# THE COAL COMPANIES WATCHLIST

## How finance can accelerate the coal phase out

RECLAIM Finance

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**Publication date:**
December 2021

Prepared with the support of Urgewald



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# EXECUTIVE SUMMARY

**Worldwide, at least 30 financial institutions have called upon power and mining companies to adopt coal phase-out plans by 2021 or earlier.** As the year's end approaches, it is time to assess whether and to what extent this demand has been met.

Based on a previously established list of 10 criteria for evaluating corporate coal phase-out plans,[1] **this briefing assesses the credibility of 47 power and mining companies' phase-out plans.** These companies make up over 80% of the current coal exposure of the top five banks and investors that asked for such plans to be published before the end of 2021 (Société Générale, BNP Paribas, Natixis, Crédit Agricole, and Unicredit for banks and Société Générale, BNP Paribas, Natixis, Crédit Agricole, and Axa as investors).

**Despite their dismal record in terms of coal phase-out plans, the companies analyzed here continue to benefit from a high level of support from financial institutions.** In 2021, BNP Paribas, BPCE, Credit Agricole, Société Générale and Unicredit – all the largest banks that have demanded coal phase-out plans – have provided over $9 billion of new financing to these coal companies.

**The details of coal phase-out plans and the means of their implementation matter.** A general commitment to exit coal by 2030 in Europe and OECD countries, and by 2040 in the rest of the world, is necessary but not sufficient. Commitments to effective asset closures, as opposed to sales or conversion to other unsustainable energy sources, and other qualitative aspects, such as just transition plans, are also crucial features of credible phase-out plans.

**Coal phase-out plans are failing across the board.** When plans exist, they are partial and do not meet the demands of climate science. Only 3 out of 47 analyzed companies' plans (6%) meet all the basic criteria of a credible coal phase-out (no expansion, adequate timeline, and commitment to shut down assets). 28% of analyzed companies are still coal expansionists and have not even yet recognised the absolute necessity of stopping the development of new coal capacity. 55% of companies do not plan to retire their coal assets by 2030 and 2040, thereby failing to align with a 1.5°C pathway. The remaining 11% of analyzed companies do provide an adequate phase-out calendar but fail to shut down their assets: by selling coal mines and plants or converting them to gas and biomass – two other unsustainable energy sources – the only thing these companies are greening is their public profile, with no material effect on climate change.

**These findings illustrate the flaws associated with financial institutions' current approach to engaging coal companies.** For sure, some financial institutions do more than others and those that integrate an explicit demand for coal phase-out plans contrast positively with most other financial actors who use engagement rhetoric as a fig leaf to hide their lack of meaningful action. While avoiding divestment, the latter give no evidence of their demand for phase-out plans, or even for the end of coal expansion. However, in the absence of precise, well-thought-out goals and clear sanctions, demands for phase-out plans have not generated meaningful change. These leading financial institutions should continue to improve their engagement approach by defining clearer goals, milestones, and escalation strategies. The flagship investor engagement initiative "Climate Action 100+" (CA100+) does not show better results than individual investors: four years after the initiative was launched, many of the CA100+'s target companies (BHP, CEZ, Fortum-Uniper, Glencore, etc.) do not exhibit significantly better coal phase-out plans than non-target companies.

**With time fast running out to slash global emissions, it is imperative that all private financial institutions immediately adopt robust coal exit policies including the conditioning of their financial services on the adoption of Paris-aligned coal phase-out plans by specific deadlines.** Financial institutions must also step-up their game in terms of engagement and stop using vague demands for coal phase-out plans as an excuse not to exclude coal companies.

**Reclaim Finance's Coal Companies Watchlist provides a ready-to-use tool for financial institutions to act on 47 coal companies** and to replicate robust coal phase-out plan assessments for any other coal company they work with.

# INTRODUCTION

**Emissions from coal-fired power stations are still the single greatest threat to our climate. Keeping the world on track to limit warming to 1.5°C requires an immediate start to a rapid global phase-out of coal.** The IPCC warned in 2018 that 78% of the world's coal GHG emissions must be phased out by 2030 to stay within the 1.5°C limit set out in the Paris Agreement.[2] The International Energy Agency (IEA)'s 1.5°C scenario (NZE 2050) published in May 2021[3] also stresses that the least efficient coal power plants need to be shut down by 2030, followed by all "unabated" coal plants by 2040. Finally, the UN Environment Programme's Production Gap Report,[4] published shortly before COP26, found that governments' production plans would lead to about 240% more coal in 2030 than would be consistent with limiting global warming to 1.5°C. Between 2020 and 2030, global coal production would have to decline annually by 11% to be consistent with a 1.5°C pathway. **In the meantime, 49% of coal companies covered by the Global Coal Exit List are currently planning new coal projects, and less than 5% have a phase out date.[5]**

**There is growing political momentum for a global coal phase-out.** COP26 in Glasgow set the world's governments the objective of "consign[ing] coal to history" and two coal-related commitments were announced: 46 countries pledged to transition away from coal and 39 stakeholders committed to end new direct public support for the unabated fossil fuel energy sector internationally by the end of 2022. However, the Glasgow Climate Pact's wording regarding coal was watered down during last-minute negotiations;[6] it now only "calls upon Parties to (...) *accelerate* efforts towards the *phasedown* of unabated coal power and phase-out of *inefficient* fossil fuel subsidies". This vague commitment remains wholly insufficient to keep the world on a 1.5°C pathway.



***"Phasing out coal from the electricity sector is the single most important step to get in line with the 1.5 degree goal."***

*António Guterres*
*Secretary-general of the UN*
*2 March 2021*

# 1. FINANCIAL INSTITUTIONS' DEMANDS FOR COAL PHASE-OUT PLANS

**Financial institutions can play a crucial role in accelerating the global coal phase-out.** Despite important regional variations and increasingly strong exclusion policies, financial institutions remain highly exposed to coal companies: in January 2021, almost 4,500 investors held investments totalling over $1 trillion in companies operating along the thermal coal value chain. Between the 1st October 2018 and the 31st October 2020, 665 banks provided loans totalling $315 billion and underwriting activities worth over $808 billion to coal companies and this amount has increased by 11% since 2016.[7]

**A growing number of financial institutions recognise the imperative to exit the coal sector.** This is reflected in the emergence of increasingly sophisticated coal policies adopted by international financial institutions, particularly in France in the wake of COP21 in Paris. On the 2nd July 2019, French financial institutions, working through their professional federations, committed to adopting "a timetable for the overall exit from financing coal activities" by mid-2020 and to report on the policy in their extra-financial reporting from 2020 onwards.

