

# French banks, Fossil banks ?

**For credible energy and climatic bank policies**

**Executive summary**

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In 2005 Les Amis de la Terre launched its public campaign « French banks: save the climate! » and released the report « French banks and environment: almost everything remains to be done ». The new « French banks, fossil banks ? » study that deals with energy and climate issues, is the second step of this campaign. Les Amis de la Terre has published this report as part of the reform financial actors campaign of Friends of the Earth International<sup>1</sup>, and Banktrack<sup>2</sup> the international network on private finance.

## FRAMEWORK

France set an objective for 2050: to divide by four its indirect greenhouse gas emissions. To fulfill this ambitious commitment, all French actors have to mobilize themselves. French banks also have to commit themselves to address climate change.

### CO<sub>2</sub> emissions and the banking sector.

Banks play the rôle of « lubricant » of the economy. Banks influence whole economies with their financial products and services. They provide important signals to all economic actors, like the costs and risks of specific industries. Companies, households and governments make use of banks to finance their activities and invest their surpluses.

Banks produce CO<sub>2</sub>:

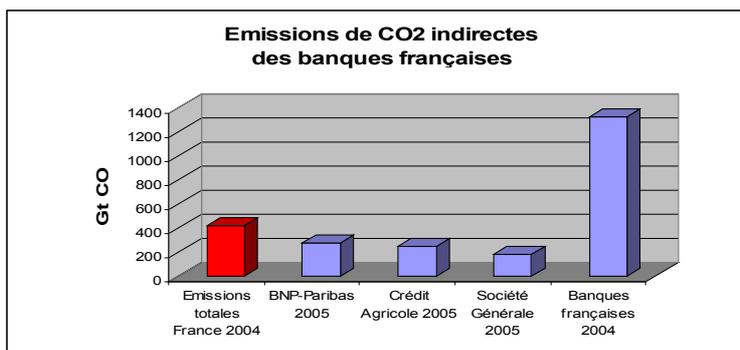
- **directly** by their operations (mainly transport, buildings, energy and incoming materials). They are integrally responsible for those emissions, which are relatively small.
- **Indirectly** by their financing and investment choices for specific sectors; by financing clients who generate CO<sub>2</sub> emissions, and through their consulting activities (especially for big companies and big projects). They are partly responsible for these emissions; clients also having a part of the responsibility. Since the banking sector finances a huge number of worldwide activities, its emissions are huge. That is why this is by far the major issue.

Banks can use their role as capital providers by influencing and encouraging their clients to reduce their CO<sub>2</sub> emissions. Several leading banks have become aware of their special role and responsibilities with regard to climate change issues (also demanded by their clients) and have introduced formal policies to address these in a systematic manner.

Today these initiatives are voluntary: there is no legislation yet concerning direct and

indirect emissions of the banking sector. Considering demands determined at French, European and International levels, it is clear that, sooner or later, banking activities will come regulatory obligation to address climate change. Pro-active banks on the issue today will place themselves as leaders, given tomorrow's obligations.

### Calculation of French banks' indirect greenhouse gas emissions



Les Amis de la Terre have estimated French banks' indirect greenhouse gas emissions: they are about 1,32 billion tons of CO<sub>2</sub> in 2004, representing 5,06% of total worldwide emissions and 3,2 times French's domestic global emissions.

### This study's objectives :

- **Remind French banks of the urgent need to address climate change** and about their huge responsibility for this issue ;
- Underline the **best practices** of the sector;
- **Break down French banks activities** in the energy sector and analyse them, according to the best international practices ;
- **Provide accurate recommendations** on the issue.

### Stern Review on the Economics of Climate Change

Nicholas Stern, who formerly served as the World Bank's chief economist, issued a report in October 2006 that estimates the economic damages of climate change. One of the findings of the report is that failing to curb the impact of climate change could damage the global economy on the scale of the Great Depression or the world wars, by spawning environmental devastation that could cost 5 to 20 percent of the world's annual gross domestic product.

