# The Coal Policy Tool
# Selected facts about the best and the worst of coal policies

**Our selection of the three worst hot air policies**

- *Stopping direct financing to new coal plants while maintaining massive financing to companies building these projects*: JPMorgan Chase scored 8 out of 10 on the first criteria about support at project level thanks to its February 2020 commitment to no longer allow project financing to new coal plants worldwide - hardly significant news considering JPMorgan only provided primary project financing to two new coal plants projects in the last 20 years according to the international financial database IJGlobal. However, JPMorgan Chase scored 0 on the second criteria about financial services to coal developers. The US bank does not exclude any coal power company, which explains that it provided 21 companies planning new coal plants projects with $8.2 billion between January 2017 and 2019 Q3 according to NGO research.

- *Excluding a minor part of the coal sector from a tiny portion of assets under management*: There was a lot of show surrounding BlackRock's coal policy announced in January 2020. However, BlackRock is scored 0 on all but one criteria applied by the Coal Policy Tool to asset managers. On the remaining criteria, BlackRock has the lowest possible score because its policy does not cover the whole coal value chain and is not applied to more than 70% of its assets under management. Consequently, its policy does affect only less than 20% of the 746 companies on Urgewald's Global Coal Exit List.

- *Pretending to exit coal while maintaining support to significant coal companies*: Australian insurer QBE announced its commitment to phase out insurance for the thermal coal industry by 2030. In fact, QBE will only exclude companies with more than 30% of revenue or 30% of power generation from thermal coal after 2030. A real coal phase-out requires targeting no exposure to companies with more than 5% of their activities in the coal sector as well as a full exclusion of companies with coal expansion plans.

**Our selection of the best practices**

- *Ending financial support to all coal projects: Natixis*

To date, 43 banks and insurers have ended financing for new thermal coal mines and plants. Natixis has gone above and beyond, also ending financial support to new coal infrastructure projects, such as new coal export-import terminals, and to retrofits extending coal plants' lifespans. Only 8 other financial institutions have taken these additional measures.

Another critical issue in the timely phase-out of coal power is the choice made by some companies to sell existing thermal coal plants rather than close them—only the closure of coal plants decreases the overall emissions caused by coal. This issue is particularly salient in Europe, where big European utility companies, including Engie, have sold several coal plants to the Czech power company EPH (Energetický a průmyslový holding, a.s.). Natixis explicitly excludes all financing for the acquisition of coal mines, coal plants, and coal related infrastructure.

- *Excluding almost all coal developers:* *Crédit Agricole*

The litmus test of financial institutions' seriousness in tackling the human and climate impacts of the coal sector is whether a coal policy excludes companies with plans to build new thermal coal mines, plants, or infrastructure such as terminals.

No financial institutions have committed to excluding companies selling equipment for new coal projects but the Crédit Agricole group is the one that has gone the further. The group is comprised of a banking arm, an insurance division, and asset management giant Amundi. It excludes all companies developing new coal assets and is one of the few financial institutions to also exclude companies purchasing existing coal assets without pledging to shut them down by their planned end of life by 2030 in EU/OECD countries and 2040 worldwide.

- *Adopting a very stringent relative exclusion criteria: Storebra*nd

Storebrand excludes companies deriving more than 5% of their revenues from coal. While Storebrand uses the wrong metric to assess the share of coal in the total activities of power producers, this 5% threshold is far more ambitious than that demanded by NGOs. Reclaim Finance and its partners currently demand that financial institutions (1) exclude companies generating more than 20% of their revenues or electricity generation from coal and (2) commit to reduce the threshold to zero at the latest by 2030 for Europe and OECD countries and by 2040 in other countries. To date, 24 financial institutions have adopted a threshold equal or less than 20%, but few have committed to lower the threshold over time.

In 2018, Storebrand committed to regularly lowering its 25% exclusion threshold to fully exit coal by 2026. However, in 2020, Storebrand decided to accelerate its coal phase-out and adopted a 5% exclusion threshold.

