



Analysis of commitments taken in May 2020 by from French banks and investors

May 20, 2020 – Reclaim Finance and Friends of the Earth France

At their general meetings in May 2020, French banks and investors took new climate commitments, relating to their coal exit, as well as first measures to restrict their support to shale oil and gas. This is the case to varying degrees for BNP Paribas¹, Crédit Agricole², Rothschild & Co³ and Natixis⁴. Société Générale on the contrary did not announce any new specific measure on these issues, postponing them to later in the year⁵.

These announcements come just a few weeks before the mid-2020 deadline set by the government and the professional organisations of the Paris financial centre, for all French financial players to have coal exit strategies. They also come at a time when Friends of the Earth France and Reclaim Finance have exposed French banks and investors in a new report for their overexposure to shale oil and gas⁶.

We analyse here these new commitments⁷.

I. Coal

A. BNP Paribas fails its coal exit

- **BNP Paribas** commits to reduce its exposure to the coal-fired power generation sector to zero by 2030 for EU and OECD countries and by 2040 worldwide.
- BNP Paribas commits to no longer finance companies that develop new coal-fired power plants.
- BNP Paribas will not accept new customers that generate more than 25% of revenue from coal-fired power generation.
- BNP Paribas will only keep in its portfolio "customers [that] already have a coal-exit trajectory aligned with Paris Agreement targets or are deemed likely to have one in the years to come".

¹ BNP Paribas, [answers to written questions from Friends of the Earth France and Reclaim Finance](#). BNP Paribas, [coal exit commitments](#).

² Crédit Agricole, [answers to written questions from Friends of the Earth France and Reclaim Finance](#).

³ Rothschild & Co, [answers to written questions from Friends of the Earth France and Reclaim Finance](#).

Rothschild & Co, [Coal policy](#).

⁴ Natixis, [answers to written questions from Friends of the Earth France and Reclaim Finance](#). Natixis, [coal exit and shale oil and gas commitments](#).

⁵ Société Générale, [answers to written questions from Friends of the Earth France and Reclaim Finance](#).

⁶ Report published in May 2020, [La Place financière de Paris au fond du puits](#).

⁷ An analysis of all coal policies from French financial players is available on the [Coal Policy Tool developed by Reclaim Finance](#).

⇒ BNP Paribas' commitments only cover the power generation sector. The mining sector or companies active in the development of new infrastructures are not covered.

⇒ BNP Paribas adopts an exclusion criterion based on the share of coal in a company's activities.

However, not only is this not based on the correct metric, but it only applies to new customers. To have an impact, this criterion should be applied to all the customers of the bank and only companies that publicly commit to fall below the threshold within one year, or to publish a coal exit plan aligned with the Paris Agreement, should be eligible for an exception.

⇒ There is no guarantee on which companies will still be able to benefit from the bank's support.

BNP Paribas must also make its support to companies not covered by the exclusion measures, such as Engie, conditional on their adoption by 2021 of a plan of closure of all their coal assets.

B. Natixis (nearly) successfully adopts a coal phase out strategy

- **Natixis** adopts a timetable for coal phase out by 2030 for EU and OECD countries and by 2040 worldwide.
- The bank excludes all companies still planning to expand into coal production and coal-fired power generation.

⇒ Natixis goes much further than BNP Paribas and Société Générale and shows the way forward.

⇒ The bank makes a commitment to exit the coal sector including both the mining and power generation sectors, which BNP Paribas does not do, and which covers all the financial services of its financing and investment arm, which Société Générale does not do.

⇒ It had already firmly excluded all companies with more than 25% exposure to coal, a firm criterion that BNP Paribas and Société Générale lack.

⇒ In order to join the ranks of players with a coal exit strategy compatible with the objectives of the Paris Agreement – such as Crédit Agricole, Crédit Mutuel or AXA – it must however include in its future sector policy the conditioning of its support to the remaining companies in its portfolio on their adoption by 2021 of a plan of closure of their coal assets.

C. Rothschild & Co publishes its first coal policy

- **Rothschild & Co** adopted its first coal policy. Are now excluded from any new investment companies: that develop new thermal coal mines or coal-fired power plants; that derive more than 30% of their turnover from thermal coal activities; that rely on coal for more than 30% of their energy mix (per MWh generated); whose annual thermal coal production exceeds 20 MT per year or whose installed coal-fired capacity exceeds 10 GW.
- Rothschild & Co commits not to provide consultancy services for new coal projects.

⇒ If the criteria used are relatively good, the policy covers only a portion of the assets under management and constitutes only a commitment to no longer invest, not a divestment.

⇒ The bank refers to coal exit dates of 2030 for EU and OECD countries and 2040 elsewhere, but has not been able to confirm whether this is a commitment for them to exit coal by then.

