

BNP PARIBAS: QUIT COAL!

This briefing is one in a series published by **BankTrack**, an international NGO that tracks banks and campaigns to transform their impact on people and planet, and is part of our Banks: Quit Coal! campaign. Visit www.coalbanks.org for extensive data and coverage of the banking sector's global coal financing. For any additional information or feedback, contact BankTrack's Climate and Energy Campaign Coordinator Yann Louvel at: yann@banktrack.org

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Community life under the gaze of the Tata Mundra power plant in India. © Joe Athialy, Bank Information Center

POSITIVE BNP PARIBAS COAL MOVES REMAIN OVERSHADOWED BY HEAVY FINANCING

Combined with its policy commitment to end financing for 'significant producers' of coal that use the devastating mountaintop removal (MTR) extraction method in America's Appalachian mountains, the announcement from BNP Paribas in April this year that it will not become involved in the financing of huge mining projects in Australia's Galilee Basin, as well as associated infrastructure that would have serious impacts for the Great Barrier Reef, might appear to signal that the bank is finally becoming averse to the risks involved in coal industry

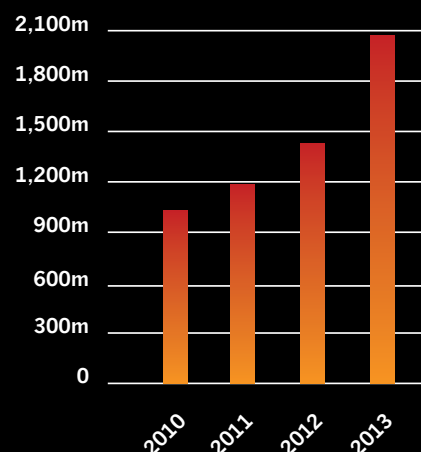
financing generally. However, BNP Paribas coal finance volumes remain solid.

BankTrack research into the global private banking sector's coal financing, covering project finance, shares and bond issues, corporate loans and revolving credit facilities for coal mining and coal power companies alike, has revealed that in the period 2005 to March 2014 BNP Paribas extended 15.6 billion euros to the most climate-damaging fossil fuel sector. The bank occupies the number 9 spot in our coal bank rankings, and 2013 was one of its

biggest coal finance years in terms of volume: over 2 billion euros.

The moves from BNP Paribas on MTR and the Galilee Basin should be seen in context: any bank involving itself in this mining sector and these Australian projects is now courting economic and reputational catastrophe. BNP Paribas' continued engagement with the coal industry, especially the coal power sector and despite some gradualist policy improvements within this sector, presents enduring high risks for the bank's reputation and the world's climate.

BNP PARIBAS COAL LOANS AND UNDERWRITING FOR SELECTED COMPANIES, 2010-2013 (IN MILLION EUROS)



TWO COAL PLANTS WITH HUGE ENVIRONMENTAL, SOCIAL AND CLIMATE COSTS IN SOUTH AFRICA

BNP Paribas, in the company of a string of other international private banks as well as the World Bank, has been integral in supporting South Africa's troubled state-owned power utility Eskom in its plans to further deepen the South African power sector's reliance on climate-busting coal power. In the face of national and international opposition, Eskom is proceeding with the development of two huge 4,800 megawatt coal-fired power plants at Medupi and Kusile.

The projects have been controversial from the beginning, with Kusile set to be built in a region that already exceeded South African air pollution limits. The Medupi plant alone will add an estimated 25 million metric tons of CO2 emissions per year – the South African power sector is already one of the most carbon intensive in the world, and the country is currently responsible for 40% of Africa's total carbon emissions. Firing up these two plants – Medupi is reported to be running four years behind schedule and projected to be fully on line by 2019 at the earliest – will involve additional demand for coal, and that means the inevitable opening or expansion of coal mines in South Africa. This will likely lead to severe local environmental impacts, including strains on already scarce water resources. If all of Eskom's plans go ahead – at Medupi, Kusile and a range of life-extensions and expansions at other plants – the company's own consultants anticipate that 35 new mines will be required to support them.