**As a result, at least 30 financial institutions have put in place coal policies that include a demand for companies to publish a coal phase-out plan** (see Annex 1 for the full list). Those demands vary in a number of parameters:

- The deadline by which the plan is required. Most of the financial institutions analyzed asked for phase-out plans to be published before the end of 2021 but some of them set earlier or later dates;[8]
- The timeline to exit coal assets. Most of these financial institutions have endorsed the science-based 2030 and 2040 exit dates respectively for European/OECD countries and the rest of the world. For instance, some actors have set more ambitious goals, such as a date for the retirement of all assets in 2030,[9] a differentiated but accelerated timeline for a 2024/2034 exit,[10] and even a 2028 exit date;[11]
- The qualitative criteria included in the policy. About half of the policies specifically ask for closures of coal facilities while the other half only mention a coal exit or phase-out that could still be consistent with the sale of coal assets to other companies. A small minority of financial institutions include other details, such as the need to link coal-phase-out and just transition plans[12] or asset-by-asset detailed closure dates.[13]

Despite some shortcomings (notably regarding the lack of clear sanctions), the demands for coal phase-out plans put forward by those 30 financial institutions remain a welcome and useful tool to complement other exclusion-focused criteria. They strongly and positively contrast with the fact that over 500 other financial institutions do not make such demands and do not even set coal phase-out dates for themselves, let alone for their clients.[14]

**As 2021 draws to an end and the deadline for phase-out plans expires, it is time for financial institutions to scan their coal portfolio** to **(i)** identify which companies did provide a coal phase-out plan and which did not; **(ii)** assess the level of credibility of existing phase-out plans; and **(iii)** take strong action toward coal companies that have failed to comply (either formally or qualitatively) with their demand.

To date, no financial institution has published a policy with a sufficiently comprehensive and detailed explanation of what transition plans should include. To make up for financial institutions' lack of clarity, Reclaim Finance and Urgewald have designed a 10-criteria framework for assessing coal phase-out plans.[15] This framework builds on four simple requirements: a credible phase-out plan should (i) put an immediate stop to coal expansion; (ii) provide a detailed Paris-aligned exit timeline; (iii) plan effective asset closures; (iv) include qualitative elements to ensure that the coal phase-out is part of a wider sustainable transition dynamic (see Box 1 for the detailed criteria).

This briefing builds on this analytical framework to **review the commitments made by the 47 coal companies to which the top investors and banks requiring phase-out plans by the end of 2021 are most exposed.** Our sample was selected based on the coal exposure of a limited number of financial institutions that specifically required a coal phase-out plan by the end of 2021. Covering 5% of total annual coal production and 17.5% of total coal-based power capacity,[16] the sample is not intended to be representative of the entire coal industry, nor of financial institutions' global exposure to it (see Annex 2 for more details).

## Box 1 – 10 criteria for assessing coal phase-out plans

1. All coal expansion plans must be cancelled
2. 80% of the global coal fleet and all thermal coal facilities in the OECD, Eastern Europe and former Soviet Union must be closed by 2030, and all globally by 2040.
3. Phase-out plans must include facility-by-facility closure dates
4. Coal facilities must be closed and not sold to new owners
5. Coal plants must be closed and not converted to fossil gas, biomass or fossil-based hydrogen.
6. Claims of future retrofitting with carbon capture and storage must not be used to delay coal plant closures
7. Plant and mine closures must be accompanied with just transition plans, and all worker and environmental obligations funded and implemented
8. Companies must pledge not to challenge the phase out of coal facilities through investor-state dispute settlement mechanisms
9. Companies must stop all lobbying activities against government action on climate
10. A target set through the Science-Based Target initiative (SBTi) or net-zero commitment is not an acceptable substitute for a credible coal phase-out plan.

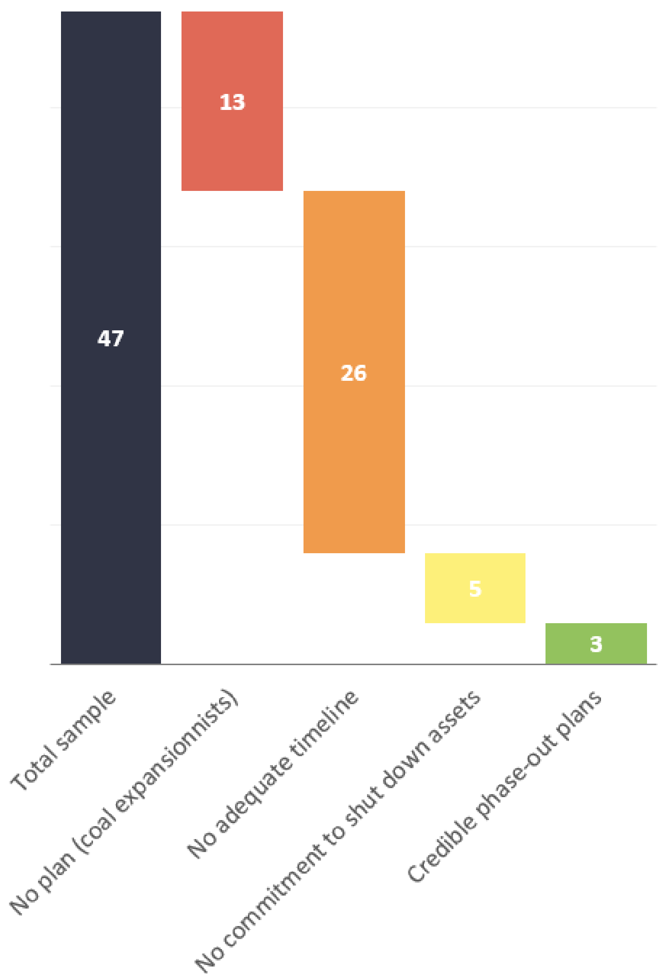
Source: Reclaim Finance and Urgewald, "How to exit coal: 10 Criteria for Evaluating Corporate Coal Phase-Out Plans", October 2021

# 2. FLAWED COAL PHASE OUT PLANS

**The overwhelming majority of coal companies have not complied with the demand of financial institutions and do not present credible coal phase-out plans.** Only 3 out of 47 analyzed companies (6%) meet all the basic criteria of a credible coal phase-out (no expansion, adequate timeline, and commitment to shut down assets). **28% of analyzed companies are still coal expansionists** and have not even recognised the absolute necessity of stopping the development of new coal capacity. **55% of companies do not plan to retire their coal assets by 2030 and 2040**, thereby failing to align with a 1.5°C pathway. The remaining **11% of analyzed companies do provide an adequate phase-out calendar but fail to shut down their assets**: by selling coal plants and mines or converting them to other unsustainable energy sources, the only thing these companies are greening is their public profile, with no material effect on the climate.

**Too many coal expansionists** – 4 out of 5 mining companies we analyzed are still coal expansionists, and the only mining company committed to phase-out coal by 2030/2040, BHP Group, is doing so by offloading its coal assets to other actors such as Glencore.[17] Two companies, Vale and Itochu hypocritically provide adequate phase-out timelines but are still developing new coal capacities. Vale is in the process of upgrading its Moatize mine in Mozambique to increase coal production by 3 million tonnes per year while Itochu is planning for the expansion of 640 MW of coal-based power capacity in Indonesia. Vale's new investment is aimed at increasing the value of the Moatize mine before selling it. This illustrates how a simple analysis of exit timelines is far from sufficient to assess a phase-out plan: Vale's "transition" away from coal will actually lead to more coal being mined (by another actor) for an undefined period of time.

