Dirty Money

Corporate greenwash and RBS coal finance

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Executive summary

All over the world, diverse groups from community activists to schoolchildren, small businesses to faith-based networks, are starting to take action on climate change. Big business is following suit, but often with tactics that bring their integrity into question. Climate change is being used to create a new kind of brand identity, without any of the fundamental changes needed to tackle the root causes of the problem itself – the use of fossil fuels.

This report takes the case of the Royal Bank of Scotland, an international bank with interests across the fossil fuel sector that is promoting itself as a genuine actor in climate change efforts. Using Bloomberg data this report compares RBS' environmental rhetoric with the bank's financing of coal companies around the world in the last three years, and examines the efforts of civil society to date to pressure the bank to adopt more climate-friendly policies.

RBS was recapitalised by the UK taxpayer from 2008 onwards, following major losses due to their reckless financial practices. Now, in 2011, the British public faces massive spending cuts. The taxpayers' money used to bail out the banks could have supported the welfare services now being decimated; the bailed out banks have a debt of obligation to invest in socially useful rather than socially harmful projects.

This report finds that in the years from 2008 to 2010 inclusive, RBS was involved in providing finance worth €791.8 million to companies listed in the world's 20 biggest operators of coal mines, and in the same period was involved in providing finance worth €7,201.8 million to companies listed in the world's 20 biggest generators of coal-based electricity. The combined total financing of coal that RBS has been involved in is almost €8 billion.

All international banks were ranked according to the amount of finance they had been involved in providing to the 20 biggest coal mining operators and the 20 biggest generators of coal-based electricity. For the 20 largest coal companies, RBS was ranked 8th out of 35, with HSBC ranking 10th, and Barclays 29th. For the 20 largest coal-based electricity generators, RBS was ranked 3rd, with Barclays coming 4th and HSBC 11th out of 69.

'Dirty Money' recommends that RBS:

- Recognises that its biggest impact on climate change is through the nature of the companies and projects to whom it is providing finance.

- Calculates and discloses the carbon emissions embedded in its provision of finance to fossil fuel companies, and adopt a strategy to bring about a year on year reduction of those embedded emissions.

- Designs and adopts sectoral polices for companies or projects operating in particularly problematic fossil fuel sectors, such as tar sands extraction in Canada, drilling for oil in the Arctic and the provision of loans to support new coal operations.

Part 1: Fossil fuels and finance

Despite the fact that there is not a single lump of coal or drop of oil to be found beneath the streets of London, the City acts as one of the international capitals of the fossil fuel industry. Companies operate here to take advantage of the complex web of financial, political and legal services that allow them to mine and drill in many other parts of the world. Only a handful of the bigger companies have sufficient financial resources available to pay for the new infrastructure necessary to expand their operations. In the UK, the high street bank that has been most heavily involved in financing the hydrocarbon industry is the Royal Bank of Scotland.

How a high street bank is financing fossil fuels

At first glance, a high street bank's impacts on climate change might look minor. Carbon emissions appear comparatively low, primarily caused by computer screens and business trips. Yet RBS's products are not only bank statements and analysts' reports. Banks are providers of financial services including loans, investments and accounts; to corporations as well as to individuals. These services play a central role in the exploration, production and transportation of fossil fuels. While 'internal' emissions from the bank's own energy use are relatively low, the carbon emissions 'embedded' within its financing deals are staggering, to the extent that a report calculated that in 2006, RBS' 'embedded' emissions were greater than the total emissions of Scotland itself.[1]

RBS's dirty lending portfolio

Since then, a series of reports have looked at RBS involvement in providing finance to the fossil fuel industry.

- In 2008, 'Cashing in on Coal – RBS, UK banks and the global coal industry', showed that in a two year period, RBS helped provide loans of almost US$16 billion to coal-related companies, more than any other UK bank.[2]

- In 2010, the report 'Cashing in on Tar Sands – RBS, UK Banks and Canada's 'blood oil' examined RBS' controversial links to oil companies involved in tar sands extraction in Canada. In the two year period examined, RBS led underwriting for over US$7.5 billion in loans to tar sands related companies, over 5 times more than Barclays and over eleven times more than HSBC.[3]

- Two reports, 'Towards a Royal Bank of Sustainability: protecting taxpayers' interests; cutting carbon risk' [4] and 'A Bank for the Future – maximising public investment in a low carbon economy'[5] argued that taxpayers' investment, made by bailing out the bank, would be better served by the bank shifting its investment strategy away from fossil fuels and towards financing the transition to a low carbon economy.

