QUANTITATIVE EASING AND CLIMATE 2:
Fueling the fossil gas frenzy

MEMO
September 2020
Responding to the Covid-19 crisis, the European Central Bank (ECB) plans on buying €1.470 billion worth of assets in 2020-2021, i.e. more than 50% of its holdings on June 1st 20201.

This historical intervention currently supports polluters. The report Quantitative easing and climate: The ECB’s dirty secret, published in May 2020, revealed 38 fossil fuel companies – including 10 coal companies - benefited from the ECB’s asset purchases2 ("quantitative easing").

Under pressure, the ECB admitted3 that it should reexamine its asset purchases to integrate environmental and ethical criteria. However, it continues to avoid action by postponing it to its "strategy review". This process will not end before mid-2021 and is likely to be further delayed by the current crisis4. Thus, it will not have any effect before 2022.

By then, it will be much too late. Additional research shows fossil fuel companies supported by the ECB play an important role in the growing5 fossil-gas sector and plan a high number of new gas infrastructures. By supporting them, the ECB significantly contributes to fossil-gas expansion, thus jeopardizing climate objectives.

The ECB policy favors the dangerous narrative that pushes gas as an alternative to other fossil fuels, even though:

• **All fossil fuels must be phased out by 2050** to have a chance to reach the objectives of the Paris Agreement. The consumption of fossil reserves currently under exploitation exceeds a 2°C carbon budget6, and half of gas reserves should remain unused from 2010 to 2050 to meet this target7.

• **Natural gas is not – by far – a “low-carbon energy”**. Its combustion emits, on average, 320 kilograms of CO2 per barrel of oil equivalent (kg CO2/boe), about 59% of coal, 79% of crude oil and 89% of liquefied petroleum emissions. An additional 100 kg CO2e/boe are emitted during its production8. Furthermore, liquefied natural gas (LNG) requires an energy-intensive process. Life-cycle LNG emissions amount to 134% of combustion emissions9.

• **Gas exploitation causes numerous methane spills**. Methane global warming potential is eighty times higher than carbon dioxide in the first twenty years10 and its concentration dramatically increased over the past few years11.

• **Gas energy is more expensive than wind or solar energy**. By 2025, wind energy will be 46% cheaper and solar energy 49% cheaper than gas12.
The ECB is feeding the gas frenzy, in Europe and abroad

24 companies benefiting from the ECB’s asset purchases are fueling the natural gas frenzy:

- In Europe, they are operating 123 gas power plants and extracting gas from 48 sites. They plan on opening 8 more power plants and 2 sites.
- Worldwide, they are operating 96 gas pipelines and 97 LNG terminals. They plan on opening 11 gas pipelines and 41 LNG terminals.

The ECB supports major fossil gas developers

With its quantitative easing, the ECB supports 11 companies that plan on developing new fossil gas projects.

Among the 11 companies, 4 are involved in 45 gas projects: Total, Shell, Engie and Enel. 35 of these projects will contribute to the fast growing, highly polluting and economically problematic LNG development.

### Fossil gas developers supported by the ECB

<table>
<thead>
<tr>
<th>Company</th>
<th>New gas projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>23</td>
</tr>
<tr>
<td>Shell</td>
<td>13</td>
</tr>
<tr>
<td>Engie</td>
<td>5</td>
</tr>
<tr>
<td>Enel</td>
<td>5</td>
</tr>
<tr>
<td>Eni</td>
<td>4</td>
</tr>
<tr>
<td>Enagas</td>
<td>4</td>
</tr>
<tr>
<td>EDF</td>
<td>3</td>
</tr>
<tr>
<td>Snam</td>
<td>3</td>
</tr>
<tr>
<td>E.ON</td>
<td>2</td>
</tr>
<tr>
<td>OMV</td>
<td>2</td>
</tr>
<tr>
<td>Repsol</td>
<td>1</td>
</tr>
</tbody>
</table>

### Four biggest gas developers supported by the ECB

<table>
<thead>
<tr>
<th>Company</th>
<th>LNG terminals</th>
<th>Gas pipelines</th>
<th>European extraction zones</th>
<th>European gas power plants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>23</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Shell</td>
<td>7</td>
<td>5</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Engie</td>
<td>4</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Enel</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>4</td>
</tr>
</tbody>
</table>
CONCLUSION

The ECB must stop contributing to climate chaos

By refusing to stop purchasing fossil fuel assets, the European Central Bank (ECB) feeds fossil-gas expansion and contributes to the lobbyists’ “bridge fuel” gas rhetoric. Despite the need to progressively phase out all fossil fuels, its purchases support companies that heavily invest in fossil fuel infrastructures and plan on expanding natural gas production.

Furthermore, many projects planned by these companies – like Total’s Mozambique LNG projects – pose significant human rights threats.

The ECB must immediately exclude corporations whose practices are incompatible with the Paris Agreement from its asset purchases, starting with companies that develop new fossil fuel projects.

METHODOLOGY

This note matches the list of fossil fuel companies previously identified in Reclaim Finance’s report entitled Quantitative easing and climate: The ECB’s dirty secret with data from the Global Fossil Infrastructure Tracker and the Europe Gas Tracker available at the end of July 2020.

The note distinguishes between fossil gas infrastructures that are already being operated and new projects, whether under construction or proposed.

When several actors are involved in an infrastructure or a project, the infrastructure or project is counted in the individual data of each company involved but counted one time in the aggregated data.

The Global Fossil Infrastructure Tracker is a tool published by the Global Energy Monitor and the Global Oil and Gas Network that lists oil and gas pipelines, and LNG terminals being developed, currently in service or frozen. The methodology is available at http://ggon.org/fossil-tracker/methodology/.

The Europe Gas tracker is a tool published by the Global Energy Monitor that lists European gas infrastructures being developed, currently in service or frozen. The methodology is available at https://global energymonitor.org/tracker/.

REFERENCES

1. The ECB first decided to purchase 120 billion in assets, before creating a dedicated program (Pandemic Emergency Purchase Program – PEPP) allowing it – through two decisions - to purchase 1350 billion euros in assets in 2020-2021. Considering asset purchases already planned, the ECB plans on buying 1700 billion in assets in 2020-2021.
4. The ECB recently updated its Q&A page on CSPP. It now indicates that: “the ECB shares the view that an awareness of environmental issues, together with ethical and socially responsible behaviour, are important for society and actively supports several initiatives in this context beyond the purchase of green bonds under the CSPP.”
5. The ECB already decided that the public consultation initially scheduled to close at the end of August will stay open till the end of October.
8. According to the International Energy Agency, almost a quarter of the world’s electricity is now generated by burning gas. In 2018, gas-fired generation grew by 4%. The switch from coal to gas, primarily in China and the United States, accounted for a fifth of this increase in gas demand.
9. Reclaim Finance, Behind the Curtain: When the gas and nuclear lobbies reshape the EU Sustainable Taxonomy, August 2020.
14. Apart from mentioned gas infrastructures, companies benefiting from the ECB’s asset purchases plan on developing new oil pipelines: Total (3), Shell (1) and Eni (1). Also contribute to oil development, with 76 oil pipelines operated and 5 new projects. Three companies plan on developing new oil pipelines: Total (3), Shell (1) and Eni (1).
15. For detailed propositions, see the conclusion of Reclaim Finance’s Quantitative easing and climate: The ECB’s dirty secret report.
QUANTITATIVE EASING AND CLIMATE 2: Fueling the fossil gas frenzy

Reclaim Finance 2020

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 bend existing practices to ecological imperatives.

contact@reclaimfinance.org