**Figure 1 – Breakdown of analyzed coal phase-out plans by level of credibility**

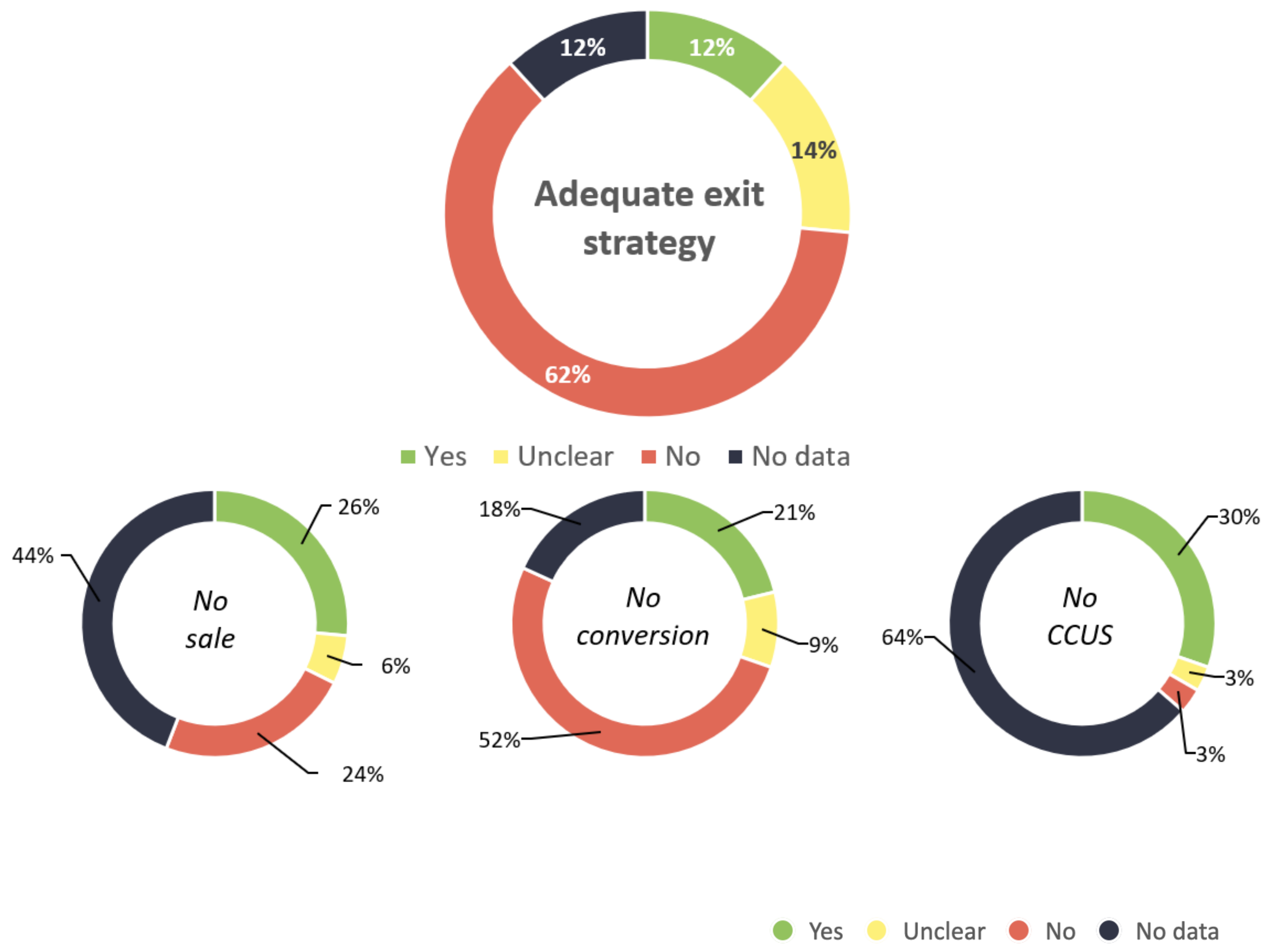



**Late coal exit dates** – 26 coal companies do not plan to exit coal by 2030 in Europe and OECD countries and by 2040 in the rest of the world, thus failing to align with what climate science requires to stay on a 1.5°C pathway. A significant proportion of these actors operate coal assets in European and OECD countries: they need to urgently reconsider their phase-out strategies since they only have nine years left to fully shut down their coal assets.

**Asset-by-asset exit dates** – This criterion is marred by a high level of opacity. Excluding coal expansionists, less than a third of analyzed coal companies provide exit dates at the asset level. 30% of actors do not provide any information (CEZ, Fortum-Uniper, CLP Holdings, etc.) and 40% of them present only partial information, either with exit dates available only for a subset of assets (American Electric Power, Berkshire Hathaway Energy, EPH, etc.), exit dates for bulk capacity tranches but without plant-level information (Enel, EnBW) or vague timetables that do not allow for a clear identification of each power plant exit date (Engie).

**Asset passed on, but not shut down** – Excluding coal expansionists, only 11 actors (33%) committed not to sell, whereas seven (21%) sold or plan to sell coal assets. This approach essentially transfers GHG emissions from one actor to another, without having any material impact on the absolute level of emissions. Selling coal assets is therefore much more about a company improving its short-term financial results and public profile rather than fighting climate change. It is worth noting that a commitment not to sell is one of the few qualitative criteria that is required by some financial institutions in their demands for phase-out plans. However this request has not been heeded by coal companies since their phase-out plans do not perform significantly better on that criterion in comparison with the other two exit criteria (conversion and use of CCUS).

**Figure 2 – Most phase-out plans do not include commitments to shut down coal assets**



**Commitment not to convert to other unsustainable energy sources** – Excluding coal expansionists, only 8 (24%) actors do not resort to gas or biomass conversion to ease their transition away from coal. 13 companies are converting coal to gas[18] and 3 companies (Albioma, CEZ, and RWE) are converting coal to biomass. Some companies operate in a grey zone since they do not directly convert coal units to gas or biomass but plan to compensate lost coal capacity with new investments in "cleaner energy sources" (DTE Energy) or "firm dispatchable resources" (Evergy), which would allow for gas and biomass conversions.

