UniCredit: a bank that still bets on coal

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The bank UniCredit is one of the last ones in the EU that is still involved in providing loans to many European energy companies that mine or burn coal. In fact, UniCredit is the only one out of the 15 largest European banks to have failed to set and publicly disclose a coal exclusion policy. Many other European banks have already adopted various policies to minimize or end their involvement with coal.

Based on research commissioned by the Europe Beyond Coal coalition (EBC), UniCredit had by the end of 2018 **active loans of at least €3,4 billion for the following companies that operate coal-powered plants and some of them also mine coal:**

ENEL (Italy/Spain)
RWE (Germany)
Uniper (Germany)
Fortum (Finland)
EPH Group (Czech Republic)

Moreover, UniCredit is also involved in providing credit to coal investments in Turkey, as described further below.

Specific to coal, Europe Beyond Coal is asking UniCredit to:

- **adopt and publish a coal-fired power plant and coal mining policy** that would put an end to financing any coal expansion (including retrofitting of existing plants), as well as phase out financing for existing coal projects and companies by 2025, in line with the coal phase out commitment adopted by the Italian government;
- **define a strict and clear engagement strategy** with existing coal clients, in particular in Eastern Europe, by setting a firm deadline by when the bank will start restructuring its financial exposure to these companies in order to phase it out, unless they submit ambitious and just coal closure plans in line with the UN Paris Climate Agreement.

Coal policies of European banks

Banks were the first financial institutions to adopt coal policies. Publicly available no-coal policies by financial actors have grown in number over time, and most leading European investors, insurers and banks now have policy guidelines either putting conditions on, or restricting their support to the coal industry. In order to support this positive development, the Europe Beyond Coal campaign and associated organisations have captured this diminishing appetite for coal finance and coal underwriting in a new briefing, *The Coal Break-up: How Financial Institutions Are Phasing Out Support to European Coal Utilities*. The briefing chronicles the gradual development of sophisticated coal policies of European financial institutions and how these policies impact the most polluting European power utilities.

CASE STUDY: $1 billion UniCredit loans for coal in Turkey

In 2014, UniCredit, through its Turkish subsidiary Yapi Kredi and its partner Koc financial services**, gave two loans of $417 milion each to Turkish coal companies Limak and IC Ictas** for the acquisition of the privatised coal plants of Yenikoy and Kemarkoy in the Mugla region for a combined capacity of 1,050 megawatts (MW). In the following years UniCredit further supported Limak with €135 million loans. The two plants have caused severe impacts on human health, agriculture and the environment in the last decades. The Milas-Sekkoy lignite mine feeding the plants is being expanded and 21 villages are at risk of relocation.[1]

Plant operators enjoyed a thorough exemption from Turkish environmental regulation since 2015. By the end of 2019, when such exemption comes to an end, Limak-IC Ictas have to retrofit their two old plants in the Mugla region in order to meet stricter emission standards. As reported, companies have already approached General Electric to undertake the retrofitting. Nevertheless, serious doubts have been raised on the technical feasibility of the upgrade and its impact on the already low efficiency of the plants. Given the economic downturn in Turkey, coal companies, which have already accumulated significant debt, are having problems in accessing new loans for upgrading their coal assets. Several foreign banks have already raised doubts about scaling up their financing in Turkey, and in particular in the energy and coal sector**. UniCredit should stay away from further lending to Limak an IC Ictas** as well as ask them to close the plants by 2019. If the company does not want to do so, UniCredit should start restructuring its debt exposure to the companies with the aim of phasing it out by 2025.

[1] More information: http://costsofcoal.caneurope.org/

CASE STUDY: EPH - the 2nd most polluting energy company in the EU

UniCredit Bank is a big creditor to the rapidly growing Czech-owned energy group EPH. EBC estimates that **the bank is currently providing more than €817 million in corporate loans and a revolving credit facility for** EPH Group and its daughter companies.

EPH (Energetický a průmyslový holding) is a business enterprise of a single Czech multi-billionaire, Daniel Křetínský. It has grown fast from a local business in the Czech Republic ten years ago into a multi-national energy **utility infamous for buying up old coal assets all over Europe**. The formal structure and ownership of the group is in constant flux. Up until 2017, EPH was officially owned by two shell companies based in Cyprus. EPH's latest annual report suggests that EPH is formally owned by two companies: E.P. Investment S.á.r.l., and E.P. Investment II S.á.r.ll, based in Luxembourg. Both Cyprus and Luxembourg are European regions known for their relaxed tax policies. EPH does not have any listed shares, and therefore it does not hold wider general assemblies. Daniel Křetínský owns 94% of all shares, and the remainder belongs to several members of EPH top management.

EPH: A fossil fat cat

After acquiring Vattenfall´s lignite mines and power plants in Germany, EPH became the second most polluting energy company with respect to CO2 emissions. According to recently published EU emission trading data, **in 2018 EPH Group's companies produced 76 million tonnes of CO2, the majority of which came from coal and natural gas**. With regards to air pollution (dust, sulphur and nitrogen pollutants), EPH ranked second in the EU after RWE according to the Last Gasp study[2]. Moreover, EPH produced over 50% of its power from coal.[3]

EPH: Still expanding its fossil fuel portfolio

EPH has been and still is undergoing expansion, buying up old dirty coal power plants from other European utilities which have decided to clean up their business**. In the last few years EPH has bought fossil fuel power plants from E.ON, EDF and Vattenfall**. In early 2018 it was reported that EPH made an exclusive offer to buy UNIPER's energy business in France, which includes two coal plants. In the past, EPH also showed interest to buy coal power plants from Greek utility PCC, and coal power plants in Germany owned by French ENGIE. In April 2019, Italy's Sorgenia stated that EPH was among the investors who expressed interest in buying their gas power plants. **EPH does not have a public decarbonisation plan nor decarbo-nisation targets**. It can be assumed that any financial resources provided to the group will be used towards further expansion of their fossil fuel portfolio.

[2] Last Gasp: www.beyond-coal.eu/last-gasp

[3] This data includes all emissions from the LEAG company, which was not part of the EPH consolidated report in 2017 but EPH owns 50% of it. The other half is owned by the company "PPF investment" registered on the island of Jersey.

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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. www.beyond-coal.eu*