<sup>1</sup> See <http://www.foei.org/ifi/index.html>

<sup>2</sup> See <http://www.banktrack.org>

## Methodology

The study was conducted between september 2006 and february 2007 and considers ten banks in total. In France, the first five banks control more than 81% of customer deposits and close to 71% of the credits. The sample group analysed in the report is therefore representative of the market.

### The French banks analysed in the report

- Groupe Banque Populaire
- BNP-Paribas
- Caisse d'Epargne
- Groupe Crédit Agricole (including LCL : le Crédit Lyonnais)
- Crédit Coopératif
- Crédit Mutuel – CIC
- Dexia
- HSBC
- La Banque Postale
- Société Générale

The study looks at the bank *groups*, including head office, and if necessary, local offices, subsidiaries, and offices abroad.

The study analyses :

- **the seven larger French network banks;**
- **HSBC (United Kingdom) and Dexia (Franco-belgian) foreign banks** significantly established in France ;
- **La Banque postale**, a Post Office subsidiary since the 1<sup>st</sup> of january 2006, that does not have the authority to lend to companies. Several criteria were not applicable and therefore a global grade has not been given to it.
- **Le Crédit Coopératif**, in order to compare conformist banks with a socially positioned bank. Since 2002, it is a part of Groupe Banque Populaire but its specific positioning led us to analyse it by itself.
- **Natixis**, resulting from the merger of Natexis-Banques Populaires and Ixis (Caisses d'Epargne) at the end of november 2006 could not be analysed given its recent creation.

Banks are analysed on the basis of public data (Financial Reports, Corporate Responsibility Report, Carbon Disclosure Report) and the banks' answers to the questionnaire sent by Les Amis de la Terre. The questions were grouped around three main issues, each of them comprising several criteria. The final grade has been obtained after weighting, the three issues not having the same importance.

● **Issue 1 : Comprehensive climate change policy** : 10% of the final grade

● **Issue 2 : Investments and financing in the energy sector** : 80% of the final grade

● **Issue 3 : Direct climatic and energy impacts** : 10% of the final grade

### Scoring system for evaluating criteria

0 : No publicly available data / No policy addressing the subject

1 : Very vague and incomplete policy and data / No clear commitments nor targets

2 : Accurate data on a very incomplete area / Defined policy but on a very incomplete area

3 : Accurate data on a quite incomplete area / Defined policy on a quite incomplete area

4 : Accurate data on almost the whole area / Defined and global policy with clear comitments

5 : Accurate data on the whole area . The policy meets or is in line with relevant international best practices or standards

First, banks were evaluated for each criteria using a scoring system going from 0 to 5. The grades of the rating summary table are on 10, to improve readability.

## BANKS RATING

### Issue 1 : Comprehensive climate change policy

None of the banks has a global comprehensive climate change policy. Only HSBC and Dexia mention their responsibility in regard to indirect emissions. Banks work mainly to reduce their direct emissions. This marginal objective doesn't take into account the core of their activities : investments and financing. Though, even with respect to direct emissions, clear objectives are still infrequent.

Employees' environmental training has been already analysed as extremely insufficient in the previous report. There has been no progress : none of the banks seem to offer its employees training on climate and energy issues. This is worrisome.

### Issue 2 : Investments and financing in the energy sector

This issue is not applicable to La Banque postale since it didn't have the authority to lend to companies and to finance projects when it was analysed.

#### Transparency :

Opacity is still a huge problem. BNP-Paribas is an exception for making public a list of projects that are financed in sensitive sectors,

for instance the energy sector. Dexia and Groupe Banque Populaire are in progress since they have made available some specific informations we asked for. All the others banks are very opaque and defend their position with confidentiality claims, whereas the others banks don't even mention it.

None of the french banks report their indirect greenhouse gas emissions.