**Commitment not to retrofit** with carbon capture, use, and storage (CCUS) technologies – This criterion is seldom mentioned in coal companies' phase-out plans (no data is available for 61% of analyzed companies, excluding coal expansionists). WEC Energy is the only actor to explicitly state that its two newest coal plants "would be potential candidates for carbon capture, utilization and storage (CCUS) after 2030, assuming the technology is further developed."[19]

**Figure 3 – CA100+ focus companies did not provide more credible phase-out plans than their peers**


**The overall failure of coal companies to publish credible phase-out plans by the end of 2021, despite some financial institutions demanding them, illustrates several flaws of the "soft" engagement approach adopted by most investors.** While it bears repeating that the engagement of the 30 financial institutions demanding phase out plans is a welcome contrast to the rest of the sector, their current engagement approach exhibits two main weaknesses:

1. **The lack of clear and strong sanctions does not make coal companies take financial institutions' demands seriously.** Instead, financial institutions' demands for phase-out plans provide coal companies with the opportunity to keep running under business-as-usual with a grace period that they would not have enjoyed if stronger exclusion policies had been enforced right from the start. Most phase-out demands display weaknesses. Some of them seem to apply only to a specific subsector such as coal mining or ask only for a partial phase-out, leaving the door open to maintain a minimal – but not null – coal production or coal-based power capacity. Most importantly, one third of financial institutions do not detail how they would react to a failure from coal companies to present a phase-out plan before the set deadline and another third have only partial sanctions in place (limited to certain services, leaving room for case-by-case exceptions, or plans to extend the engagement period).

2. **Vague, or off the mark, engagement targets allow coal companies to formally meet financial institutions' demands without shifting their business model** and therefore without any real material impact on climate change. This weakness of current engagement practices is particularly reflected in the poor performance of phase-out plans in terms of effective asset closure. While investors often prefer engagement over divestment on the ground that *"only through engagement (and not through divestment), can real-world impacts be achieved, and real-world emissions are reduced swiftly"*,[23] the fact that barely a third of coal companies committed not to sell their assets shows that investors' engagement work did not put enough emphasis on this crucial requirement and did not manage to use their influence to generate "real-world impacts".



## Box 2 – The scope of coal phase-out plans matters

Financial institutions should pay close attention to the treatment of minority stakes and subsidiary companies in coal phase-out plans. Some companies argue that minority ownership of coal plants does not give them sufficient influence to push for exit and closure. For instance, EDF has a seemingly adequate phase-out timeline since it plans a worldwide coal exit by 2030, but the French utility fails to provide detailed closure dates for the 2GW of thermal coal capacity it operates in China, as a minority partner in three joint ventures.[20]

Companies should be held accountable for their minority participations, especially when there is no proven record of them trying to convince the majority owner to close coal assets. That is why we have chosen to qualify EDF's exit timeline as inadequate, whereas we did not penalise Endesa regarding a coal-to-biomass conversion project in Portugal since it has publicly supported a renewable alternative against the majority shareholders Engie and Marubeni.[21]

This logic also applies to "spinoff" strategies, where a new separate company is created to offload coal assets and artificially reduce the parent company's carbon footprint. For example, FirstEnergy resorted to this tactic to hide several coal plants in a separate subsidiary. Another prominent example from outside our sample is multinational miner Anglo-American: Instead of retiring its coal mines, Anglo American simply spun them off in June 2021 into a separate listed company, Thungela Resources,[22] whose share price surged since its newly appointed CEO announced ambitions to grow, not shrink coal production.

The comparative analysis of Climate Action 100+'s focus companies with other coal companies confirms that investors' current approach toward engaging coal companies is not generating significant results. After four years of engagement by the largest global investors, CA100+ focus companies contain roughly the same proportion of coal expansionists, plans without adequate timeline, and plans without effective shut down, as non-focus companies. It is also interesting to note that the CA100+ Net Zero Company Benchmark only evaluates coal phase-out plans based on the proportion of assets retired before a given date, therefore failing to account for more qualitative – but still crucial – criteria.

# 3. THE COAL COMPANIES WATCHLIST

| HQ Country | Sector | Company Name | Robust and credible phase-out plan | Not developing new coal | Timely coal exit | Shutting down, not passing on | Our recommendations |
|---|---|---|---|---|---|---|---|
| France | Power | **Albioma** | | ✓ | ✓ | x | • Precise asset-by-asset closure dates<br>• Stop converting to biomass |
| United States | Power | **Alliant Energy** | | ✓ | x | x | • Set adequate 2030/2040 exit timeline<br>• Stop converting to gas and biomass |
| United States | Power | **Ameren Corp** | | ✓ | x | Unclear | • Set adequate 2030/2040 exit timeline<br>• Commit to shut down coal assets |
| United States | Power | **American Electric Power** | | ✓ | x | x | • Set adequate 2030/2040 exit timeline<br>• Precise asset-by-asset closure dates<br>• Commit not to sell coal plants or mines<br>• Stop converting to gas» |
| United States | Power | **Berkshire Hathaway Energy** | | ✓ | x | x | • Set adequate 2030/2040 exit timeline<br>• Precise asset-by-asset closure dates<br>• Stop converting to gas |
| Australia | Mining | **BHP Group** | | ✓ | ✓ | x | • Commit not to sell coal plants or mines |
| United States | Power | **CenterPoint Energy** | | ✓ | x | x | • Set adequate 2030/2040 exit timeline<br>• Precise asset-by-asset closure dates<br>• Stop converting to gas |
| Czech Republic | Power/Mining | **CEZ** | | ✓ | x | x | • Set adequate 2030/2040 exit timeline<br>• Stop converting to gas and biomass |
| Hong Kong | Power | **CLP Holdings** | | ✓ | x | x | • Set adequate 2030/2040 exit timeline<br>• Stop converting to gas» |
| United States | Power | **CMS Energy** | | ✓ | ~ | Unclear | • Set adequate 2030/2040 exit timeline<br>• Stop converting to gas |
| United States | Power | **DTE Energy** | | ✓ | x | Unclear | • Set adequate 2030/2040 exit timeline<br>• Precise asset-by-asset closure dates<br>• Commit to shut down coal assets |
| United States | Power | **Duke Energy** | | ✓ | x | x | • Set adequate 2030/2040 exit timeline<br>• Stop converting to gas |
| France | Power | **Electricite de France (EDF)** | | ✓ | x | Unclear | • Set adequate 2030/2040 exit timeline<br>• Precise asset-by-asset closure dates<br>• Commit to shut down coal assets |
| Spain | Power | **Endesa** | | ✓ | ✓ | ✓ | • Ensure plan also meets further criteria listed in Box 1 |
| Italy | Power | **Enel** | | ✓ | ~ | x | • Precise asset-by-asset closure dates<br>• Commit not to sell coal plants or mines<br>• Stop converting to gas |

