

Swiss Banks in the End of the Fossil Fuel Age

COAL
KILLS

"Coal kills." ©Greenpeace. Activists in Manila launch global "Break free" protests against fossil fuels, 2017.

GREENPEACE BANKTRACK

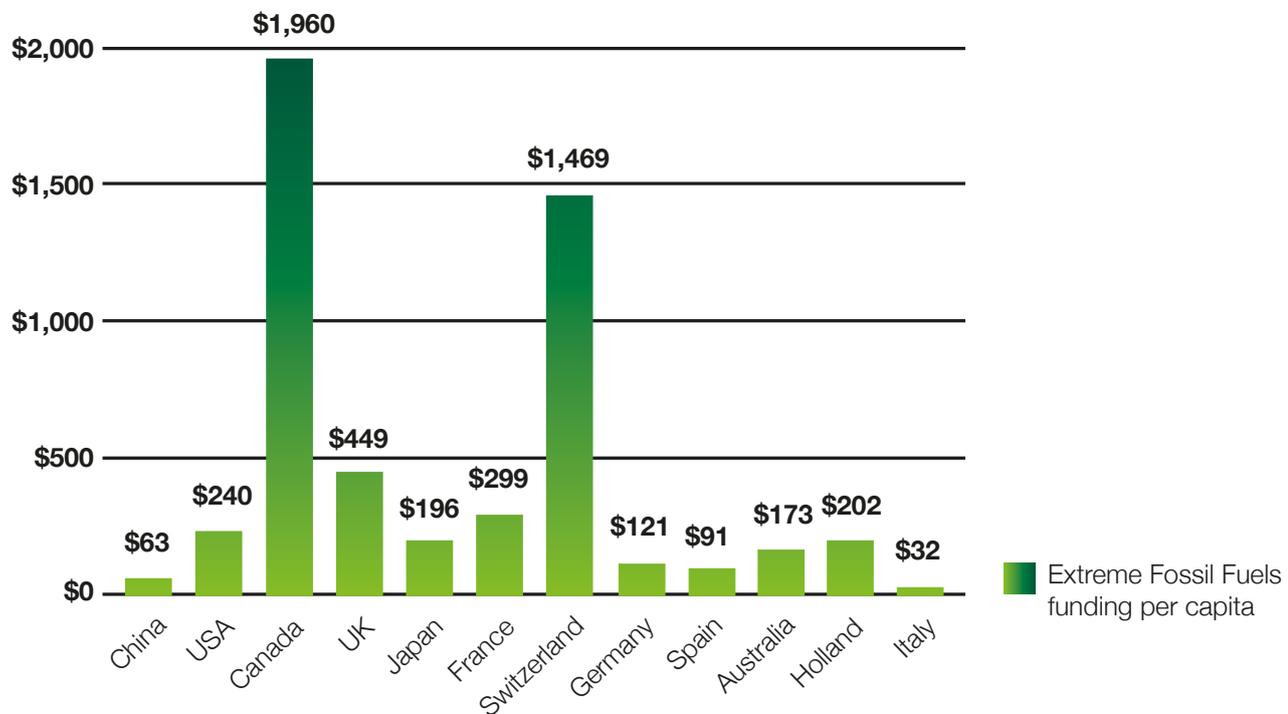
1. Financing climate change: a risky business

Switzerland is a key global financial centre, but its financial flows are unsustainable. As this report demonstrates, in Switzerland, two of the country's biggest banks - Credit Suisse and UBS - provide more finance for extreme fossil fuels¹ on a per capita basis than their peers in any other European nation.

Two years after the historic Paris Agreement on climate change was adopted, leading regulators

and economists around the world agree that climate change is "one of the most significant, and perhaps most misunderstood risks" that "could have significant, near-term financial implications."² Climate change has the potential to create physical, social and economic disruption on an unprecedented scale, and therefore it is crucial that we scale up our efforts and act together in order to avert this.

Global banks' fossil fuel financing, \$ per capita (2015-2017)



Source: Banking on Climate Change: Fossil Fuel Finance Report Card 2018
Source for country populations: World Bank

According to a recent report by a number of NGOs (see below), Credit Suisse and UBS together provided USD 12.3 billion for companies involved in extreme fossil fuels over the period 2015-2017. Each of the institution contribution was \$7.825 and \$4.477 billion respectively, earning them 20th and 26th place respectively out of 36 top global banks in terms of their funding of extreme fossil fuels globally. When compared to their European peers, they rank number 4 and 8 respectively, together outranking same type of funding by their banking peers in Italy, Germany, Spain and Holland.