⇒ The bank's policy states that Rothschild & Co will eventually condition its support for companies with a coal exit strategy, but the bank has not been able to confirm whether this commitment covers all companies in its portfolio or only those companies exceeding the above thresholds, and the minimum elements to be found in such an exit strategy.

⇒ The bank has not committed to ending its advisory mandates for the purchase and sale of coal assets, an activity in which it is very active.

⇒ Rothschild & Co's policy does not yet appear to be fully defined, but it is clear that its effectiveness requires a review of its scope of application.

D. Société Générale postpones its action

- **Société Générale** has indicated that its coal policy will be updated in 2020 to clarify certain modalities for achieving its commitment to gradually reduce its exposure to the thermal coal sector to zero by 2030 in EU and OECD countries and by 2040 in the rest of the world, announced last year.

⇒ Société Générale seems to forget the mid-2020 deadline by which French financial players are expected to have published their coal exit strategies. It would be all the more unacceptable for Société Générale to miss this deadline as its CEO Frédéric Oudéa chairs the French Banking Federation, one of the organisations behind the July 2, 2019 appeal.

⇒ Within this timeframe, it must fill the deep gaps in its July 2019 coal policy and align with the best practices, which must imperatively involve the firm exclusion of all coal developers.

II. Shale oil and gas

A. Crédit Agricole and Natixis take a first step, but remain stuck in the sector

- **Crédit Agricole** announced that it will reduce its exposure to "independent and specialised shale oil and gas producers" to zero by 2022.

⇒ While this formula remains to be defined, by taking into account only companies specialised in shale oil and gas production, the bank does not capture all current and future production at all. In particular, it ignores the oil and gas majors, which are among the fastest growing companies in the sector – Shell, ExxonMobil and Chevron are among the top five companies planning to extract the most shale oil from new wells by 2050⁸. It therefore just abandons the companies brought on the verge of bankruptcy by the oil crash.

⇒ Contrary to the commitments made by BNP Paribas and Crédit Mutuel, Crédit Agricole ignores the rest of the value chain in this industry, when the expansion of the sector is made possible by a myriad of new shale oil and gas transport projects, that it can directly finance – this has been the case in recent years for the Permian Highway Pipeline, and for the Corpus Christi LNG, Cove Point LNG, Freeport LNG and Sabine Pass LNG terminals.

⇒ To have an impact on the climate, Crédit Agricole must exclude all companies that have at least 15% of their reserves in shale oil and gas, and suspend all new financial services in the absence of a commitment to no longer develop new projects in this sector, including pipelines and LNG terminals.

- **Natixis** commits to no longer finance shale oil and gas exploration and production projects, as well as companies whose activity is more than 25% based on shale oil and gas exploration and production.

⇒ While it remains to be seen how companies' exposure to the sector will be calculated, it is already certain that the measures announced by Natixis will not be sufficient to record its exit from the sector, as the bank claims in the title of its press release.

⇒ The same limits described for Crédit Agricole apply for Natixis, with regard to the majors and shale oil and gas transport projects – Natixis participated in the financing of the same LNG export terminals, with the addition of Calcasieu Pass LNG.

⇒ Concerning corporate financial services, only corporate and investment banking seems to be concerned. The asset management subsidiaries are not. However, while Natixis is the 4th French group to finance the most shale oil and gas, it is by far the leading French investor, with \$4.4 billion of

⁸ Data from Rystad, October 2019.

investments currently held in the 75 companies that forecast the highest production in the sector by 2050.

B. Société Générale remains in denial

- **Société Générale** has not announced any measures to restrict its support for shale oil and gas. On the contrary, it has reaffirmed its commitment to the development of shale gas, presenting it as a solution for the energy transition.
- Société Générale also specified that it will communicate in 2020 a trajectory for reducing the long-term impact of its credit portfolios of energy-related activities, including the oil and gas sectors, without giving more details.

⇒ When BNP Paribas, Crédit Mutuel, Crédit Agricole and Natixis now recognise the impacts of shale oil and gas and have adopted restriction measures on the sector, Société Générale is following the opposite trend and justifies it by so-called climate benefits, which are contradicted by science and its competitors.

⇒ It is currently acting as financial advisor on three shale gas export projects planned in the United States and Canada, which have been put in difficulty by the crisis: Goldboro LNG, Driftwood LNG and Rio Grande LNG⁹.

⇒ As part as the trajectory it commits to draw in 2020, it must take firm exclusion measures regarding shale oil and gas, covering all its services and not only its credit portfolio as well as the sector's entire supply chain.

⁹ S&P Global, [NextDecade's Rio Grande LNG is latest US export project to delay FID until 2021](#).