**Reducing risks in the sensitive sectors : fossil fuel energy, dams and nuclear energy**

Crédit Coopératif doesn't finance any of these three sectors, although they are lucrative, because of its social position. It has the authority and the capacity to make all the banking transactions : Les Amis de la Terre recognize this strategic choice which

underlines the possibility that a bank can refuse to support sectors whose impacts don't match with sustainable development. HSBC has fossil fuel energy and dams related policies. These policies take into account some of the best practices. Dexia announced it would set up a fossil fuel energy related policy in 2007. None of the other banks has sector-related policies.

Banks that have specified they have not financed dams and nuclear projects (Dexia and Groupe Banque Populaire) get a better grade than the banks that have not condescended to answer.

**Massive energy financing at the international level:**

We can regroup the analysed banks depending on their more or less strong orientation in energy project financing internationally :

- ◆ **Strong orientation** : BNP-Paribas, Crédit Agricole (Calyon), Société Générale.
- ◆ **Intermediate to low orientation** : Banque Populaire, Caisses d'Epargne, Crédit Mutuel-CIC, Dexia, HSBC.
- ◆ **No orientation** : Crédit Coopératif, La Banque Postale.

Les Amis de la Terre asked the independent consultant Jan Willem van Gelder from the Profundo agency to conduct a study of BNP-Paribas, Calyon and Société Générale financing of international oil, gas and coal companies form 2004 to 2006.

**French bank financing of 33 international oil, gas and coal companies 2004-2007 (in US\$ million) per bank**

Bank	Total number of clients	Loans		Underwriting	
		Number of clients	Amount (US\$ million)	Number of clients	Amount (US\$ million)
BNP Paribas	28	19	3 878	15	1 277
Calyon	20	17	4 353	7	283
Société Générale	20	20	3 268	5	257
<b>Total</b>	<b>33</b>	<b>25</b>	<b>11 499</b>	<b>16</b>	<b>1817</b>

Minimal estimation: The three French banks have many more clients in the international oil, gas and coal production sector than the 33 companies researched here. Estimating conservatively, these 33 companies might account for 50% of the total financing activities of the three French banks in the international oil, gas and coal production sectors in the past three years. **The total amount of loans provided by the three French banks in the international oil, gas and coal production sectors in the past three years might therefore exceed US\$ 23 billion, while their underwriting activities might have raised more than US\$ 3.6 billion for their clients in these sectors.**

**Contentious energy financing at the international level :**

- Baku-Tbilisi-Ceyhan pipeline (Turkey-Georgia-Azerbaïdjan)
- Tchad-Cameroun pipeline project
- Tangguh project (Indonesia)
- Kashagan oil project (Kazakhstan)
- Loan to Sonangol (Angola)
- Loan to Lukoil (Russia)
- Trois Gorges dam (Chine)
- Nam Theun 2 dam (Laos)

- Projects not finalized yet:
- Sakhalin II oil and gaz project (Russia)
  - TXU coal plants (United-States)
  - Yusufeli dam (Turkey)
  - Belene nuclear power plant (Bulgarie)

On the 12 contentious projects analysed by Les Amis de la Terre :

- BNP-Paribas is involved in 10 projects ;
- Crédit Agricole is involved in 8 projects ;
- Société générale is involved in 6 projects ;
- Banque Populaire and Dexia are involved in 3 projects ;
- HSBC in 1 project.

### Opportunities : specific products and client's awareness

Specific financial products for companies and communities that address climate change are still rare, although some initiatives appear. Caisses d'Epargne and Dexia are the more proactive on the community market. Though it is quite hard to evaluate some of the offers in the absence of accurate elements (characteristics, outstanding loans, loan numbers).

Specific products for retail clients to renovate and isolate housing had a great development in 2007 : this is the main progress. BNP Paribas (UCB Dolce Vita) and Caisses d'Epargne (Crédit Foncier – VIVRELEC) loans are : for the first one insufficient, for the second one against the housing environmental-enhancing. HSBC has not offered that kind of specific product so far.