With construction delays in fact being experienced at both plants, Eskom has relied on rate increases to cover its mounting costs. The company is asking to raise commercial power prices again by 25% starting in April 2015, as it attempts to recover from Standard & Poor's recent lowering of its credit rating to junk.

Further social inequities from this deepening of the South African

power sector's reliance on coal power are set to follow thanks to the World Bank's controversial \$3.05 billion debt financing for Medupi. The huge costs of the World Bank loan will be disproportionately borne by South Africa's poorest for projects that largely benefit major industries that consume electricity below cost.

As ever with such major coal plant investments, the cumulative environmental, economic and climate impacts will be immense, and their effects are likely to be felt for decades to come. As part of the lender consortium, BNP Paribas should be prepared to address and solve such impacts. And the bank must now resist becoming impli-

cated in other developing world coal cauchemars in the future.

GRADUALLY IMPROVING COAL POLICIES NOT ENOUGH TO STEM CONSISTENT COAL FINANCE

BNP Paribas has specific policies covering at least some of its financing to coal mining and coal power projects and companies, including a recent positive policy advance that rules out the provision of “financial products or services to mining companies that are significant producers of coal extracted from

Appalachian mountaintop removal operations” (emphasis added). At issue, however, is how effective these policies are proving to be when the bank's support for the coal industry is generally being maintained – and inevitably following from this are the bank's negative impacts on the global climate and local communities that also continue to stack up.

As the case studies documented in this briefing describe, BNP Paribas has a legacy of problematic involvement in egregious coal-fired power plant projects; in 2014, it kept up its support for some of the world's largest coal power companies, including the likes of GDF Suez, RWE and Vattenfall. Yet it

should be noted that, when it comes to coal power, the bank now has one of the most advanced bank power sector policies. This not only requires it to report on the implementation of its due diligence practices as well as including substantial environmental oversight (factors also seen in the BNP Paribas policy for the mining sector), the policy also sets minimum net energy efficiency thresholds for new coal power plant project finance of 43% in high income countries and 38% in other countries.

One key limitation, however, to these threshold restrictions is that they do not apply to the bank's financing of coal companies through

“SUPPORT FOR COMBATING CLIMATE CHANGE” - BNP PARIBAS CORPORATE SOCIAL RESPONSIBILITY REPORT 2013



general corporate loans or underwriting. And, significantly, in the case of the Medupi and Kusile power plants in South Africa, BNP Paribas' new policy structures would not have prevented financing. In spite of some welcome policy advances in recent years, clear coal policy gaps remain at BNP Paribas – and this continues to be reflected in its annual, persistently high coal finance volumes.

LANDMARK LEGAL CHALLENGE MOUNTED AGAINST INDIAN COAL PLANT

The Tata Mundra Ultra Mega Power Plant, a huge 4,150 megawatt coal-fired plant in Gujarat, India that started operating at full capacity in 2013, is one of the world's most notorious fossil fuel projects – so much so that in April this year it became the subject of a legal challenge lodged in the US courts by local fishing communities and farmers, the first time such a challenge has been made by communities claiming harm from a project financed by the World Bank's private lending arm, the International Finance Corporation (IFC).

BNP Paribas is another Tata Mundra backer, having arranged – as the only international private lender to the project – \$327 million in financing back in 2008. The plant's harmful impacts have been picked up in the last couple of years by compliance reports such as those carried out by the IFC's compliance unit and by the Asian Development Bank. Yet lack of meaningful redress has resulted in legal action being taken against the IFC for its role in the project financing: the communities allege that pollution from Tata Mundra has caused the loss of their livelihoods, destroyed their lands and water and created threats to their health.

