December, 2023 Issue #2

Edito

The COP28 agreement in December gave a clear signal that the world is moving away from fossil fuels - but recent bank policies, much like the agreement, have left the door open for the on-going development of fossil fuels.

In 2023, banks' oil and gas policies have followed a similar pattern: Crédit Agricole and Westpac are the latest banks to announce restrictions on their financing dedicated to some oil and gas projects. While the Australian bank's policy covers both upstream and midstream projects, Crédit Agricole has retained the option to finance new fossil fuel infrastructure projects such as liquefied natural gas (LNG) terminals. This loophole is all the more serious as the French bank is still advising TotalEnergies on the development of Papua LNG in Papua New Guinea. Like most banks that restrict support for conventional oil and gas, these banks are only addressing the tip of the iceberg - project finance - and can still finance companies developing new oil and gas fields or infrastructure.

Westpac has delivered a double strike, also announcing new measures on coal, specifically addressing a glaring loophole in existing coal policies: metallurgical coal. With alternatives for steel production finally available, some banks have committed to stop financing new metallurgical coal mines. Such is the case with BNP Paribas, which announced a commitment in November, the day before the publication of Reclaim Finance's *Metallurgical coal financing: Time to call it off* report. While the French bank has yet to capitalize on this by excluding companies developing these projects, which unsurprisingly include Whitehaven Coal and Glencore, this could create a welcome new trend, given the impact of metallurgical coal on the climate.

Maude Lentilhac, Policy Analyst at Reclaim Finance

New policies & updates

131
coal policies

+3 updates:
- BNP Paribas
- Westpac
- Sampension

91
oil & gas policies

+4 updates:
- Westpac
- Crédit Agricole
- ING
- Crédit Mutuel Arkea

8
sustainable power targets

+2 updates:
- Crédit Agricole
- ING

Focus on metallurgical coal

Over the past few years, financial institutions have adopted policies to restrict financing to thermal coal, meaning that thermal coal companies are facing increasing difficulties in financing new power plants. However, most of these policies contain a major loophole as they do not target metallurgical coal.

What is metallurgical coal?

Metallurgical coal, also called ‘met coal’, refers to coal used for steelmaking, as opposed to thermal coal which is used for power generation. Metallurgical coal includes coking coal that is heated to produce coke that is then fed into blast furnaces but also other kinds of non-coking coal. It represents approximately 14% of total coal production. The extraction of metallurgical coal enables the most carbon-intensive steelmaking technology to continue while releasing an alarming amount of methane from the mining alone. In order to decarbonize the steel sector, which accounts for around 7% of global greenhouse gas emissions and 11% of global CO_2 emissions, alternatives to metallurgical coal can be used, such as hydrogen-based steelmaking.

What should financial institutions do?

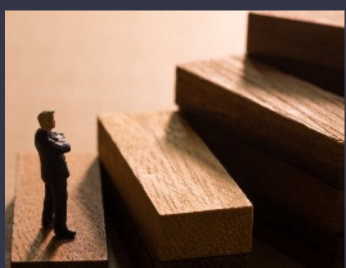
In the latest version of its Net Zero by 2050 roadmap, the International Energy Agency (IEA) shows that no new coal mines or coal mine expansions are needed, as currently operating metallurgical coal mines will be able to meet demand until 2050. Financial institutions should therefore stop supporting the expansion of metallurgical coal mining. Banks and (re)insurers must immediately make a commitment to end dedicated financing to new metallurgical coal mining projects and related infrastructure. However, according to research conducted for the report *Metallurgical coal financing: Time to call it off*, only 1.4% of financing came in the form of direct project funding. All financial institutions must also urgently exclude companies with metallurgical coal expansion plans.

What have they done so far?

Today, only nine of the biggest financial institutions assessed in the Coal Policy Tracker, have adopted commitments regarding metallurgical coal, according to our updated methodology which now covers met coal. Most policies only restrict direct financing for metallurgical coal projects and one (Société Générale) excludes some companies deriving revenues from metallurgical coal. None of the biggest financial institutions directly exclude metallurgical coal developers.

Find out more

Latest news



Crédit Agricole leaves the door open to financing oil and gas expansion.

Despite ambitious decarbonization targets, the French bank has failed to align with Société Générale or HSBC, which have both put an end to their direct financing of some new LNG terminals. **Read more**

Crédit Agricole’s commitment to supporting the energy transition remains unclear.

Reclaim Finance has serious reservations about the sincerity of the steps announced, and questions whether they are in line with what is needed to limit global warming to 1.5°C. **Read more**

Need some clarification on what counts as sustainable energy?

Read our technology factsheets on bioenergy, energy storage, hydrogen and CCUS in power. **Read more**

Resources

Coal POLICY TRACKER

Discover

Oil & Gas POLICY TRACKER

Discover

Sustainable Power POLICY TRACKER

Discover

Take action!
Find out more about our recommendations for banks to adopt a robust power policy.