The national savings account « Codevi » (whose aim was to finance industrial development) has been replaced by a savings account called « Livret du Développement durable » (« Sustainable Development Account ») to finance industrial development and sustainable development issues). This new account may have a strong impact on this fast developing market.

### Opportunities : renewable energies financing

In order to analyse the banks dynamism in terms of renewable energies financing, Les Amis de la Terre have compared the amounts related to renewable energies in relation to the amounts related to the global energy sector, for each bank. Results are detailed below.

dynamic, followed by Banques Populaires. Crédit Agricole, BNP-Paribas and Société Générale are distinctly the laggards. Because of their opacity, the others banks could not be analysed. In terms of investment funds, several initiatives are being implemented, the most interesting coming from Caisses d'Epargne, Crédit Agricole, Crédit Coopératif and Dexia.

### Issue 3 : Direct climatic and energy impacts

In terms of direct impacts, energy consumption reporting and greenhouse gas emission reporting is the criteria that has progressed more this year: all the banks have introduced it or are introducing it. Crédit Mutuel, Crédit Coopératif and Banque Postale are late. They are still late in implementing objectives but it may improve in 2007 if banks respect the commitments they have made.

For each sector, several interesting initiatives are being implemented. For instance, photovoltaic electricity production (Banque Postale, Dexia), Dexia refunds 60% of the public transport cost of employees in whole of France (in France there is an obligation of refunding 50% of the public transport cost for a company only in Paris), Plan de Déplacement d'Entreprise (a commuting plan - Banque Postale), policies for renovating and building with environmental standards (Banques Populaires). However, these initiatives are rarely generalised within the group.

Only HSBC made its operations carbon neutral by compensating for its emissions. Dexia aims to the same objective for 2007.

	Total amount of financing	Total of energy sector	Oil & gaz sector	Power sector	Renewable sector	Wind sector	% of renewable on the total amount of energy	Grade
Banque Populaire		2,870 billion € (2005)	1 billion € (2005)	1 billion € (2005)	442 millions € (2006)	340 millions € (2006)	15,4%	2
BNP Paribas		9,047 billion € (2005)	5,916 billion € (2005)	2,551 billion € (2005)		580 millions € (2005) / 931 millions € (2006)	6 or 10,3%	1
Caisses d'Epargne		2,5 billion € (2005)	1,152 billion € (2005)	1,356 billion € (2005)		657,85 million €	26,3%	3
Crédit Agricole	216 billion €	39,771 billion € (18,4% du total)				1,235 billion €	3,11%	1
Crédit Coopératif								0
Crédit Mutuel								0
dexia		2,581 billion € (2004-06)	1,056 billion € (2004-06)		813 millions € (2004-06)	600 millions € (2006)	31,50%	3
HSBC	592 billion € (2005)	7,1 billion € (1,2% of the total of 2005) (6 billion € in Europe)						0
La Banque Postale								NA
Société Générale	371 billion € (2005)		14,84 billion € (4% of total)		845 millions € (2005)		5,70%	1

It still remains extremely difficult to compare the data given by the banks. Indeed, banks rarely specify the area considered or the areas are not the same. That is why these figures have to be taken carefully. Dexia and Caisses d'Epargne seem to be the more

In terms of direct impact there are two leaders , HSBC and Dexia. Two banks are laggards, Crédit Coopératif and Crédit Mutuel : lateness or passivity ? The others banks are in an extremely low position.