- In 2010, the Sunday Herald ran a front cover exposé showing that RBS had provided nearly £13 billion worth of funding to the oil and gas industries in the two years after it was bailed out by the UK public.[6]

How RBS is covering its dirty lending tracks

In 2006, RBS was still proudly proclaiming its fossil fuel expertise on its website theoilandgasbank.com. Five years later, after enormous amounts of negative publicity and with an increasingly climate-conscious population in the UK, the bank is taking a very different approach to its public positioning on fossil fuel finance. The Oil and Gas Bank website has been taken down, and glossy leaflets have been printed and distributed that proclaim that they use 'green energy' in the UK, and that they are involved in financing renewable energy. More recently, RBS has sponsored Climate Week, a UK-wide initiative that will start at the time of this report being published, in March 2011.

While RBS' public relations strategy has become more climate-conscious, the findings of this report show that it is not necessarily matched by a significant change in RBS' willingness to finance those companies and industries that are most heavily involved in exploiting fossil fuels and exacerbating climate change.

Financing coal: the wrong thing to do

This report looks specifically at coal finance, as a means of questioning RBS sponsoring a high profile climate change event, Climate Week, while providing massive ongoing finance to a sector that is causing so much damage to the climate.

According to James Hansen, director of NASA's Goddard Space Institute and climate activist, ending emissions from coal "is 80% of the solution to the global warming crisis."[7] This argument is based on the fact that the amount of carbon locked up in coal is far greater than that of oil and gas, and that the amount of remaining coal reserves is much larger than the amount of remaining oil and gas reserves. In February 2011, a study led by a Harvard University researcher sought to quantify the 'hidden' costs of the US' dependence on power generated by coal, such as elevated rates of cancer and other illnesses in coal-mining areas, environmental damage and lost tourism opportunities in coal regions where mountaintop removal is practiced, and climate change resulting from elevated emissions of carbon dioxide from burning the coal. The report calculated that the hidden cost to the US economy of burning coal was US $345 billion annually.[8]

The power of the finance sector; for better or worse

The magnitude of the threat of climate change necessitates the involvement of all sectors of society. The finance sector plays a key role in either enabling positive developments to take place or, alternatively, making possible more of the destructive practices that have taken us to the edge of global catastrophe. Resisting transition in the face of the challenge of climate change is behaviour that future generations will view as incomprehensible. But to actively appropriate the discourse and language around climate change action while simultaneously actively extending support for climate destructive industries and practices is totally reprehensible.

The following sections will examine in greater detail how RBS' ongoing provision of finance to the coal sector is entirely incongruous with its public support for initiatives, like Climate Week, that are attempting to address climate change.

Part 2: Latest data: RBS coal finance 2008-10

The data has been compiled using a Bloomberg Terminal, a computer system provided by the company Bloomberg that enables financial professionals to monitor and analyse real-time financial market data movements. Figures are based on reporting by banks to Bloomberg, but may be incomplete due to undisclosed proprietary banking relationships.

A three year period was selected, from 2008 to 2010 inclusive, looking at the loans, corporate debt and equity issuance that RBS was involved in providing to the world's 20 biggest generators of coal-based electricity and the 20 biggest coal mining companies. This information was compiled by the economic research institute Profundo[9] using the relevant annual reports, and is summarized in Appendix 1. These 20 companies in each field accounted for 36.2 per cent of global coal production and 37.2 per cent of the global coal-fired generation capacity. The totals may not reflect actual lending, rather they represent the full value of loans where the bank acted as lead book-runner (also called managing underwriter, lead manager, etc). Where RBS was one of multiple lead book runners, value is awarded pro-rata.

According to the research, RBS was involved in providing finance worth €791.8 million to the world's 20 biggest coal mining companies from the beginning of 2008 to the end of 2010, and in the same time period was involved in providing finance worth €7,201.8 million to the world's 20 biggest generators of coal-based electricity. The combined total financing of coal that RBS has been involved in is almost €8 billion.

