

CSR SECTOR POLICY - Coal-fired power plants – November 2016

1. Scope of the Policy

The present Policy (the Policy) applies to all financings, investments activities and more broadly all forms of involvements of Crédit Agricole CIB (the « Bank ») in the coal-fired power plants sector.

The coal-fired power plants sector is defined, for the purpose of the Policy, as the operation of power plants that are fully or partially coal-fired.

Financings and investments activities of the Bank directly related to the development, construction or expansion of a coal-fired power plant are covered by sections 4, 5 and 6 of the Policy.

Financial assistance to companies when the operation of coal-based thermal power plants constitutes a significant share of their activity is more specifically covered by section 7 of the Policy.

The Policy applies from the date it is published. Are excluded pre-existing activities in this sector, including commitments already made¹ or business opportunities which are already at an advanced stage of negotiation.

The Policy will be updated from time to time.

2. Sector issues and objectives of the Policy

Coal plays a significant role as a global source of energy, in particular for electricity generation. Coal is still the first resource for electric generation worldwide with a share around 40 %² due in particular to the importance and the geographical distribution of its reserves, as well as the associated moderate costs of electricity generation.

The coal-fired power plants so account for a significant share of greenhouse gas (GHG) emissions related to human activity. On the basis of the works from the Intergovernmental Panel on Climate Change (IPCC), the United Nations Framework Convention on Climate Change (UNFCCC) asserted the necessity of progressing on a global scale towards a less carbon economy to fight global warming, and in particular to facilitate the transition towards a globally much less GHG intensive generation of electricity.

The 2015 Paris agreement on climate change has formalised a joint commitment that lead to reconsider, on the basis of existing technologies, the role of coal worldwide. In a short time, the number of greenfield coal-fired plants shall be reduced as much as possible and emissions by brownfield units shall be lowered as significantly as possible.

In a longer term, the International Energy Agency (IEA) considers that Carbon Capture and Storage (CCS) technologies will be needed for meeting the objectives set by the UNFCCC.

The Policy comes as a supplement to the rules regarding energy policies from Countries and the investment policies from the clients of the Bank and is not intended to supplant them. It is not either intended to answer the question to know whether the use of coal is desirable in a given context, or if a specific project must be developed. It seeks to state the CSR³ analysis criteria and requirements of the Bank in the sector of coal-fired power generation according to the identified societal issues. It supplements the implementation of the Equator Principles for project finance transactions.

¹ As well as renewals or refinancings not intended to increase the level of indebtedness.

² International Energy Agency

³ Corporate Social Responsibility

3. Reference frame

In appraising coal-fired power plants financings and investments opportunities, the Bank will be guided by the following conventions, initiatives or institutions:

- the Intergovernmental Panel on Climate Change (IPCC),
- the United Nations Framework Convention on Climate Change (UNFCCC) and the related protocols and agreements (in particular the Kyoto protocol and the 2015 Paris agreement on climate change),
- the International Energy Agency (IEA),
- the professional association World Coal Association,
- the Climate Principles initiative,
- the standards of the World Bank group and in particular the IFC Performance Standards and Environment Health and Safety Guidelines.

4. Analysis and exclusion criteria relative to climate change

The Bank will not finance any new coal-fired power plant or their extensions in any country.

These conditions do not apply:

- to units partially burning biomass when the proportion of the biomass in the overall supply of the unit is sufficient to lead to a significant reduction in the carbon footprint⁴,
- to units using operational CCS or any other system intended to significantly reduce the emission of CO₂ in the atmosphere,
- when other possible alternatives result in a less favourable GHG footprint.

For plants being already in operation (Brownfield), the Bank will be watchful that its involvement does not expand the life of these plants.

The Bank may however finance investments intended to capture CO₂ on existing units, in order to facilitate energy transition.

Eventually, assumptions mentioned in a specific memo “Analysis relating to climate change and carbon price” will be taken into account for climate risks considerations including “carbon price” and in the cases provided for in the said memo.

5. Other analysis and exclusion criteria

Subject to the exclusions listed above, only involvements linked to plants satisfying the following requirements would be considered:

- strict compliance with the national regulatory framework and with all treaties and international rules to which the Country has committed and is bound,
- for plants not located in a High Income OECD Country⁵, compliance with the IFC Performance Standards (or with similar standards when an export credit agency or a multilateral institution is involved in the financing) or the Environment, Health and Safety Guidelines.
- no critical impact on protected areas or on wetlands of international importance covered by the Ramsar Convention,
- location outside of a site listed on the UNESCO World Heritage list⁶.

6. Implementation

Where the transaction is directly linked to a particular coal-fired power plant, the project will be assessed against all the analysis criteria above and the Bank will seek to determine whether an exclusion criterion exists.

⁴ Sources of biomass shall also comply with the relevant sector policies.

⁵ Cf. section References and glossary

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If an exclusion situation is identified or if the outcome of the general assessment is negative, the Bank will not participate in the transaction. Any potential exceptional situation will be handled in accordance to section 8 below.

Where the transaction is an advisory mandate, the Bank will seek to promote the principles included in this Policy. The Bank will not enter into an advisory mandate when aware at the date of the mandate that the envisaged project definitely exhibits an exclusion criterion. When considering financing a project for which the Bank has acted as financial advisor, it shall only do so in compliance with the present Policy, including in respect of the exclusion criteria.

7. Involvement of the Bank not linked to a specific coal-fired power plant

Some transactions are not directly linked to the construction or expansion of a coal-fired power plant but nonetheless fall within the scope of application of the Policy. It is in particular the case for financial assistance to companies significantly active in operating coal-fired power plants.

The Bank expects its clients to develop good working practices and behaviour to limit their Environmental & Social impacts in line with section 4 of this Policy. On the occasion of the annual review of the relationship, the clients will be sensitised to the issues of the Policy and the Bank will request information relating to their own policy (written or de facto).

In particular, the Bank expects clients which are significantly active in operating coal-fired power plants that they develop a policy consistent with national emission reduction targets where they operate. This would generally imply developing action plans seeking to reduce emissions from existing units and, for clients relying heavily on coal, a diversification plan towards lower-carbon energy sources. Especially, the Bank will not develop relationship with companies predominantly active in generating electricity from coal (more than 50% of the business) and not implementing a significant diversification plan.

The client policy will be so assessed towards the principles of the Bank Policy, by taking into account the most recent evolutions and the possible plans for improvement. A particular attention will be given to considerations relating to climate change and carbon price as mentioned above. In the case of a significant difference, the recommendation of the CERES committee will be required.

The decision to enter into relation with a new client falling under the scope of the Policy will only be taken after a detailed analysis of the activities of the client in the field of coal-fired power generation. This analysis shall confirm, if needed at a CERES committee level, that the client practices comply with the principles of the Bank Policy.

Such assessments will be based on information which is either public or which the client has made available to the Bank.

8. Exceptions

Transactions that present uncertainty with respect to compliance with the Policy shall be referred to the CERES committee for recommendation. If the committee considers that the transaction does not conform to the Policy, such transaction will be subject to a final arbitration by the General management of Crédit Agricole CIB.

9. References and glossary

High Income Countries.

The list can be accessed at:

<http://data.worldbank.org/about/country-classifications/country-and-lending-groups>

Wetlands of international importance covered by the Ramsar convention.

The list can be accessed at:

https://rsis.ramsar.org/fr/ris-search/?solrsort=country_fr_s%20asc&language=fr&pagetab=1

Sites listed on the UNESCO World Heritage.

The list can be accessed at: <http://whc.unesco.org/en/list/>