## Summary of energy and climate policy ratings of the banks

<i>grade on 10</i>	Crédit Coopératif	Dexia	Banque Populaire	HSBC	Crédit Agricole	Caisses d'Épargne	BNP Paribas	Société Générale	Crédit Mutuel	La Banque Postale	AVERAGE
A global policy on climate	4	6	4	6	0	4	2	2	0	2	3
Calculated and dated targets	0	2	2	2	2	2	2	2	0	2	1,6
Policy evaluation and monitoring	0	4	0	6	4	0	2	2	0	4	2,2
Training and awareness	4	4	4	4	2	4	4	2	0	4	3,2
<b>Issue 1- Comprehensive climate change policy established</b>	<b>2</b>	<b>4</b>	<b>2,5</b>	<b>4,5</b>	<b>2</b>	<b>2,5</b>	<b>2,5</b>	<b>2</b>	<b>0</b>	<b>3</b>	<b>2,5</b>
Energy sector financing reporting	0	4	4	0	0	0	8	0	0	NA	1,8
Reporting & reduction of indirect emissions	0	2	0	2	0	0	0	0	0	0	0,4
Policy on fossil fuel energy	10	0	0	6	0	0	0	0	0	NA	1,8
Policy on dams	10	4	6	8	4	0	0	0	0	NA	3,6
Policy on nuclear energy	10	6	6	0	0	0	0	0	0	NA	2,4
Specific products and education of retail clients	6	4	8	0	4	4	0	2	4	0	3,2
Specific products for companies and communities	2	8	4	2	4	6	4	4	0	NA	3,8
Renewables financing and funds	4	6	6	0	4	4	2	2	0	NA	2,8
<b>Issue 2 : Investments and financing in the energy sector</b>	<b>5,3</b>	<b>4,3</b>	<b>4</b>	<b>2,3</b>	<b>2</b>	<b>1,8</b>	<b>1,8</b>	<b>1</b>	<b>0,5</b>	<b>NA</b>	<b>2,5</b>
Reporting on energy consumption and direct CO <sub>2</sub> emissions	2	4	2	8	4	4	6	4	2	2	3,8
CO <sub>2</sub> emission reduction	2	6	2	6	4	4	2	2	2	4	3,4
Use of green electricity and production of renewables	0	6	2	2	2	4	4	4	0	4	2,8
Transport policy	2	6	4	2	2	2	2	2	2	4	2,8
Real estate policy	2	4	4	4	2	4	2	4	2	4	3,2
Carbon neutrality and compensating measures	0	6	0	10	2	2	2	2	0	0	2,4
<b>Issue 3 : Direct climatic and energy impacts</b>	<b>1,3</b>	<b>5,3</b>	<b>2,3</b>	<b>5,3</b>	<b>2,7</b>	<b>3,3</b>	<b>3</b>	<b>3</b>	<b>1,3</b>	<b>3</b>	<b>3,1</b>
<b>Gobal grade</b>	<b>4,5</b>	<b>4,3</b>	<b>3,7</b>	<b>2,8</b>	<b>2,1</b>	<b>2</b>	<b>2</b>	<b>1,3</b>	<b>0,5</b>	<b>NA</b>	<b>2,8</b>

NA : No applicable

### III. WEAK AND STRONG POINTS FOR EACH BANK

#### 1. Crédit Coopératif

- ☒ Opacity. No data on financing projects or sectors in which the bank is active
- ☒ Late concerning the management of its direct impacts
- ☺ Does not finance fossil fuel energy, nuclear energy and dams projects
- ☺ An interesting training and raising-awareness program for its employees

#### 2. Dexia

- ☒ No sector-specific policies for risks reduction (being prepared for fossil fuel energy sector)
- ☺ Progress on transparency
- ☺ A wide and innovating specific offer to communities
- ☺ Almost a third of its energy financing is dedicated to renewable energies
- ☺ Responsiveness to civil society
- ☺ Good management of its direct impacts

#### 3. Le groupe Banque Populaire

- ☒ No sector-specific policies for risk reduction
- ☒ Late concerning the management of its direct impacts
- ☺ Transparency improvement
- ☺ An interesting specific offer to retail clients, with transparency
- ☺ Responsiveness to the civil society

#### 4. HSBC

- ☒ Strong opacity: no data on project financing
- ☒ No specific product addressing climate change
- ☺ Good management of its direct impacts : carbon neutrality and compensating measures
- ☺ Encourages its clients to disclose and reduce their emissions
- ☺ Sector-specific policies for fossil fuel energy and dams