Using the same Bloomberg system, it is possible to rank all of the major banks in the world that have provided finance to the same companies listed. For the 20 largest coal companies, RBS was ranked 8th out of 35, with HSBC ranking 10th, and Barclays 29th. For the 20 largest coal-based electricity generators, RBS was ranked 3rd, with Barclays coming 4th and HSBC 11th out of 69.

In the following table, 'Corp' refers to underwriting of corporate finance; 'Loan' refers to the underwriting of loans.

Research on global coal operations and finance was carried out by internationally recognised financial research and consultancy group Profundo. Visit Profundo online at www.profundo.nl

Date deal signed	Name of company	Nature of company	Amount (€Millions)	Product
30.11.10	RWE AG	Coal power	173.9	Loan
18.10.10	E.ON AG	Coal power	285.7	Loan
22.9.10	GDF Suez	Coal power	272.6	Corp
20.9.10	RWE AG	Coal power	350	Corp
11.8.10	Peabody Energy Corp	Coal mining	101.2	Corp
23.6.10	American Electric	Coal power	304.6	Loan
16.6.10	GDF Suez	Coal power	222.2	Loan
19.4.10	Enel Spa	Coal power	333.4	Loan
25.3.10	Consol Energy Corp	Coal mining	313.9	Corp
25.3.10	Consol Energy Corp	Coal mining	376.7	Corp
23.11.09	E.ON AG	Coal power	333.3	Loan
19.10.09	RWE AG	Coal power	90.9	Loan
19.10.09	Southern Co.	Coal power	100.2	Corp
25.8.09	Duke Energy	Coal power	87.4	Corp
25.8.09	Duke Energy	Coal power	87.4	Corp
15.7.09	International Power	Coal power	29.1	Loan
13.7.09	Korea Electric	Coal power	89.4	Corp
6.5.09	Vattenfall Ab	Coal power	150	Corp

Date deal signed	Name of company	Nature of company	Amount (€Millions)	Product
1.4.09	Vattenfall AB	Coal power	42.5	Corp
1.4.09	Vattenfall AB	Coal power	121.3	Corp
18.3.09	Vattenfall AB	Coal power	255.6	Corp
5.3.09	Vattenfall AB	Coal power	55.6	Corp
5.3.09	Vattenfall AB	Coal power	122.2	Corp
5.3.09	Vattenfall AB	Coal power	122.2	Corp
20.2.09	Enel Spa	Coal power	666.7	Loan
3.2.09	GDF Suez	Coal power	388.1	Corp
9.1.09	GDF Suez	Coal power	116.6	Corp
26.11.08	E.ON AG	Coal power	1136.4	Loan
25.11.08	Vattenfall AB	Coal power	212.5	Corp
25.11.08	Vattenfall AB	Coal power	162.5	Corp
21.11.08	GDF Suez	Coal power	162.1	Corp
20.11.08	GDF Suez	Coal power	40.97	Corp
22.10.08	GDF Suez	Coal power	316.4	Corp
4.4.08	American Electric	Coal power	199.2	Loan
		Total since bail out	**7794.5**	
		Total since 2008	**7993.7**	

Part 3: Case studies

Behind the list of dates, companies and sums of money, lie complicated real-world situations of corporate dealings, impacted communities and climate damage. This section provides a little more information on three of the coal finance deals that RBS has been involved with in the last three years.

1. Hargreaves Services

Hargreaves Services is an English coal mining, importing and haulage company. The company does not feature in the most recent Bloomberg figures because it is not in the top 20 mining companies according to global ranking, but the company's own reports provide information on RBS financing, and it has been included here due to its relevance as a coal company operating within the UK.

Hargreaves owns the Maltby coal mine in South Yorkshire which supplies Drax power station, the single biggest carbon emitter in the UK.[10] The entire output of the mine, 600,000 tonnes a year, is sold to Drax under long-term contract. [11]

Hargreaves is pushing ahead plans to reopen Tower Colliery in South Wales, giving the company access to seven million tonnes of coal reserves via opencast mining.[12] Tower Colliery is located near the already controversial[13] open cast mine Fos-y-Fran and has been closed for over 30 years; the last mine in the UK to be closed under Margaret Thatcher.