While BNP Paribas is not involved in the lawsuit, BankTrack has pressed the bank to disclose its annual 'tracking' of Tata Mundra, aimed at – according to the bank – addressing how Tata Power is avoiding and remedying the project's environmental and social impacts. At the time of publication, we have yet to see this BNP Paribas assessment.

BNP PARIBAS COAL COMMITMENTS

With coal finance levels remaining firm at BNP Paribas, we really think it's about time that the bank:

- **Commits to end any new coal project finance starting with the Rampal, Batang, Plomin C and South African coal projects, and to decrease its general corporate coal financing, both for coal mining and coal power.**
- **Commits to living up to its responsibilities to communities around the world by refusing future business for coal companies and projects linked to human rights abuses.**
- **Takes BankTrack's Paris Pledge to quit coal.**

BNP PARIBAS, YOU ARE CORDIALLY INVITED ... TO TAKE THE PARIS PLEDGE AND QUIT COAL

The world over, responsible financiers concerned about climate change and focused on enhancing their support for clean energy projects and initiatives (as BNP Paribas' latest annual report tells us it is) will be very much aware of the fast approaching UN Climate Summit in Paris, taking place at the end of this year.

This meeting, being billed by many as 'make-or-break', is aimed at deciding on an international follow up Treaty to the Kyoto Protocol, committing all countries in the world to emission reduction targets that will keep the global temperature rise within 2 degrees, the assumed threshold beyond which already ongoing climate change will become outright catastrophic for people and planet.

In the run-up to Paris, BankTrack – in collaboration with our civil society organisation allies around the world – is launching the **Paris Pledge** campaign. The aim of this campaign is clear: to invite the world's private banks that are still investing in coal sector companies and projects to publicly pledge to terminate their financing for the coal industry. Here's why.

COAL: CLIMATE AND PUBLIC ENEMY NUMBER ONE

The continued exploration and burning of coal is a major threat to the climate. Coal is the single greatest source of man-made carbon dioxide emissions – 44 % of all global emissions coming from fossil fuels come from

coal. Since the year 2000, global coal production has grown by 69%, to a staggering 7.9 billion tons annually. The installed capacity of coal-fired power plants has grown 35% since the year 2000. We are clearly on the road to disaster if we do not manage to stop coal – and quickly.

THE ROLE OF BANKS

Private sector (commercial) banks continue to play a major role in bankrolling the coal industry. As BankTrack research (available at www.coalbanks.org) has revealed, total banking sector support for the coal sector amounted to at least \$500 billion between 2005 and April 2014. To date, there is no sign of declining support from banks, with a clear upward trend and a +360% rise in these coal finance figures between 2005 and 2013.

WE, AND THE PLANET, ARE COUNTING ON YOU, BNP PARIBAS!

As a prominent 'coal bank', BNP Paribas (you're currently number 9 in our Coal Bank Top 20 rankings), we hereby invite you to consider and take the Paris Pledge prior to the Paris Climate. You'll be hearing from us – and thousands of others – again about this in the weeks and months ahead. All the best, BankTrack.

PARIS PLEDGE TEXT – FOR BANKS INVOLVED IN COAL FINANCING

In recognition of the grave threat to the world's' climate posed by ongoing mining and use of coal, as well as the urgent need to transition towards a low/no carbon economy, we hereby pledges to fully phase out our finance for coal mining and coal power.

This phase-out will cover all our banking activities and services, including lending, share and bond underwriting, asset management and advisory services, and will start with an immediate end to any new coal project finance. It will be accompanied by a shift in our energy lending towards the financing of energy efficiency and renewable energy.

We commit to publish a detailed 'coal phase-out plan' within six months after the Paris Summit, which will include a clear time path and targets for each of our products and services. We also commit to regularly and publicly report on the implementation of our coal phase-out plan.

Signed,

BNP Paribas

COMING SOON, THE PARIS PLEDGE RESOURCE WEBSITE: DOTHEPARISPLEDGE.ORG