#### 5. Crédit Agricole - LCL

- ☒ Strong opacity
- ☒ Involved in contentious project financing
- ☒ Limited offer from LCL that incites retail clients to waste energy : incoherent with the global policy
- ☒ No sector-specific policies for risks reduction
- ☺ Direct impacts : in progress (direct emission reduction target of 10%)
- ☺ An interesting offer for retail clients

#### 6. Le groupe Caisse d'Epargne

- ☒ Low transparency (though in progress)
- ☒ Crédit Foncier : VIVRELEC loan, contrary to energy efficiency
- ☒ No sector-specific policies for risks reduction
- ☺ Crédit Foncier : new loan for retail clients integrating energy efficiency
- ☺ An interesting offer for communities

#### 7. BNP Paribas

- ☒ No sector-specific policies for risks reduction
- ☒ Involved in contentious project financing
- ☒ UCB : Dolce Vita loan for retail clients of little worth. No specific product addressing climate change
- ☺ Transparency on project financing for sensitive areas
- ☺ Subsidiary's Meunier Promotion : interesting building and renovating certifications

#### 8. La Société Générale

- ☒ Strong opacity
- ☒ Involved in contentious project financing
- ☒ No sector-specific policies for risk reduction
- ☒ Lagging for specific products for retail clients : loans are only available on a small part of its network

#### 9. Crédit Mutuel - CIC

- ☒ Strong opacity
- ☒ No sector-specific policies for risks reduction
- ☒ Shows indifference to environmental issues : no response to the questionnaire sent for the second year
- ☒ Late concerning management of its direct impacts

#### La Banque Postale : inapplicable

Issue 2 : inapplicable

- ☒ Lack of data
- ☒ No specific products addressing climate change for retail clients (being prepared)
- ☺ Benefits of the « La Poste »'s sustainable development policy