Chief executive Graham Banham commented in 2009: "Despite what you hear about banks not lending, all five banks were really keen to develop the relationship with Hargreaves." [14] In September 2009, RBS led a consortium of five banks in providing Hargreaves Services with a £115 million credit facility.[15] On the back of this financing deal, Hargreaves announced it was taking its first steps into open-cast coal mining with an initial £4 million investment in the Tower Colliery in South Wales.[16]

Hargreaves subsidiary Rocpower also has six proposed biofuel power plants with a combined capacity of 60 megawatts at various stages of being approved across Yorkshire and Lancashire, including at Wakefield, Barnsley and Sheffield.[17]

2. Peabody Energy Corporation

In August 2010, RBS was involved in providing finance worth around €100 million to Peabody Energy.

Peabody Energy represented 4% of global coal production in 2009.[18] A US-based mining, exploration and coal products company, Peabody owns interests in 30 operations in the US and Australia, as well as marketing, brokering and trading coal. According to Fred Palmer, senior vice president of government relations for the company, Peabody is "100% coal. More coal. Everywhere. All the time." [19]

Peabody mines most of its coal in the Powder River Basin, a geological region in southeast Montana and northeast Wyoming in the US. 137.4 mega-tonnes were mined there, out of a total of 236.6 mega-tonnes mined across the US and Australia in 2009. Peabody sells 85% of its coal to US customers. The company projected its 2010 expenditure as US$625 million, for the purpose of expanding mines in Indiana (US) and New South Wales (Australia) to increase production by around 30 mega-tonnes per year.[20]

In January 2010, Peabody lost rights to mine in Arizona following a successful appeal by local Navajo and Hopi residents in coalition with a broad range of First Nation and environmental groups. An Administrative Law Judge for the US Department of the Interior withdrew a permit for the massive Black Mesa and Kayenta mining complexes. There had been long-term controversy around the health, environmental and climate impacts of the mines. Co-director of Black Mesa Water Coalition Wahleah Johns said of the ruling,

"As a community member of Black Mesa I am grateful for this decision. For 40 years our sacred homelands and people have borne the brunt of coal mining impacts, from relocation to depletion of our only drinking water source. This ruling is an important step towards restorative justice for Indigenous communities who have suffered at the hands of multinational companies like Peabody Energy. This decision is also precedent-setting for all other communities who struggle with the complexities of NEPA laws and OSM procedures in regards to environmental protection. However, we also cannot ignore the irreversible damage of coal mining industries on the land, water, air, people and all living things."[21]

Fred Palmer is Peabody Energy's main lobbyist of US Congress where he is leading energy sector efforts to water down the US Environmental Protection Agency's proposed carbon emissions policies. Palmer recently commented in response to a Guardian Environment interview: "I'm not here to talk about the science…There are certain realities: coal is going to grow; coal is going to be a mainstay fuel because it's the fuel that the world has…This is not a science discussion."[22] In the 1990s Palmer headed the Western Fuel Association, that funded climate-sceptic scientists via the Greening Earth Society. In a 1997 documentary he commented: "Whenever you put CO_2 into the air, you are doing God's work."[23] He is now chairperson of the London-based World Coal Association, which promotes the contested concept of 'clean coal'.[24]

3. New International Power – GDF Suez and International Power

Between October 2008 and September 2010, RBS was involved in financing deals worth around €1,500 million to GDF Suez and International Power.

The French company GDF Suez recently merged with British company International Power, and will be listed on the London Stock Exchange as New International Power. The companies have interests in power plants in Asia, Australia, South America, North America, the Middle East and Europe. Together they form the largest independent power company in the world. They have a combined generation capacity of 79.9 GW, of which 12.5 GW will be coal-fired. New International Power will therefore own 0.7% of world coal power capacity.