Although their peers in China, Japan, USA, Canada and the UK have provided more funding in absolute terms, the sum of contributions of Credit Suisse and UBS over the 3 years to the dirtiest fossil fuels relative to GDP in 2016 was the second highest globally - 1.86% - among the 36 global banks analysed.

This should come as a warning to Swiss regulators and citizens.

When these findings are added to existing research showing that yearly emissions via investments done at Finanzplatz Schweiz contribute 22 times the domestic emissions in Switzerland³, and the fact that the climate-impact tests of Swiss pension and insurance funds in Switzerland done by the Federal Office for the Environment (FOEN) in 2017 show that these investments currently support a path towards 4-6 degrees Celsius⁴, it becomes clear that the currently propagated voluntary and “wait and see” approach to financial climate risks in Switzerland is irresponsible and disproportionate given the risk exposure at hand.

Not only do Swiss financial institutions act as advisers to a quarter of cross-border global asset owners⁵, but also, Credit Suisse and UBS specifically play an important role in financing corporations abroad. If investment and financing behaviours are not in line with international and national climate policy in the long term, there are “potential risks” for financial market players and for financial stability. It should be noted that the transition to a low carbon economy globally offers an estimated \$89 trillion investment opportunity,⁶ but the impact of unchecked climate change could lead to the destruction of assets totalling as much as \$24 trillion.⁷ Although there are some steps being taken by FINMA and SNB to manage the traditional “too-big-to-fail” systemic risks of the Swiss financial industry⁸, such high involvement in fossil fuels financing by Credit Suisse and UBS alone bears potentially too much climate, as well as reputational risk for a small country such as Switzerland.

As this report details, unfortunately the required level of responsibility and risk awareness has not yet duly arrived in Switzerland, as Credit Suisse and UBS continue to be major global players in the financing of fossil fuel companies.

The findings and analysis of this report are based on:

Banking on Climate Change: Fossil Fuel Finance Report Card 2018 by Rainforest Action Network, BankTrack, the Indigenous Environmental Network, Oil Change International and the Sierra Club and endorsed by Greenpeace, which presents league tables of total financing (lending and underwriting) from 36 global banks to the top 30 companies in six extreme fossil fuel subsectors (plus six tar sands pipeline companies) over the period 2015-17. These banks are included based on the size of their commercial and investment banking business, their inclusion in previous editions of report cards, and the extent of their financial relationships with coal and extreme oil and gas companies. The extreme fossil fuels companies are chosen due to being top in terms of reserves, attributable capacity, annual production or use in generation capacity in each extreme fossil fuel type that this report focuses on. The entire coal sector is also included due to its incompatibility with climate stability and severe environmental, health, and human rights impacts.

Banks vs. The Paris Agreement: Who’s still financing coal plant development? - a report and research conducted by BankTrack, urgewald, Friends of the Earth France, Re:Common and Rainforest Action Network into the banks funding the top 120 coal plant developers, as identified by urgewald. These 120 companies are behind two thirds of coal power expansion worldwide.⁹

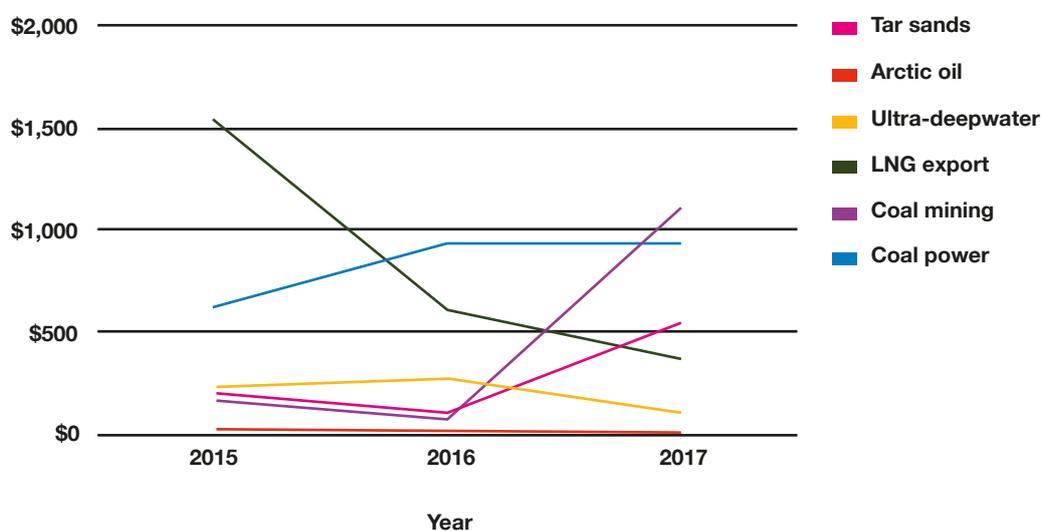
Research led by Greenpeace and others on credit funding provided to controversial tar sands pipeline companies by Credit Suisse and UBS, sourced from Bloomberg Finance L.P and U.S. SEC data.