## IV. GUIDELINES : a climate policy in seven steps

### The best international practices

CRITERIA	BANK	MEASURE
<b>A global policy on climate change</b>	JPMorgan Chase (United States)	<ul style="list-style-type: none"> <li>« We believe that it is appropriate to adopt a precautionary approach to climate protection by working to reduce greenhouse gas emissions today »</li> <li>« We will therefore work with our industry, clients and policy makers to establish a policy framework for direct and indirect greenhouse gas emissions reductions. The following policy is applicable to our Investment Bank and Commercial Bank »</li> </ul>
<b>Target reduction on indirect emissions</b>	Bank of America (United States)	<ul style="list-style-type: none"> <li>The goal is to realize a 7% reduction in indirect emissions in accordance with the Intergovernmental Panel on Climate Change targets within their energy &amp; utility portfolio</li> </ul>
<b>Reporting on indirect CO<sub>2</sub> emissions</b>	Henderson (United Kingdom)	<ul style="list-style-type: none"> <li>Carbon audit of the Henderson Global Care Income Fund in June 2006 – by Trucost and called : « How green is my portfolio ? »</li> <li>The results are disclosed and show that the evaluation of the investment funds indirect CO<sub>2</sub> emissions is possible</li> </ul>
	JPMorganChase (United States)	<ul style="list-style-type: none"> <li>Indirect emission reporting from project financing</li> </ul>
	Barclays (United Kingdom)	<ul style="list-style-type: none"> <li>Has set the target to calculate and disclose CO<sub>2</sub> emissions of loan activities</li> <li>Supports the idea of a compulsory, appropriate and practical approach introduced by the government for reporting on CO<sub>2</sub> emissions.</li> </ul>
<b>Policy on fossil fuel energy</b>	JPMorganChase (United States)	<ul style="list-style-type: none"> <li>Commitment to avoid project financing on UNESCO World Heritage Sites</li> </ul>
<b>Policy on dams</b>	HSBC (United Kingdom)	<ul style="list-style-type: none"> <li>Freshwater Infrastructure Sector Guidelines (including dams), published in May 2005 : the group will follow the World Commission on Dams Framework for Decision-Making</li> </ul>
<b>Specific products for retail clients</b>	Crédit Foncier (France)	<p>New loan product launched in February 2007 dedicated to energy efficiency :</p> <ul style="list-style-type: none"> <li>Integrates the cost of CO<sub>2</sub> emissions in its financial risk assessment of the loan. This approach will be generalised to renovate and buy housing.</li> </ul>
	Fannie Mae (United-States)	<ul style="list-style-type: none"> <li>Has developed the Energy Efficient mortgage. It rewards buyers of energy efficient homes and encourages energy efficient measures with more favourable mortgage terms.</li> </ul>
<b>Renewables financing</b>	Goldman Sachs (United-States)	<ul style="list-style-type: none"> <li>Has exceeded the threshold of 1 billion US \$ allocated to renewable investments (despite its relatively small size : 22 425 people)</li> </ul>
<b>Direct impacts : transport policy</b>	ING Nederland, Rabobank, Triodos Bank (Netherlands)	<ul style="list-style-type: none"> <li>Reduce CO<sub>2</sub> emissions from car travelling</li> <li>Have agreed with Friends of the Earth Netherlands in 2005 to only use energy efficient cars</li> </ul>
	Dexia (France Belgium)	<ul style="list-style-type: none"> <li>Refunding of 60% of the public transport cost throughout France from January 2007</li> </ul>
<b>Direct impacts : carbon neutrality and compensating measures</b>	HSBC (United-Kingdom)	<ul style="list-style-type: none"> <li>Carbon neutrality has been reached at the end of 2005</li> <li>Compensating measures by buying certificates. Environmental efficiency projects in Africa and India, which are also providing social benefits</li> </ul>
	Triodos (Netherlands)	<ul style="list-style-type: none"> <li>Triodos bank's activities are carbon neutral.</li> <li>Dutch Triodos bank aims to reduce CO<sub>2</sub> emissions by using electricity from renewable energy sources and by reducing energy consumption as far as possible. Its remaining CO<sub>2</sub> emissions from gas consumption, paper consumption, business travelling and commuting are compensated by buying CO<sub>2</sub> credits from KlimaatNeutraal Groep.</li> </ul>

## Les Amis de la Terre's guidelines

On the basis of the report's findings and the best international practices (see the table), Les Amis de la Terre recommend that French banks establish a comprehensive climate change policy with framework which include seven steps :

### 1. Establish a comprehensive climate change policy

A global policy is necessary in order to provide a consistent framework for corporate actions. A best-practice climate change policy should contain four parts : firstly banks should recognise their direct and above all their indirect responsibilities for climate change and their special role to reduce and minimize CO<sub>2</sub> emissions. Secondly, banks should become pro-active and set ambitious and clear reduction targets and target dates for the whole network, then benchmarks and indicators have to implement in order to monitor progress. Finally, employees need important training programs and consciousness raising about energy and climate issues.

### 2. Financing Transparency in the energy sector

Banks must disclose data about the projects they finance and their environmental and social impacts. Confidentiality must be delimited in the most restrictive manner, consistent with public interest and not only private interests.

### 3. Indirect emissions' reporting and réduction

**This is the major issue.** Banks have to set reduction targets for their indirect CO<sub>2</sub> emissions. They must report on their portfolio's indirect emissions by 2008. They should develop methodologies to refine the indirect emissions' calculation. Banks should ask their clients (first big companies, then small businesses and communities) to report on their indirect emissions, to disclose and reduce their emissions.

### 4. Developing sector-specific policies for risk reduction in energy sectors.

Concerning fossil fuel energy, banks' policies must be based on the best international practices : handing off ecologically endangered zones and socially sensitive areas, and observing the Extractive Industries Review's guidelines. Banks must set reduction targets to minimise their investments in fossil fuel energy in order to eventually stop supporting non sustainable energies. Concerning dams banks must observe World Commission on Dams' guidelines. Banks must refuse to support

nuclear energy, which is incompatible with sustainable development.