| HQ Country | Sector | Company Name | Robust and credible phase-out plan | Not developing new coal | Timely coal exit | Shutting down, not passing on | Our recommendations |
|---|---|---|---|---|---|---|---|
| Germany | Power | **Energie Baden-Württemberg (EnBW)** | | ✓ | x | x | • Set adequate 2030/2040 exit timeline<br>• Precise asset-by-asset closure dates<br>• Stop converting to gas |
| France | Power | **Engie** | | ✓ | ~ | x | • Precise asset-by-asset closure dates<br>• Commit not to sell coal plants or mines |
| Czech Republic | Power/Mining | **EPH** | | ✓ | x | x | • Set adequate 2030/2040 exit timeline<br>• Precise asset-by-asset closure dates |
| South Africa | Power | **Eskom** | | x | x | N/A | • Immediately stop developing new coal<br>• Set adequate 2030/2040 exit timeline |
| United States | Power | **Evergy** | | ✓ | x | Unclear | • Set adequate 2030/2040 exit timeline<br>• Precise asset-by-asset closure dates<br>• Stop converting to gas |
| Canada | Power/Mining | **First Quantum Minerals** | | x | x | N/A | • Immediately stop developing new coal<br>• Set adequate 2030/2040 exit timeline |
| United States | Power | **FirstEnergy** | | ✓ | x | x | • Set adequate 2030/2040 exit timeline<br>• Commit not to sell coal plants or mines |
| Finland | Power | **Fortum-Uniper** | | ✓ | x | x | • Set adequate 2030/2040 exit timeline<br>• Commit not to sell coal plants or mines<br>• Stop converting to gas |
| Switzerland | Mining | **Glencore** | | x | x | N/A | • Immediately stop developing new coal<br>• Set adequate 2030/2040 exit timeline |
| India | Power/Mining | **Hindalco Industries** | | x | x | N/A | • Immediately stop developing new coal<br>• Set adequate 2030/2040 exit timeline |
| Hong Kong | Power | **HK Electric** | | ✓ | ~ | x | • Precise asset-by-asset closure dates<br>• Stop converting to gas |
| Spain | Power | **Iberdrola** | | ✓ | ✓ | ✓ | • Ensure plan also meets further criteria listed in Box 1 |
| Japan | Power | **ITOCHU** | | x | x | N/A | • Immediately stop developing new coal<br>• Precise asset-by-asset closure dates |
| Korea | Power/Mining | **KEPCO** | | x | x | N/A | • Immediately stop developing new coal<br>• Set adequate 2030/2040 exit timeline |
| Japan | Power | **Marubeni** | | x | x | N/A | • Immediately stop developing new coal<br>• Set adequate 2030/2040 exit timeline |
| Japan | Power | **Mitsubishi** | | x | x | N/A | • Immediately stop developing new coal<br>• Set adequate 2030/2040 exit timeline |
| Japan | Mining | **Mitsui & Co** | | ✓ | x | x | • Immediately stop developing new coal<br>• Set adequate 2030/2040 exit timeline |
| United States | Power | **NiSource** | | ✓ | ✓ | ✓ | • Ensure plan also meets further criteria listed in Box 1 |

| HQ Country | Sector | Company Name | Robust and credible phase-out plan | Not developing new coal | Timely coal exit | Shutting down, not passing on | Our recommendations |
|---|---|---|---|---|---|---|---|
| United States | Power | **NRG Energy** | | ✓ | ✗ | Unclear | • Set adequate 2030/2040 exit timeline<br>• Precise asset-by-asset closure dates<br>• Commit to shut down coal assets |
| Australia | Power | **Origin Energy** | | ✓ | ✗ | Unclear | • Set adequate 2030/2040 exit timeline<br>• Stop converting to gas |
| Poland | Power | **PGE** | | ✗ | ✗ | N/A | • Immediately stop developing new coal<br>• Set adequate 2030/2040 exit timeline |
| Poland | Power | **Polskie Górnictwo Naftowe i Gazownictwo (PGNiG)** | | ✓ | ✗ | Unclear | • Set adequate 2030/2040 exit timeline<br>• Commit to shut down coal assets |
| Korea | Power/Mining | **POSCO** | | ✗ | ✗ | N/A | • Immediately stop developing new coal<br>• Set adequate 2030/2040 exit timeline |
| United States | Power | **PPL** | | ✓ | ✗ | ✗ | • Set adequate 2030/2040 exit timeline<br>• Commit not to sell coal plants or mine |
| Germany | Power/Mining | **RWE** | | ✓ | ✗ | ✗ | • Set adequate 2030/2040 exit timeline<br>• Stop converting to biomass |
| South Africa | Mining | **Sasol** | | ✗ | ✗ | N/A | • Immediately stop developing new coal<br>• Set adequate 2030/2040 exit timeline |
| Japan | Power | **Sumitomo** | | ✗ | ✗ | N/A | • Immediately stop developing new coal<br>• Set adequate 2030/2040 exit timeline |
| Taiwan | Power | **Taiwan Cement** | | ✓ | ✗ | Unclear | • Set adequate 2030/2040 exit timeline<br>• Commit to shut down coal assets |
| Brazil | Mining | **Vale** | | ✗ | ~ | N/A | • Immediately stop developing new coal<br>• Precise asset-by-asset closure dates |
| United States | Power/Mining | **Vistra** | | ✓ | ✗ | ✓ | • Set adequate 2030/2040 exit timeline<br>• Precise asset-by-asset closure dates |
| United States | Power | **WEC Energy** | | ✓ | ✗ | ✗ | • Set adequate 2030/2040 exit timeline<br>• Precise asset-by-asset closure dates<br>• Stop converting to gas |
| United States | Power | **XCEL Energy** | | ✓ | ✗ | ✗ | • Set adequate 2030/2040 exit timeline<br>• Stop converting to gas |

# 4. CASE STUDIES

## Glencore and coal mining expansion

Anglo-Swiss mining company Glencore ranks as one of the top 20 coal producers in the world, with an annual thermal coal production of about 100 million metric tonnes (Mmt). Glencore is also a prominent coal expansionist, with plans to add another 45 Mmt/year of new coal capacity in Australia and South Africa. Moreover, as a buyer of other actors' coal mines, the company has repeatedly opposed the global coal phase-out process: for example, in June 2021, Glencore fully acquired the Cerrejón thermal coal mine in Colombia, buying the 66% stake held by BHP Group and Anglo-American.[24] Unlike BHP, Glencore follows a strategy of "making the most of coal mining's final days as competitors retreat".[25]

Glencore also continues to promote a sustained role for coal in the global energy mix. In December 2020, the company stated that coal, oil and gas will continue to be a part of the global energy mix "for decades» and described CCUS as a "key technology" in the energy transition.[26]

Any financial institution that is serious about demanding of coal phase-out plans should therefore immediately suspend all financial services to Glencore. Shockingly, this is not yet the case: in 2021, the mining giant received important financial support from almost all the financial institutions in our sample.

**Financial institutions backing Glencore in 2021 despite their demand for credible coal phase-out plans:** Société Générale, BNP Paribas, Crédit Agricole, Natixis, and Axa (all but UniCredit)

**Other coal companies involved in coal expansion:** 14 (30%) analyzed companies are still coal expansionists. Refer to the table in section 3 for the detailed list of companies.