2. The most problematic fossil fuel funding areas by Swiss banks

Credit Suisse was the second biggest backslider in Europe (and the eighth biggest global backslider), due to the large increase in its extreme fossil fuel financing of more than \$1 billion in 2017 versus 2016. For Credit Suisse, this significant increase in funding to extreme fossil fuels was attributable to **tar sands** and

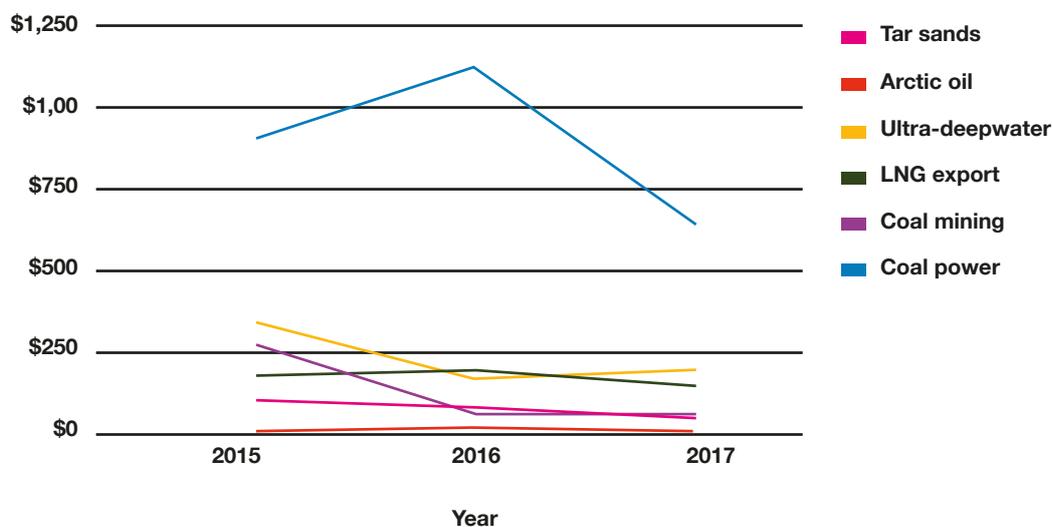
coal mining companies - the two most contested fossil fuels. In comparison, UBS has reduced its funding of extreme fossil fuels over the 2016-2017 period, although 2016 saw a spike in its financing of **LNG export, Coal Power** and **Arctic oil** when compared to 2015.

Credit Suisse funding to tar sands, arctic oil, ultra-deepwater, LNG export and coal mining in USD mn



Source: Banking on Climate Change: Fossil Fuel Finance Report Card 2018

UBS funding to tar sands, arctic oil, ultra-deepwater, LNG export and coal mining in USD mn