Groups have protested at GDF and International Power coal-fired sites around the world regularly over the past three years. Activists attempted to stop operations at coal power stations in Italy[25] and Australia[26] in 2009. There is a long-term campaign in the US state of Massachussets against the GDF Suez 'First Light – Mt Tom' 146 MW capacity[27] coal-fired power station. Students and staff from the University of Massachussets, which is 16 miles from the plant, have been working alongside the Massachussets Coalition for Healthy Communities[28] and Holyoke community environmental group GreenWork.[29] Together they have petitioned the state, the US government, the French government and GDF itself to stop burning coal at the plant. 200 residents rallied in a co-ordinated protest in towns across the state against the burning of coal.[30]

Part 4: Ongoing efforts to rein in RBS' climate impact

Since RBS was identified as being the UK bank most heavily involved in providing finance to the fossil fuel sector,[31] there has been a sustained campaign to pressure the bank to adopt more climate-friendly lending policies.

This campaign has included:

• Numerous student unions passing motions to take action against the presence of RBS branches on campus if they failed to change their ways. The motions, with the original coal-based research, appeared on the front page of the Guardian in 2008.[32]

• In the face of RBS' lack of movement on the issues, in October 2010 the University of Manchester Students' Union passed a motion to boycott RBS. The motion included a resolution to: "cease all relationships with the Royal Bank of Scotland" for being in breach of the Union's ethical policy, and required the company to vacate its on campus premises. RBS was also barred from any marketing or recruiting opportunities at Students' Union events.[33]

• Following the massive injection of taxpayers' money into RBS after the banking crisis of late 2008, three NGOs attempted to bring a judicial review against the Treasury for failing to apply sufficient environmental and human rights considerations in the bail out decision. Although the legal attempt was eventually unsuccessful, in the process it gave a great deal of exposure to the campaign, including a slot on Channel 4 News,[34] and the front page of the Financial Times.[35]

• Representatives from First Nations communities in Canada have travelled to the UK on a number of occasions to raise awareness about RBS's involvement in providing finance to companies engaged in tar sands extraction on First Nations' lands and its destructive impact on their communities. Despite meeting with RBS representatives on two separate occasions, and despite detailed evidence to the contrary, RBS still claims that its exposure to the sector is minimal.

• In April 2010, the RBS AGM was picketed by a number of different pressure groups demanding that the publicly-owned bank should be more accountable to the general public in terms of environmental and human rights impacts of its investments. In the evening, an alternative 'People's AGM' was held, inviting the public shareholders to take part in discussion about the future of the bank.

• Shortly after the AGM, the RBS Group Chairman Phillip Hampton agreed to meet with representatives of the various pressure groups, as well as Canadian First Nations members, to discuss criticisms of the bank. Deborah Doane, the director of the World Development Movement said of the meeting that: "Many of us were shocked and dismayed by the responses we were receiving. It was like sitting through a George Orwell meeting in Room 101, faced entirely with double speak. 'Thank you for coming, this is an important part of the bank's agenda……we are a member of the Equator Principles.' Contrast this with: 'our RBS investments are so minute in tar sands, that we don't even know what they are.' Sir, we say, $8 billion is hardly minute by anybody's standards."[36]

• Throughout 2010, members of the public wrote thousands of letters and emails to MPs and to the Chancellor of the Exchequer calling on the government, as majority shareholder of RBS, to force the bank to switch its investments away from fossil fuels and into low carbon technology.

• In August 2010, the grassroots climate change protest group, the Camp for Climate

Action pitched its tents on the back-lawn of the RBS headquarters in Gogarburn on the outskirts of Edinburgh. Over the course of a week, about 800 people took part in various direct actions and protests over the bank's fossil fuel finance, including one group targeting a Scottish oil company, Cairn Energy, that had been financed by RBS and that had started drilling in the Arctic that Summer..

• In February 2011, a coalition of 12 NGOs sent a letter to all of the endorsers and participants of Climate Week to raise concerns about RBS' sponsorship of the event. The letter stated that, "we believe that initiatives like Climate Week are very important to mobilise popular support for action on climate change, but we think that this aim is seriously compromised by the involvement of institutions like RBS who seek to 'greenwash' their public image by association."

The ongoing nature of the campaign has clearly had some impact on RBS in the way that it publicly positions itself in relation to climate change. This is in evidence from the fact that it took down the www.oilandgasbank.com website, and by virtue of the fact that it is keen to associate itself with initiatives like Climate Week. What is less clear is whether the mounting public pressure has had any substantial impact on the way that the bank is internally making investment and finance decisions. There is a classic trajectory of Corporate Social Responsibility in which it is cheaper and easier for the institution concerned to give the appearance of 'doing the right thing' rather than actually doing it.