## HK Electric: coal-to-gas conversion

HK Electric is one of Hong Kong's two power utility companies. It has an installed capacity of 3.6 GW, of which 55% (2 GW) comes from coal, generated by a unique plant opened in 1982 (the CKI Lamma power station in Hong-Kong). HK Electric's coal phase-out timeline is consistent with science: it committed to retire all call units of the Lamma power station by the 2030s. The company has also set a near term 2°C SBTi intensity target.[27]

However, HK follows an aggressive coal-to-gas policy that heavily compromises the credibility of its coal phase-out plan. All the company's current coal capacity will be replaced by gas in the short-to-medium term.[28] Three gas-fired units are being added to the Lamma station, for a total of 1.1 GW of new fossil-based electricity generation.[29]

Moreover, HK Electric's coal-to-gas transition also heavily relies on Liquefied Natural Gas (LNG) imports. The company will notably open an offshore LNG terminal using Floating Storage and Regasification Unit (FSRU) technology in 2022. HK Electric has signed a supply agreement with Shell to buy 1.2 million tonnes per annum of LNG for about 10 years. Each of the company's new gas units could burn up to 363,000 t/year of LNG, based on a 60% generating efficiency.[30] While often advertized as a "bridge fuel", the transformation and transport processes to produce and export LNG are energy-intensive and a source of methane leakage, so that over its entire life cycle, gas transported by LNG can emit up to 16% more CO2 than coal for electricity production.[31]

**Financial institutions backing HK Electric in 2021 despite their demand of a credible coal phase-out plan:** Société Générale, BNP Paribas, Crédit Agricole, and Axa

**Other coal companies involved in coal-to-gas conversion:** Alliant Energy, American Electric Power, Berkshire Hathaway Energy, CenterPoint Energy, CEZ, CLP Holdings, Duke Energy, EnBW, Enel, Fortum-Uniper, WEC Energy Group, XCEL Energy.

# RWE's misaligned phase-out plan

RWE is a large German energy company, founded in 1898. It has an installed capacity of about 41 GW, 26% of which are coal power plants operating in Germany and the Netherlands.[32] RWE also produces over 50 million tonnes of coal annually, mainly from open-cast lignite mines in North-Rhine Westphalia.

Following the German government's policy shift from nuclear power and fossil fuels[33] to renewables, and its own climate goal of becoming "carbon neutral" by 2040, RWE is currently winding down its coal business: it has retired a total of 13 GW of coal-based generation capacity since 2011, including five hard coal plants. However, RWE's coal phase-out plan remains deeply flawed. Financial institutions should not view it as a credible coal exit strategy.

**RWE's coal phase out is inconsistent with 1.5°C**

RWE's phase-out calendar is not consistent with a 1.5°C pathway.[34] It intends to keep operating 3.9 to 4.8 GW of coal-based generation capacity beyond 2030 and it will keep burning coal until the very last minute it is allowed to do so, with at least two lignite power plants planned to operate until 2038 (the ultimate phase-out deadline set by the last German government).

The new German government coalition agreement commits to review the 2019 coal exit law in 2022 instead of 2026 and aims to phase-out coal "ideally by 2030". This represents a major opportunity for coal companies and financial institutions to increase the ambition of their coal phase-out plans. With current phase-out dates way beyond 2030, German utilities RWE and EnBW should seize this opportunity to immediately review their exit timelines and align with the 2030 deadline, without waiting for the 2022 update to the coal exit law.[35]



This is also the case for Czech utility EPH which has already pledged to exit coal by 2030 except for its German operations. While the incoming German coalition government's position on coal is encouraging, they still risk repeating past mistakes of underestimating the speed of the energy transition by seeking to convert coal power plants to gas, and masking these fossil investments as hydrogen-ready, while ignoring the IEA's conclusion that European power grids should be completely decarbonized by 2035. German utilities and their financiers should act as climate leaders by committing not to convert coal plants to gas. Finally, countries like Poland, Czechia and Bulgaria can no longer hide behind Germany's inadequate phase-out policies, and the financers of CEZ, PGE and PGNiG have a unique opportunity to push these companies – and, through them, the Czech and Polish governments – to adopt 2030 coal exit dates.

**RWE is also not committed to shut down its coal facilities.**

Instead of closing all of its coal plants, RWE is planning for some to be converted to biomass, which may actually increase GHG emissions and threatens ecosystems, air quality and human health. Both the Eemshaven and Amer power stations in the Netherlands are being converted to biomass.[36] Since the middle of 2019, RWE has been co-firing increasing amounts of wood pellets with coal in both plants. The company could soon burn as much as 4 million tonnes of pellets annually in these plants, ultimately worsening its carbon footprint since electricity generation from solid biomass can emit 3-50% more CO2 than coal.[37 38]

**An aggressive lobbying and litigation strategy to slow down climate action**

The German utility giant did not spontaneously initiate the retirement of its coal assets: its coal phase-out plan was dictated from the outside by the German, British and Dutch governments' coal phase-out policies. RWE actively opposed such policies and engaged in a "sustained period of negative climate lobbying in Europe from 2015-19",[39] both directly and through industry associations (including the Federation of German Industries, BusinessEurope and Euracoal). RWE is also one of the few energy companies to have launched a legal action against a government coal phase-out policy: In February 2021, RWE filed a lawsuit with the International Centre for Settlement of Investment Disputes to seek compensation for the Dutch Government's plans to phase-out coal by 2030. This is a clear indication that, should government phase-out policies be reversed, RWE is not credibly committed to phasing out its coal assets.

**Financial institutions backing RWE in 2021 despite their demand of a credible coal phase-out plan:** Société Générale, BNP Paribas, Crédit Agricole, Natixis, and Axa (all but UniCredit)

**Other coal companies without adequate phase-out timelines:** 25 (53%) analyzed companies have not provided a detailed 2030/2040 coal phase-out timeline. Refer to the table in section 3 for the detailed list of companies.

**Other coal companies challenging states over coal:** Fortum-Uniper[40] and BHP[41]

## Engie: Asset sales & conversion to other unsustainable energy sources

Under pressure from investors, ENGIE finally announced its coal phase-out plan in May 2021.[42] Despite some complementary announcements in the following months, the plan remains vague and will not lead to the real-world reductions needed to meet the 1.5°C imperative.

**Converting coal plants to biomass or gas**

Out of the 10 coal plants that ENGIE still operates, only three are confirmed to be closed this decade (Tocopilla and CTM in Chile, and Ilo21 in Peru). The company has announced that four plants will be converted to other fuels. In Chile, Hornitos and Andina will be converted to forest biomass, and IEM to fossil gas. For the fourth plant, Pego in Portugal, there is no final decision yet about the energy source to which it will be converted. ENGIE – together with Marubeni - has been pushing for a biomass conversion,[43] contrary to Endesa - the minority owner of the plant - which has proposed to build solar, battery storage and green hydrogen facilities.[44]

Besides its negative impacts on climate, the conversions to forest biomass in Chile and Portugal would likely lead to several biodiversity and environmental problems if the wood pellets are produced locally. Local organizations in Portugal are opposing the conversion to biomass and are calling for a better use of the resources of the EU Just Transition Fund.[45] If the biomass is to be imported, it would likely be sourced from one of the three leading wood pellet producers – Drax/Pinacle, Enviva and Granul - who are associated with clear cutting forests in the US, Canada and the Baltics.