Source: Banking on Climate Change: Fossil Fuel Finance Report Card 2018

2.1 Credit Suisse on a coal mining “spending spree” in the US

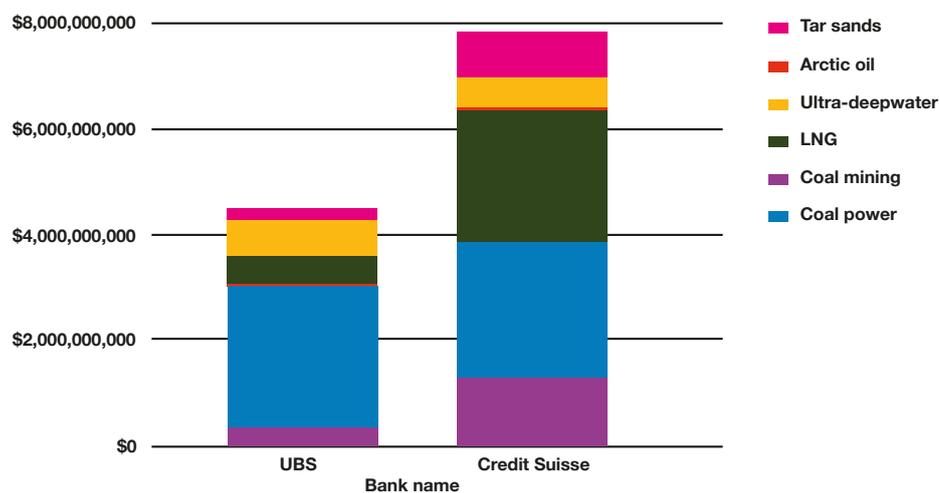
In 2016 Credit Suisse developed a policy on mining as well as guidelines on coal power generation.¹⁰ As a result, Credit Suisse prohibits financing for new coal power plants in high income OECD countries, unless the projects in question involve carbon capture and storage technology (CCS). For mining, the policy states that the bank will not provide any form of financing that is specifically related to the development of a new greenfield thermal coal mine, or where the majority of the use of proceeds is intended for a new greenfield thermal coal mine.¹¹

However bank’s financing of coal mining companies via loans and bond underwriting does not appear to be fully ruled out. A good example of this is Credit Suisse ongoing support to Peabody Energy. According to background research that went into Banking on Climate Change: Fossil Fuel

Finance Report Card 2018 , from 2015 to 2017 Credit Suisse has increased their credit markets service to Peabody Energy by 8 times, issuing loans and underwriting bonds to this recently bankrupt mining company to the tune of USD 981 million in total over these three years. This company is producing 159 MT of coal annually, and had plans before bankruptcy for coal power expansion in China.¹²

Meanwhile, UBS has committed to no longer enter into new lending commitments or the raising of capital for coal mining companies that are involved in mountaintop removal operations, but has no reduction commitment regarding the coal mining sector as a whole.¹³ However, UBS has reduced its funding to the world’s biggest coal mining companies by five times over the 2015-2017 period.

Credit Suisse and UBS - extreme fossil fuel funding (2015-2017)



Source: Banking on Climate Change: Fossil Fuel Finance Report Card 2018

Case study: Peabody Energy¹⁴

As the biggest privately owned coal mining company in the world prior to its bankruptcy, Peabody borrowed billions of dollars from global banks to buy rival coal companies and invest in new machinery and mines. This was in order to benefit from the so-called “super-cycle”¹⁵, proclaimed by the previous CEO. But when natural gas grew as a competitor, and demand for coal fell both in the United States and overseas, Peabody was unable to generate enough cash to make its debt payments. The company’s public valuation fell by over 99% from its 2008 peak, totaling just \$38 million immediately prior to the bankruptcy announcement. At that point, Peabody received an \$800 million bankruptcy finance package led by Citi.

When the company filed for Chapter 11 bankruptcy protection in April 2016¹⁶, and while retired coal miners’ received pennies on the dollar for their pensions, the company still paid its energy lobbyists \$1.2 million.¹⁷

The company’s \$1.5 billion bankruptcy exit financing, to fund a leaner version of the same company, was led by Goldman Sachs, Credit Suisse and JPMorgan Chase.

The new Peabody has now emerged. Its top executives, including many who presided over the dramatic losses that led to bankruptcy in the first place, are still in place and have received significant financial rewards. Its major debtholders now own significant equity stakes. Its retirees, in contrast, have received pennies on the dollar for the future pension benefits they were promised. And the company’s environmental liabilities persist, although hopefully with greater collateral to ensure remediation.¹⁸

2.2 UBS ahead of Credit Suisse in funding to top coal plant developers

However, when it comes to funding the biggest coal plant developers in the world, UBS has outdone Credit Suisse.

The UN’s climate chief has said that the science is clear: there is no space for new coal.¹⁹ According to the latest study by Urgewald and Banktrack analysing the top 120 coal plant developers (a group of companies which together plan to build more than 550,000 MW of new coal-fired power capacity, the equivalent of the combined coal fleets of India, the United States and Germany),²⁰ Credit Suisse and UBS have provided loans and bond underwriting to the tune of USD 3.798bn and USD 5.417bn respectively to these companies between 2014 and 2017, ranking 42nd and 31st globally.