### 5. Developing new products and clients' awareness (retail, corporate, and community clients)

Banks have to develop extensively and globally their offer of products which address climate change. They should target retail clients, especially in the housing sector, as well as companies and communities, to stimulate them to reduce their CO<sub>2</sub> emissions. These products must be developed with sales training programs and client education tools about the issues of climate and energy products..

### 6. Renewable financing

Banks must involve themselves extensively in this expanding sector by financing renewable projects, taking part in investment funds and venture capital. Banks need to set ambitious financing targets and create products adapted to different specific markets. Eventually, renewable energies should represent their whole energy finance capacity.

### 7. Direct emissions reduction and operations carbon neutral by 2008

It is recommended that banks make own operations carbon neutral by 2008. Such action sets an example, provides a strong signal to clients and takes an active part in employees' sensibilisation. The main target must be a 3% annual consumption reduction. To succeed, banks have to set transport, real estate, use of renewables and sustainable and responsible purchasing policies. Finally, banks must complete their carbon neutrality with compensating measures (planting excluded) Annual outcome evaluation is essential to monitor progress.

Les Amis de la Terre has worked since 1970 to protect the global environment while preserving ecological, cultural and ethnic diversity. It lobbies on decision-makers and conducts campaigns on financial actor and company responsibility, GMO, farming, tropical forest protection and on climate change. It conducts awareness' action and promotes solutions that will help to create environmentally sustainable and socially just societies.

Friends of the earth is the world's largest grassroots environmental network, uniting 72 national member group with approximatively 1,5 million of members.

## CONCLUSION

**Les Amis de la Terre launched a campaign on the banking sector in 2005, asking the banks to integrate environmental requirements in their projects and activities. The report « French banks, Fossil banks? » on climatic and energy issues stresses the lack of credible energy and climate policies and shows how many French banks still lag far behind.**

Last year's campaign has resulted in three positive steps forward:

- A slight progress on transparency;
- An improvement in reporting on direct impacts;
- Above all, development of banks' offers for retail clients: loans for renovation and isolation in the housing sector, the second largest greenhouse gas emitting sector in France.

**However, banks haven't integrated climatic issues yet in the core of their financing and investment activities:**

- None of them evaluates its CO<sub>2</sub> indirect emissions. These indirect emissions approximately equal 3,2 times total emissions of France in 2004. None of the banks has set indirect emission reduction targets, which should be the main priority;
- Opacity remains extremely worrying for the energy sector financing;
- Up to date, very few banks have adopted risk-reducing policies for sectors of concern (fossil fuel energy, dams, nuclear energy). Yet, BNP-Paribas, Crédit Agricole and Société Générale are massively involved in energy projects, sometimes very controversial;
- Financing for renewable energies, hard to estimate due to the lack of transparency, can greatly vary depending on the bank. The average financing for renewables is ten times lower than the one for polluting energies. None of the banks screened in the report has a clear target on financing renewable energies;
- The very weak outreach and development of specific products addressing climate change must greatly increase;
- Specific training about energy and climatic issues remains extremely weak;
- Direct emissions reduction remains low. Additionally, efforts regarding direct emissions should not mean postponing the obvious need for reducing the impacts related to indirect emissions (financing and investment);
- Three banks are promoting contentious products that are totally incoherent with

environmental, energy and climate policies: BNP-Paribas and Caisses d'Epargne-Crédit Foncier offer some obviously non environment friendly loans; LCL-Crédit Agricole offers to reimburse a part of the client's energy bill.

**The report identifies the best international practices in the banking sector and provides relevant recommendations. Les Amis de la Terre are willing to meet with all banking players to open a dialogue around the report's findings and demands. They will take due consideration of the banks' ideas and responses and will closely monitor the implementation of their commitments. It is now time for the banks' to take the right steps towards responsible finance !**