For this reason, one of the important campaign demands that has been made of RBS is that of transparency. The calculations that the research and various reports have made on RBS's climate impact, based on the use of the Bloomberg system and literature search on magazines like Project Finance International, always present an incomplete picture. While RBS has criticized the methodologies that have been used, the bank has been invited to disclose its own figures on which fossil fuel companies it has provided finance to, so that its customers (and UK taxpayers) could have a more complete picture on how their money is being spent.

This plea for transparency is especially important with regards to the reduction of the 'embedded emissions' of the companies and activities that RBS is financing. While RBS may have scored highly in the Carbon Disclosure Project for its reporting on emissions coming from energy use in its offices and bank branches, these emissions are dwarfed by the emissions embedded in its provision of finance to some of the world's biggest carbon emitters. This provision of finance is the bank's main activity, and it is on this that RBS' climate progress should be assessed. From the outset, the campaign has demanded not that RBS should immediately cease all fossil fuel finance, but that RBS calculate its embedded emissions and provide a strategy for reducing them year on year.

Despite a growing recognition in the financial sector of the importance of the concept of embedded emissions, RBS has been reluctant to acknowledge responsibility for them, and has played no visible role in the various ongoing initiatives that are taking place to establish a sector-wide standard for them. The Dutch NGO Milieudefensie has collated a number of such existing initiatives,[37] while the Greenhouse Gas Protocol[38] (who set internationally accepted and recognised standards) is currently redefining the 'Scope 3' or 'indirect' emissions under business emissions reporting to include emissions linked to investments. According to Sam Gill, the Operational Director at the Environmental Investment Organisation, this: "will give the public a far truer picture of how a company is affecting climate change."[39]

Part 5: Energy financing: head-to-head with RBS

Following the publication of PLATFORM's initial research into RBS fossil fuel financing in November 2007, the bank swiftly took down its trade website www.theoilandgasbank.com. From being a source of pride within the industry, the bank seemed suddenly conscious of the negative perception in an increasingly climate-conscious public that this association could promote. Since then, rather than engage in any serious finance policy shifts, such as ruling out investments in companies or projects involved in tar sands, new coal, or even companies operating in Sudan,[40] RBS has generated a steady wave of PR initiatives to detract attention from the worst of its finance deals. Its most recent endeavour — the sponsorship of the nationwide event Climate Week — follows the same pattern of emphasising corporate concern about climate change, while at the same time refusing to address the issue of the provision of finance to those industries that are largely responsible for it. This section takes extracts from RBS's 2010 Energy Financing Report,[41] and examines each of their claims of responsible behaviour.

"Across the whole of RBS, approximately 3.6% of our lending (measured by total credit risk assets) is committed to the oil and gas and electricity sectors combined."

According to RBS' own report, their credit risk assets in June 2010 in fossil fuels amounted to more than £15 billion. This figure may appear small expressed as a percentage in comparison to the entirety of the bank's risk assets from personal bank accounts and other business finance, but £15 billion represents an enormous 'real world' impact when it is being channelled to the fossil fuel sector. This £15 billion is more than the £12.6 billion that the entire UK devoted to green investment in 2009/10, according to recently released research by the Public Interest Research Centre.[42] This finance plays a key role in the extraction and combustion of fossil fuels. Without this finance from RBS and other international banks, the projects and companies would not be able to operate at their current capacity, or carry out their expansion plans to their full extent.

"Of this, 2.1% is to the oil and gas sector and 1.5% is to the electricity sector, which uses a mix of gas, nuclear, coal, oil and renewables."

This 2.1% includes controversial decisions to finance companies exploring for and exploiting fossil fuels such as the Canadian tar sands (Enbridge Pipelines),[43] the Madagascan tar sands (Total),[44] the sensitive border region between DRC and Uganda (Tullow Oil)[45] and the Arctic (Cairn Energy).[46] What may seem a small percentage on paper, in the real world has massive consequences in terms of ecological damage, harmful impacts on indigenous and other fenceline communities, and megatonnes of embedded carbon emissions.

