 1 billion in 2021).

Glencore

Glencore is the largest coal exporter in the world. Despite claiming to be on a transition path, the company still plans to expand its coal production by 45 million tonnes per annum. It produces and trades both thermal and metallurgical coal, metals including copper, nickel and zinc, minerals, crude oil and oil products, gas and agricultural commodities. Currently, it is pursuing an aggressive strategy to take over new metallurgical coal mines. In early 2023, it made an offer to acquire Teck Resources' steelmaking coal assets, and spin off its own coal operations into a new coal mining company. A plan its own investors called "a mockery of their climate plans".

According to the company's annual report, its CO_2 equivalent emissions in 2021 amount to 280 million tonnes. However, in 2022, The Australasian Centre for Corporate Responsibility published an analysis of Glencore's methane emissions, estimating that the company has underreported its operational emissions by 11-24% between 2018 and 2021.

Between 2016 and 2022, banks financed Glencore and its subsidiaries via lending, bonds, and underwriting totalling US$ 18.3 billion, **including MUFG, RBC, Bank of America, and Citi.**

Protest at the Glencore AGM, May 2018
Source: IndustriALL via Flickr (CC BY-NC-ND 2.0 DEED)

Whitehaven Coal

Whitehaven Coal, established in 1999, is an Australian coal mining company. It operates four mines, three open-cut and one underground, in the Gunnedah Coal Basin in north-west New South Wales, producing thermal and met coal for export primarily to Japan and South Korea. The company produces 13.7 million tonnes of coal annually. 84% of its revenue currently comes from thermal coal, but it is busy shifting its business model towards met coal, proposing a major new met coal mine and seeking to buy two met coal mines from BHP Mitsubishi.

Despite calls from the IEA for no new coal mines, Whitehaven Coal has announced plans to spend AUD 2 billion building three new mines, and expanding existing assets. It is also the front runner to buy two met coal mines from BMA in Queensland Australia. Market-Forces found that if built, the three new mines could emit over 1.1 billion tonnes of CO_2 over their lifetimes, which is more than double Australia's annual emissions. They also found that the amount of coal that Whitehaven is forecasting is aligned with a scenario in which the world will be warmed by 4°C.

According to the 2023 Banking on Climate Chaos report, between 2016 and 2022, Whitehaven Coal received US$ 1.5 billion from banks. Its three largest financiers are **Westpac, NAB** and **MUFG,** none of whom have policies that would prevent future lending or bond underwriting to Whitehaven Coal in the future.

Protest at the Maules Creek, Monday 31st March 2014
Source: Leard State Forest via Flickr (CC BY 2.0 DEED)

6. Existing bank policies on met coal

While policies restricting finance to thermal coal mining and power have grown increasingly common since the Paris Agreement, only four large commercial banks are currently known to have a policy restricting finance for met coal projects and/or clients. It is important that these four banks have recognized the climate impact of met coal and are taking the lead in ending financing for it, although the policies need to be further strengthened for a 1.5°C aligned coal phase out. We examine the policies below:

"..only four large commercial banks are currently known to have a policy restricting finance for met coal projects and/or clients."

HSBC

HSBC updated its coal policy in December 2022 with an exclusion of project finance for new met coal mines. They define a met coal mine as a mine that has "Mines where 30% or less of either production or coal reserve is thermal coal". However, the policy would not prohibit financing the expansion of existing met coal mines, or captive metallurgical coal mines. Additionally, the bank will only exclude projects owned by mining companies, but not projects owned by steel companies. HSBC does not have any exclusions at the corporate level for met coal producers.

Lloyds Bank

Lloyds announced an update to its coal policy in February 2022 that extended it to include met coal. The bank's policy includes a full exclusion of project finance to all met coal mines, new or existing, and an exclusion of new customers who derive revenues from met coal mining. It does not restrict the provision of new general purpose finance for existing clients that are developing new met coal assets.

Nordea Asset Management

Nordea updated its Guidelines on Fossil Fuel based Industries in February 2023. The guidelines restrict investment in companies that derive 30% or more of their revenues from total coal mining, including met coal. However when it comes to Nordea's lending activities, there is no mention of met coal.

Macquarie Bank

In 2021, Macquarie bank announced their intention to exit both thermal and metallurgical coal by the end of 2024, and to not take on new coal clients. However, they define a coal client as someone that derives at least 50% or more of their revenue from coal production, meaning mining and metals giants with diversified portfolios could still be financed by Macquarie. This contradicts the recommendation set out by the Net Zero Banking Alliance (NZBA), which defines a coal producer as a company that derives more than 5% of its revenue from thermal coal. It has ruled out project finance where the use of financing is explicitly for the construction or expansion of met coal mines.

While three out of the four banks exclude project finance for new metallurgical coal mines, only two restrict general corporate finance for companies building new mines. No banks have policies that include their capital market activities, meaning all four banks could still underwrite bonds for metallurgical coal companies expanding production.

7. Recommendations for banks

While many banks have taken steps to restrict finance for thermal coal, a similar effort must be taken with met coal, and with greater urgency. Banks must not fall for industry's claims that met coal is "the good kind of coal".

With incomplete policies on metallurgical coal, banks are exposing themselves to financial and reputational risks, especially as the transition to fossil-free steel accelerates as governments and steelmakers adopt net zero commitments. The impacts of the met coal industry detailed in this briefing translate into reputational risks for banks that continue to finance met coal. This is especially true for banks that have committed to aligning their portfolios with the Paris Agreement, as they risk reducing their credibility on portfolio decarbonisation.

1. Immediately exclude direct project finance for all new met coal facilities, or the expansion of existing facilities, including:
   - » Met coal mines
   - » Coking ovens
   - » Blast furnaces
   - » Captive coal-based power plants
   - » Steel mills that include any of the above elements

2. Immediately exclude corporate finance, including the underwriting/facilitation of bonds, for the following types of companies:
   - » Steelmakers who have not publicly committed to phasing coal out of their operations by 2030 in OECD countries, and 2050 in non-OECD countries.
   - » Metallurgical coal mining companies who exceed GCELs expansion criteria (i.e. are developing new coal mines, or related infrastructure).

3. Provide transition finance to support steelmakers and coal companies to phase out coal, with strict deadlines and KPIs that are in line with a phase-out in steelmaking 2030 in OECD countries, and 2050 in non-OECD countries.

4. Increase finance for key enabling sectors like renewable energy, green hydrogen for steelmaking, and Direct Reduced Iron (DRI) production, while ensuring that these sectors are rightfully categorised as high risk, and sufficient environmental and human rights due diligence is performed.

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