Europe Beyond Coal

Principles

Criteria for Financial Institutions for Developing No-Coal Policies.

No-coal policies are emerging as a standard practice amongst financial institutions. However, the quality and effectiveness of these policies vary widely.

In order to prevent greenwashing, it is essential to define what is acceptable as a minimum standard.

The principles below are intended to guide financial institutions and to set the bar high enough to align portfolios with the UN Paris Climate Agreement.

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The following should be considered minimum standards when developing no-coal policies:

1. **Overall commitment**

   To mitigate climate and financial risks associated with the coal sector[1], finance actors should adopt a public "no-coal policy", which supports the alignment of their business models with climate science-based targets that are consistent with the goals of the UN Paris Climate Agreement. This implies that finance actors should commit to over time (2030 in OECD/Europe, 2040 globally) eliminate coal assets from all business lines, and that all coal companies in which they are involved should either be actively engaged with or divested from.

2. **Exclusion criteria for coal projects**

   Finance actors should not provide or renew direct support to coal plants/mines/infrastructure worldwide – including project finance and other dedicated finance support, advisory mandates, insurance underwriting and investments.

3. **Assessment criteria for exclusion of coal companies**

   The criteria below capture companies that are currently either expanding or are highly exposed to coal, in relative as well as absolute terms:

   - Companies with coal expansion plans, including the construction/ development/expansion of coal plant/mine/infrastructure, and life extension of existing coal plants through retrofit, acquisition of existing coal assets;
   - Companies producing more than 20 Mt of coal per year, or which have over 10 GW of coal power capacity;
   - Companies that generate more than 30% of revenues from coal mining or produce more than 30% of power from coal.

   By applying these criteria to their financial universe, finance actors can identify which companies are currently unlikely to be able or are unwilling to transition rapidly enough to a 100% renewables-based energy system, and reconsider their financial support[2] accordingly. These criteria should become stricter over time, as the deadline for a complete coal phase-out is approaching[3].

[1] Finance actors include banks, insurers and investors.
[2] Financial services include lending, underwriting, advisory, insurance coverage and investment with regards to own accounts as well as third parties.
[3] Such a time-bound policy that tightens over time has already been adopted by, for example, the Norwegian Storebrand.

4. **Criteria for engagement with coal companies**

An additional criteria needs to apply to companies that own coal assets, but are considered to still have an opportunity to transition rapidly enough to a 100% renewables-based energy system. By applying targeted and impactful engagement[4], finance actors should ask those respective companies to:

- Adopt, within one year maximum (by 2020), a decarbonisation target to gradually align their business model with the UN Paris Climate Agreement;
- Publish, within two years maximum (by 2021), a clearly articulated and detailed implementation plan for the gradual closure (not sale) of existing coal plants and mines, exiting coal at the latest by 2030 in the OECD and in Europe, and by 2040 in the rest of the world.

[4] Financial institutions must gradually reduce/remove financial support within set timeframes (6, 12, 18, 24 months) if the engagement process does not lead to significant results.

This paper was issued by the Europe Beyond Coal campaign in July 2019.

Europe Beyond Coal is an alliance of civil society groups working to catalyse the closures of coal mines and power plants, to prevent the building of any new coal projects and hasten the just transition to clean, renewable energy and energy efficiency. Our groups are devoting their time, energy and resources to this independent campaign to make Europe coal free by 2030 or sooner.

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