UBS stands out as one of the top western banks which have increased their financing to these 120 coal plant developers since the adoption of the Paris Agreement.²¹

If these 120 companies receive the required funding for their destructive plans, global temperatures will go up by 4 C degrees²². The result would be disastrous for all of us.



©Jeff Goglinski / Greenpeace. View of Peabody Energy's Rocky Branch mine in southern Illinois, USA, 2016.



©Bernd Lauter / Greenpeace. Coal fired power plant in the Rhenish Lignite Mining Area, Germany, 2014.

2.3 Swiss banks' funding of tar sands and other controversial pipelines

More attention than ever is being paid not only to the banks that directly fund controversial tar sands projects, but also to the banks providing corporate finance (bonds, general corporate loans) to the companies behind the pipelines. Project specific financing is not always needed for a company to build a pipeline. Without project finance in the works, the banks financing pipeline companies are - de facto - the banks which are financing controversial projects.

Based on the best available data (as of February 2018), Credit Suisse and UBS have participated in and/or arranged at least 12 and 2 (respectively) of the current (non-matured) general corporate loans and bonds issuances for Enbridge, Kinder Morgan, Transcanada, and Energy Transfer Partners (ETP) and its subsidiaries, which are building and/or operating the highly controversial Line 3, Trans Mountain, Keystone XL, Dakota Access and Bayou Bridge pipeline projects.²³

Despite three visits from the representatives of impacted First Nations, an ongoing OECD complaint against Credit Suisse, and numerous civil protests, the bank has continued to provide access to capital for these oil pipeline companies in 2017 and 2018. Credit Suisse is one of the few remaining European banks to support these companies. When banks refuse to end business relationships with companies such as Enbridge, Kinder Morgan and ETP, they are ignoring established 1.5-2°C targets and international treaties on indigenous rights. In this way, they are effectively bankrolling the designs of Trudeau and Trump, which are disregarding indigenous rights and global climate action.

Some most recent examples of "business as usual" and disregard for climate risks and indigenous rights was the issuing of bonds for Enbridge with a maturity as far out as 2077 and 2078.²⁴

Furthermore, Credit Suisse has continued its financing of Energy Transfer Partners (ETP) and its affiliated companies. ETP is the company behind the Dakota

Access Pipeline and the company currently suing Greenpeace and others for in a close to USD 1 billion SLAPP lawsuit.

To date, UBS has been holding back from new finance deals for the above mentioned pipeline companies, though the bank still has a few outstanding loans with Energy Transfer Partners and Kinder Morgan, dating from before 2017.

Neither of the Swiss banks have publicly announced any policies or plans to restrict financing to these controversial tar sands pipelines. Some of their European peers, in contrast, have done so: ING, BNP Paribas, Credit Agricole, Societe Generale, Natixis, AXA, BBVA.



©Jiri Rezac / Greenpeace. Seismic Line in Alberta Tar Sands, Canada, 2009.

The proposed tar sands pipeline projects do not have the Free, Prior, and Informed Consent (FPIC) of all Indigenous Nations and Tribes along or impacted by the proposed pipeline routes, as called for in the United Nations Declaration on the Rights of Indigenous Peoples. Over 150 First Nations and Tribes across Canada and the US have signed the Treaty Alliance Against Tar Sands Expansion.²⁷ The Treaty is an expression of Indigenous Law and opposes the use of the signatories' Indigenous territories and coasts for new or expanded pipeline infrastructure projects that would facilitate the expansion of the tar sands.

Enbridge - Line 3

This new pipeline threatens the way of life and physical survival of the Ojibwe people in Minnesota by creating a destructive corridor threatening unique wild rice beds, which play a profound and essential role in the diet and culture of the Ojibwe. Credit Suisse and UBS both back Enbridge via general corporate finance. There is no project finance for Line 3 at the moment by any banks.

Kinder Morgan - Trans Mountain Pipeline

At least a dozen First Nations and Tribes have filed legal challenges and complaints to this project. The traditional territories of the First Nations who are party to the Federal Court of Appeals cases cover approximately 50% of the Proposed Route. If completed this pipeline would triple the amount of crude oil that can be piped from Alberta to the British Columbia coast. Exporting the oil carried by this new pipeline would require 400 tankers a year (a 700% increase) to travel through the Salish Sea.²⁸ A spill of tar sands oil in those waters could cause severe harm to coastal communities and wildlife, including resident orca and salmon populations. Kinder Morgan suggested on its April 9 investor call that prolonged litigation leading to additional conditions being imposed which are in turn appealed may be "just too much to bear".