- *Adopting a very stringent absolute exclusion: Crédit Mutuel*

The vast majority of the 175 financial institutions restricting their financial services to coal companies only exclude companies based on the relative share of activities related to coal. This approach allows financial institutions to protect themselves from coal-related financial risks but ignores the climate impact of their financial services to the coal sector. Indeed, a relative exclusion threshold let diversified companies off the hook even if the size of their coal operations puts them among the top coal plant operators and top coal producers.

The Crédit Mutuel group is comprised of a banking arm, an insurance division, and an asset management branch. Crédit Mutuel is the first financial institution to adopt very ambitious absolute exclusion thresholds on both coal mining and coal power and to apply it to all its financial services. The group excludes companies mining more than 10 Mt of coal per year and companies with more than 5 GW of coal power capacity.

- *Actively supporting a just coal phase-out: La Banque Postale AM*

Many investors praise the corporate engagement process to justify the absence of exclusion criteria, but engagement proceedings are not transparent and rarely have clear deadlines or consequences in the event of failure.

As of now, 19 financial institutions are now requesting companies publish a plan to phase out coal at the latest by 2030 in Europe and OECD countries and 2040 worldwide. 7 financial institutions have made the adoption of such plan a mandatory requirement to continue their financing/investments. Few require companies close, rather than sell their assets and pay attention to its social impacts; La Banque Postale AM is the only one to make this requirement immediate.

**Country with the worst track record: China**

So far, only one Chinese financial institution has adopted a coal policy—Ping An; this policy is very weak and, scores only one out of ten for the project criteria as it only excludes a tiny number of coal projects. This explains why Chinese banks have played a major role in fostering coal expansion in China and around the world; many of them are involved either in the direct financing of coal projects or indirectly by financing of many coal developers worldwide.

**Country with the best track record: France**

France is the country with the highest number of coal policies and high-quality policies. Italian UniCredit is the only non-French financial institution among the 16 to have adopted a high-quality coal policy. It took countless revisions for French financial institutions to reach this stage and many French financial players still have a long way to go. Financial institutions and the government have been under constant pressure from NGOs. NGO pressure finally led the government to encourage the professional federations of the finance sectors to make their members commit to publishing a coal exit plan by mid 2020. This explains the flurry of new policies adopted over the past few months. Still, the benchmarks for high-quality coal policies are set by NGOs.

To date, many French financial institutions are still far behind global players such as AXA or Crédit/Amundi which adopted the hallmarks of a high-quality coal policy in the past year. Many French financial institutions continue to have ineffective policies (SCOR reinsurance, Rothschild & Co., Covéa) while others have entirely failed to adopt a coal exit policy (ODDO BHF AM, La Française).

While BNP Paribas has committed to excluding companies that have not adopted a plan to exit coal by Paris-aligned deadlines, implementation risks remain; this is especially the case with regards to diversified holdings such as Glencore.

**Which groups are not named in this press release but deserve a dishonourable mention for not having a coal policy at any level?**

Abu Dhabi Investment Authority; Agricultural Bank of China; Bank of China; Berkshire Hathaway; BNY Mellon IM; Canada Pension; Capital Group; Central Provident Fund; China Construction Bank; China Investment Corporation; Federal Retirement Thrift Investment Board; Fidelity; GIC Private Limited; Government Pension Investment Fund (GPIF); Hong Kong Monetary Authority Investment Portfolio; Japan Post Bank; Keva; Kuwait Investment Authority; National Pension (South Korea); National Social Security China; Northern Trust; Pekao; Postal Savings Bank of China; Prudential Financial; Public Investment Fund/Sanabil Investments; Qatar Investment Authority; SAFE Investment Company; SAMA Foreign Holdings; Samsung FM; Sinosure; State Street; T. Rowe Price; Temasek; TIAA Family; Vanguard; Wellington Management.