Any coal-to-gas conversions would also be damaging as fossil gas would likely be sourced from shale sites, either from Texas and shipped as LNG, or from Vaca Muerta in Argentina and transported through pipelines. Indeed, this summer ENGIE secretly signed an 11-year contract with Cheniere Energy to supply LNG from the Corpus Christi LNG terminal in Texas,[46] which is supplied with fracked gas. The climate impact from fracked gas[47] LNG can be close to that from coal plants.[48]

**Selling coal plants instead of shutting them down**

Engie has confirmed the sale of Jorge Lacerda coal plant in Brazil It has also been negotiating the sale of Pampa Sul in Brazil and Safi in Morocco. The sale of Jorge Lacerda is opposed by local organizations,[49] especially some who accuse Engie of washing its hands of the environmental damage caused during the years it operated the plant.[50]

ENGIE has a history of selling assets instead of shutting them down to achieve its decarbonization goals. The company reduced its coal electricity capacity by more than 75% between 2015 and 2019 - from 20,872 MW to 4,701 MW. This rapid decarbonization of its portfolio did not result in real-world emissions reductions as it was achieved by selling 14 coal plants to other utilities.

While ENGIE uses its SBTi targets as proof of its climate credentials, these targets are not enough to align with a 1.5°C trajectory. It is also not clear if the targets cover LNG use as the company did not publicly disclose its energy production and associated absolute GHG emissions forecast.

**Anti-climate lobbying**

Regarding climate lobbying, ENGIE is chair of Eurogas, a trade association that is actively engaged in pushing against strong climate regulations in Europe.[51] Indeed, ENGIE continues to insist that fossil gas is a transition fuel despite the scientific consensus that any new expansion of fossil gas is incompatible with a 1.5 trajectory.

One of ENGIE's decarbonization strategies is to by gradually replace fossil gas with "renewable gases". Several questions will need to be answered to analyze the viability and credibility of this plan, especially considering that renewable gases have limited potential raising the risk that new gas infrastructure will turn into stranded assets.



**Financial institutions backing Engie in 2021 despite their demand of a credible coal phase-out plan:** AXA, BNP Paribas, Crédit Agricole, Natixis, and Société Générale.

**Other coal companies selling coal facilities:** American Electric Power, BHP Group, ENEL, FirstEnergy, Fortum-Uniper, and PPL.

## Albioma and coal-to-biomass conversion: a losing bet for climate and biodiversity

At first glance, the French utility Albioma might be considered a climate leader as it aims to generate 95% to 100% of its electricity from renewables by 2030. However, the company is betting on the misleading idea that forest biomass is a "carbon neutral" energy source. The company might describe itself as a "renewable energy producer", but its energy matrix does not say the same. Coal accounted for 32% of Albioma's total energy production in 2019, bagasse/biomass for 64% and solar for only 2%.[39]

The utility has explained that its priority is to fully replace its installed coal capacity with biomass. On the island of La Réunion, the company intends to initially convert the Bois-Rouge plant, and then the Le Gol plant. Originally, both plants co-fired a mixture of 90% coal and 10% bagasse produced from local cane production.[52] The conversion to 100% solid biomass will be a losing bet for the climate and for biodiversity. Besides its health impacts and human rights issues, biomass used at an industrial scale to produce electricity is not a climate-friendly solution and relies on the felling of forests. Using forest biomass leads to a carbon debt which is impossible to pay off in in the time available to limit global warming below 1.5°C. Thus, converting a plant to solid biomass risks increasing the atmospheric amount of carbon by two to three times per unit of energy produced by 2050.

Local solid biomass could only cover 5% of the needs - or up to 30% in the most optimistic estimates, Albioma would therefore have to import solid biomass in the form of wood pellets from the United States or southern Africa, which would greatly increase the carbon and environmental impact of the projects.

These are not Albioma's first coal to biomass conversions. The utility has already converted one plant in Guadeloupe with imports from the United States.[53] The new conversions risk dangerously strengthening Albioma's links with the US company Enviva,[54] which has been the subject of an significant controversy regarding its intensive razing of natural forests on the US's eastern coast.

**Financial institutions backing Albioma in 2021 despite their demand of a credible coal phase-out plan:** BNP Paribas and Crédit Agricole

**Other coal companies engaged in coal-to-biomass conversion:** RWE and CEZ.

*We urge countries to put an end to coal power, by phasing out existing plants, committing not to build any new ones, and putting an end to international coal finance. And we need all investors, acting on our shared responsibility, to protect our planet.*

*Alok Sharma*
*President of the COP26*
*16 September 2021*

# CONCLUSION

**As 2021 draws to an end, financial institutions must get serious about analyzing the coal phase-out plans they request from coal companies.** This analysis must not only look at the phase out date, but also how the company plans to get there: a detailed timeline with a blueprint for each asset and a commitment to effectively shut down coal plants and mines are key requirements. Our analysis shows that currently, the overwhelming majority of coal companies have not provided credible, detailed, Paris-aligned phase-out plans.

**As their demands have clearly not been heard – and with time fast running out to slash global emissions – financial institutions must react.** Pursuing business-as-usual with those failing coal companies would mean that engagement amounts to nothing more than a stalling tactic to delay climate action, and a tool to 'green' their public profile at no cost. Financial institutions should opt for consistency and credibility, by sanctioning the coal companies that have failed to provide credible phase-out plans and making their financial services conditional on the adoption of credible, Paris-aligned coal phase-out plans. Engagement isn't working – it's time to give it teeth.