3. Conclusion

Swiss financial institutions, such as Credit Suisse and UBS, have a critical role to play in decarbonising the global economy, as well as managing the climate financial risks on behalf of their clients, shareholders and society. Unfortunately, the level of responsibility and risk awareness has not arrived in Switzerland quite yet, as Credit Suisse and UBS continue to be major players globally in funding and advising fossil fuel companies.

Greenpeace demands:

By COP 24, Swiss banks need to

- Urgently come up with clear and time-bound plans to make all of their finance flows consistent with the pathway of the Paris Agreement.
- End dedicated financing to new coal power plants worldwide.
- End all financing to coal plant developers.
- End all financing to companies with more than 30% of power production deriving from coal.
- End all financing to companies with more than 10 GW of installed coal power capacity.
- End all financing to mining companies with more than 20 MT of coal mined annually and/or 30% of revenues attributed to thermal coal mining.
- End all financing to companies and projects which violate FPIC and international indigenous rights conventions.
- Phase out and exclude financing for companies with tar sands expansion plans or more than 30% of their business in tar sands (production, exploration, transportation), as well as finance for tar sands directly.
- Phase out and exclude new financing for companies expanding in extreme fossil fuels, like arctic oil, ultra-deepwater oil, LNG export.

We also recommend that FINMA raise capital adequacy requirements for fossil fuel loans issued by the Swiss banks.

Appendix

Global banks' fossil fuel financing, \$ per capita (2015-2017)

Country	2015 (mn)	2016 (mn)	2017 (mn)	Total (mn)	GDP (mn)	Extreme fossil fuels financing /GDP	Extreme fossil fuels financing per capita
China	\$35,341	\$28,740	\$22,187	\$86,267	\$11,200,000	0.77%	\$63
USA	\$24,879	\$25,472	\$27,113	\$77,461	\$18,570,000	0.42%	\$240
Canada	\$22,099	\$15,572	\$33,443	\$71,117	\$1,530,000	4.65%	\$1,960
UK	\$11,010	\$7,908	\$10,578	\$29,496	\$2,619,000	1.13%	\$449
Japan	\$9,317	\$8,460	\$7,080	\$24,858	\$4,393,000	0.57%	\$196
France	\$8,179	\$6,142	\$5,694	\$20,014	\$2,465,000	0.81%	\$299
Switzerland	\$4,547	\$3,621	\$4,134	\$12,302	\$659,800	1.86%	\$1,469
Germany	\$5,564	\$2,450	\$1,959	\$9,974	\$3,467,000	0.29%	\$121
Spain	\$859	\$2,567	\$816	\$4,241	\$1,232,000	0.34%	\$91
Australia	\$2,502	\$964	\$717	\$4,183	\$1,205,000	0.35%	\$173
Holland	\$1,591	\$1,337	\$514	\$3,442	\$770,800	0.45%	\$202
Italy	\$410	\$788	\$720	\$1,917	\$1,850,000	0.10%	\$32
Grand Total	\$126,298	\$104,021	\$114,955	\$345,272	\$49,961,600	0.69%	\$154

Credit Suisse funding to tar sands, arctic oil, ultra-deepwater, LNG export and coal mining in USD

Year	Tar sands	Arctic oil	Ultra-deepwater	LNG export	Coal mining	Coal power
2015	\$205,000,000	\$22,000,000	\$217,000,000	\$1,539,000,000	\$166,000,000	\$623,000,000
2016	\$106,000,000	\$10,000,000	\$265,000,000	\$608,000,000	\$69,000,000	\$938,000,000
2017	\$543,000,000	\$4,000,000	\$94,000,000	\$377,000,000	\$1,100,000,000	\$939,000,000

UBS funding to tar sands, arctic oil, ultra-deepwater, LNG export and coal mining in USD

Year	Tar sands	Arctic oil	Ultra-deepwater	LNG export	Coal mining	Coal power
2015	\$102,000,000	\$4,000,000	\$335,000,000	\$171,000,000	\$267,000,000	\$897,000,000
2016	\$76,000,000	\$11,000,000	\$166,000,000	\$187,000,000	\$56,000,000	\$1,128,000,000
2017	\$43,000,000	\$4,000,000	\$193,000,000	\$145,000,000	\$52,000,000	\$641,000,000

Credit Suisse and UBS - extreme fossil fuel funding (2015-2017)

Bank	Coal mining	Coal Power	LNG export	Arctic oil	Ultra-deepwater	Tar Sands	Total
Credit Suisse	\$1,334,000,000	\$2,500,000,000	\$2,525,000,000	\$36,000,000	\$576,000,000	\$854,000,000	\$7,825,000,000
UBS	\$375,000,000	\$2,667,000,000	\$502,000,000	\$18,000,000	\$694,000,000	\$222,000,000	\$4,477,000,000

Source: Banking on Climate Change: Fossil Fuel Finance Report Card 2018
 Source for country populations: World Bank

References

- ¹ Extreme fossil fuels refer to non-conventional hydrocarbons, like extreme oil (tar sands, Arctic, and ultra-deepwater oil), liquefied natural gas (LNG) export, coal mining, and coal power. This selection of fossil fuels is based on the Carbon Tracker Initiative's Carbon Supply Cost Curves reports, which identified oil and gas projects that face the highest levels of stranded asset risk under 2-degrees-Celsius climate stabilization scenarios. The entire coal sector is also included due to its incompatibility with climate stability and severe environmental, health, and human rights impacts.
- ² <https://www.fsb-tcfd.org/publications/final-recommendations-report/>
- ³ Klima-Master Plan Schweiz, Klima- Allianz Schweiz, 2016
<http://www.klima-allianz.ch/blog/klima-masterplan>
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- ⁵ http://www.swissbanking.org/en/financial-centre/20130715-fp_motor_der_schweizer_wirtschaft_en.pdf
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- ⁷ <https://www.nature.com/articles/nclimate2972>
- ⁸ https://www.snb.ch/en/mmr/reference/stabrep_2017/source/stabrep_2017.en.pdf
- ⁹ Full explanation of the methodology can be found here: <https://coalexit.org/sites/default/files/inline-files/23062017%20Methodology.pdf>
https://www.banktrack.org/coaldevelopers/data/coal_plant_developers_report_methodology.pdf
- ¹⁰ <https://www.credit-suisse.com/corporate/en/responsibility/banking/risk-management.html>
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- ¹⁴ This abstract was taken from a blog post by Rainforest Action Network, September, 2017
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- ¹⁷ <http://ieefa.org/coal-giant-peabody-energy-bankruptcy-still-finds-money-pay-lobbyists/>
- ¹⁸ https://www.ran.org/peabody_energy_post_bankruptcy_business_as_usual
- ¹⁹ <https://www.theguardian.com/environment/2015/may/04/un-climate-chief-says-the-science-is-clear-there-is-no-space-for-new-coal>
- ²⁰ See explanation of the coal developers list at: <https://www.banktrack.org/coaldevelopers/>
- ²¹ https://www.banktrack.org/coaldevelopers/#bank_policies
- ²² https://coalexit.org/sites/default/files/inline-files/New%20Coal%20Plants%20Endanger%20the%20Planet_3.pdf
- ²³ These are conservative estimates on funding provided to controversial tar sand pipeline companies by Credit Suisse and UBS, sourced from Bloomberg Finance L.P. Only loans used for general corporate purposes and which have not matured yet are mentioned.
- ²⁴ Enbridge Fixed-to-Floating Rate Subordinated Notes in 2017 (maturity 2077)
https://www.sec.gov/Archives/edgar/data/895728/000110465917044471/a17-17104_6ex1d1.htm
CS was one of the underwriters of Enbridge Fixed-to-Floating Rate Subordinated Notes in 2018 (maturity 2078): <https://www.enbridge.com/investment-center/sec-filings/SEC%20Filing%20Details.aspx?filingId=12093829&docId=255998>
- ²⁵ Refinancing of a loan for Energy Transfer Equity in October 2017 (Credit Suisse as one of the agents and lenders)
https://seekingalpha.com/filing/3735703#ETE-TERMLOANAMENDMENTNO1_HTM
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For more information about the SLAPP lawsuits, please read here: <https://www.greenpeace.org/usa/7-things-you-need-to-know-about-etps-lawsuit-against-greenpeace/>
- ²⁷ Treaty Alliance Against Tar Sands Expansion. www.treatyalliance.org/
- ²⁸ Gordon Hoekstra, "B.C. Pipeline Showdown: Will Kinder Morgan Expansion Get Built?," Vancouver Sun, June 2, 2017.

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