# ANNEXES

## 1. List of financial institutions with coal policies that requires the publication of a phase-out plan)

| Type | Country | Financial institution | Deadline to publish the plan | Deadline(s) to exit coal | Requires shutting down coal assets |
|---|---|---|---|---|---|
| Asset manager | France | AG2R La Mondiale | 2020 | 2030 | Yes |
| Asset owner | France | AG2R La Mondiale | 2020 | 2030 | Yes |
| Asset owner | France | AXA | 2021 | 2030/2040 | No |
| Asset manager | France | Crédit Mutuel | 2021 | 2030 | Yes |
| Asset owner | France | Crédit Mutuel | 2021 | 2030 | Yes |
| Bank | France | Crédit Mutuel | 2021 | 2030 | Yes |
| Bank | France | La Banque Postale | 2021 | 2030 | Yes |
| Asset manager | France | La Banque Postale AM | 2021 | 2030/2040 | Yes |
| Re/Insurer | France | AXA | 2021 | 2030/2040 | No |
| Bank | France | BNP Paribas | 2021 | 2030/2040 | Yes |
| Asset manager | France | BNP Paribas | 2021 | 2030/2040 | No |
| Asset owner | France | CNP Assurances | 2021 | 2030/2040 | Yes |
| Bank | France | Crédit Agricole | 2021 | 2030/2040 | No |
| Asset manager | France | Crédit Agricole - Amundi | 2021 | 2030/2040 | No |
| Asset owner | France | Crédit Agricole Assurances | 2021 | 2030/2040 | No |
| Asset manager | France | Edmond de Rothschild AM | Unknown | 2024/2034 | Yes |
| Asset owner | France | MACIF | 2021 | 2030 | Yes |
| Asset owner | France | MAIF | Unknown | 2030 | No |
| Asset manager | France | OFI AM | 2021 | 2030 | Yes |
| Bank | France | Natixis | 2021 | 2030/2040 | No |
| Asset manager | France | Natixis - Ostrum | end 2021 | 2030/2040 | Yes |
| Asset owner | France | Natixis Assurances | 2021 | 2030/2040 | No |
| Asset manager | France | Meeschaert | 2021 | 2030/2040 | Yes |
| Bank | France | Société Générale | end 2021 | 2030/2040 | No |
| Asset manager | France | Société Générale - LYXOR | end 2021 | 2030/2040 | No |
| Asset owner | France | Société Générale Assurances | 2021 | 2030/2040 | No |
| Asset owner | France | CDC | No | 2030/2040 | No |
| Bank | Italy | UniCredit | 2021 | 2028 to 2030 | No |
| Bank | Austria | Erste | 2023 | 2030 | No |

*Summary* of the largest financial institutions demands regarding coal phase-out plans

| Name | Type | Country | Deadline to publish plan | Deadline to exit coal | Require asset closure | Sanctions |
|---|---|---|---|---|---|---|
| Axa | Investor | France | 2021 | 2030/2040 | No | Partial (on a case-by-case basis) |
| BNP Paribas | Bank | France | 2021 | 2030/2040[55] | Yes | Yes |
| | Investor | France | 2021 but only for mining | 2030/2040[55] | No | Yes, but only for mining |
| Crédit Agricole | Bank/Investor | France | 2021 | 2030/2040[55] | Partial[56] | Partial[57] |
| Natixis | Bank/Investor | France | End of 2021 | 2030/2040[55] | No | Partial[58] |
| Société Générale | Bank/Investor | France | End of 2021 | 2030/2040[55] | No | Partial[59] |
| UniCredit | Bank | Italy | End of 2021 | 2028 to 2030 | No | Yes |

## 2. Sample selection and methodology

*Sample selection*

The 47 coal companies included in this analysis are neither representative of the entire global coal sector, nor of the global financial exposure to it. Instead, the sample is primarily based on the coal exposure of a selected subset of financial institutions that specifically required a coal phase-out plan by the end of 2021 or earlier (Société Générale, BNP Paribas, Natixis, Crédit Agricole, and Unicredit for banks and Société Générale, BNP Paribas, Natixis, Crédit Agricole, and Axa for investors).

The sample contains the biggest coal companies in terms of coal power capacity, or of coal production capacity, among the coal companies to which the subset of financial institutions is the most exposed, as per the financial data of the Global Coal Exit List 2020. First, two lists were established, one for investors, and one for creditors. Second, these two lists were merged in one unique intermediary list. To account for coal companies that have already been excluded, an additional filter was finally used to keep only coal companies for which at least one transaction involving the top five banks and tope five investors has been recorded in 2021 (based on Bloomberg data).

This intermediary list includes 43 coal companies and represents about 80% of the aggregated coal exposure of the top five banks and top five investors that asked for the publication of coal phase-out plans in their coal policy Finally, 4 additional companies were included for illustrative purposes, as they epitomize what should or should not be done in a coal transition plan: Engie, Albioma, Endesa (subsidiary of Enel), and Iberdrola.

The complete list of companies is presented below. The sample includes 5 mining companies, 34 power utilities and 8 hybrid power and mining companies – some hybrid power and mining companies with unsignificant mining capacities have been categorized as power companies only. 17 companies are from North America, 14 from Europe, and 13 from the Asia and Pacific region. Companies included in the sample accounts for 5% of total annual coal production and 17.5% of total coal-based power capacity as per the Global Coal Exit List 2021.

*Methodology*

The 10 criteria laid out in Urgewald and Reclaim Finance's previous report[60] are **grouped in four broader categories, allowing to rank coal phase-out plans according to their overall level of credibility:**



- Red code: Companies that are still expanding their coal capacity (criterion n°1) are not even recognizing the imperative to exit coal. Therefore, we consider that such companies do not have any form of credible phase-out commitment, let alone a proper phase-out plan. On this specific criterion:
  - Companies without expansion plans are assessed with a Yes
  - Companies with expansion plans are assessed with a No
- Orange code: Companies that are not expanding anymore but provide a phase-out calendar that is not consistent with the 2030 and 2040 timelines, and/or do not present asset by-asset closures dates (criteria n°2 and n°3) are categorized as having a rough first draft of a phase-out plan that is structurally flawed and cannot be considered credible. On this specific criterion:
  - Companies with a consistent coal exit date and asset-by-asset timeline are assessed with a Yes
  - Companies with a consistent coal exit date but without asset-by-asset timeline are assessed with a Partial
  - Companies that do not meet any of the two criteria are assessed with a No
- Yellow code: Companies are not engaged in coal expansion and have precise commitment to phase-out by 2030 and 2040 but do not guarantee asset closures instead of sales, conversion of retrofitting (criteria n°4 to 6) are categorized as having a partially credible phase-out plan, with major weaknesses on their exit strategy. On this specific criterion:
  - Companies with a confirmed plan or ambition to sell/convert/retrofit a coal plant are assessed with a No
  - Companies not providing enough information about the future or retired assets are assessed with a Unclear
  - Companies making clear they are closing their coal assets are assessed with a Yes
- Green code: The remaining companies are categorized as having credible phase-out plans. As they heavily depend on a subjective and evolving analysis, issues related to the just transition, lobbying and investor-state disputes (criteria n°7 to 9) does not influence the final credibility assessment. However, this does not mean they are not important, and investors should absolutely hold every company accountable on these matters.

All data points have been sources from publicly available documents (annual and corporate sustainability reports, cross-checked with press articles and third-party analyses and data) during the month of November 2021.

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# THE COAL COMPANIES WATCHLIST
## How finance can accelerate the coal phase out

Reclaim Finance is an NGO affiliated with Friends of the Earth France. It was founded in 2020 and is 100% dedicated to issues linking finance with social and climate justice. In the context of the climate emergency and biodiversity losses, one of Reclaim Finance's priorities is to accelerate the decarbonization of financial flows. Reclaim Finance exposes the climate impacts of some financial actors, denounces the most harmful practices and puts its expertise at the service of public authorities and financial stakeholders who desire to to bend existing practices to ecological imperatives.

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