"Since the UK Government's recapitalisation of RBS in 2008, our lending to the oil and gas and electricity sectors globally (measured by credit risk assets) has fallen by £9.1 billion and £11.2 billion respectively, and makes up a smaller proportion of our lending now than it did then."

The financial crisis involved an enormous 'credit crunch,' that is, a reduction in the general availability of loans (or credit) or a sudden tightening of the conditions required to obtain a loan from the banks. Any reduction in lending to the fossil fuel sector by RBS in the wake of the financial crisis would appear to be as a result of its reduction in the provision of any kind of finance to anyone, rather than as a result of adopting more climate friendly policies. Without making commitments to address the issue of fossil fuel finance, there is nothing to suggest that RBS would not start to increase its fossil fuel credit risk assets when the market conditions would again be more conducive.

During the first six months since the initial bail-out in October 2008, RBS was recapitalised with £33 billion of tax-payers' money; and according to the Guardian, during that time it was involved in providing finance £10 billion worth of finance to deals in the oil, gas and coal sector.[47] This money was not spent in the interest of the public good. According to the Sunday Herlad, between October 2008 and August 2010, RBS was involved in providing finance of over £13 billion to oil and gas deals,[48] while the UK taxpayer continues to face more and more cuts in basic frontline services. £33 billion is almost equivalent to the total devolved spending for Scotland, and a third of the entire NHS budget for 2009/10.[49]

"Our top 25 electricity clients are collectively generating electricity from gas and nuclear at a rate higher than the global average, and from coal at a rate much lower than the global average."

Coal is the dirtiest of fossil fuels; RBS should follow HSBC[50] and German bank West LB[51] in creating energy sector policies that limit coal finance. As this research shows, RBS is involved in providing more finance to the biggest coal mining companies and the biggest generators of coal-based electricity than any other UK bank.

Gas might be less carbon-intensive than coal, but it is still a fossil fuel with significant greenhouse gas emissions, and impacts on ecosystems and communities through its extraction. Nuclear power is contested by a number of environmental groups as being a more 'climate friendly' option at all, even apart from the issues around containment and hazards to human health.

"Since 2006, we have provided more finance to wind power projects than any other type of energy project."

Finance for wind power does not offset or neutralise finance to coal power. Wind turbines alone do not deal with climate change – there needs to be a concurrent move away from fossil fuel deployment.

This figure also refers to the provision of project based finance (finance being provided to specific, discrete project undertakings) as opposed to corporate finance (finance being provided to a corporate entity for them to do with largely as they choose). RBS seem to be keeping their provision of corporate finance to fossil fuel companies out of the equation.

According to research carried out by Brant Olson of the Rainforest Action Network using a Bloomberg terminal, if we move the focus away from project finance, the figures tell a very different story. Since the bail-out, less than 1% of the US $15 billion RBS raised for the energy sector went to alternative energy – just US $83 million.[52]

"Approximately 3% of our oil and gas lending is to companies who derive more than 10% of their income from oil sands operations."

From 2008-10 RBS was involved in providing finance worth more than US $12 billion to companies involved in extracting tar sands in Canada. This has supported tar sands expansion in Alberta, often referred to as "the most devastating project on planet Earth."[53] Although some companies do not derive all of their income from tar sands extraction, it's important to note that tar sands extraction is a growth sector where companies are trying to obtain finance specifically so that they are able to expand their operations. The finance that RBS is helping to provide could be enable a number of companies to go above the 10% figure.

Meanwhile in Canada, Royal Bank of Canada has drawn up a policy which restricts finance to tar sands extraction.[54] Belgian bank Dexia had already developed something similar in 2008[55] and RBS's UK competitor HSBC released an energy policy that addresses tar sands and coal finance in 2010.[56] While these existing policies might not be as restrictive as many campaign groups would like, they at least highlight the fact that RBS is significantly lagging behind other commercial banks in addressing the issue.

"Client disclosure on carbon emissions: We support the objectives of the Carbon Disclosure Project (CDP), which is building an international database of companies' greenhouse gas emissions….We are committed to providing enhanced disclosure on our financing of the energy industry in the years to come."

RBS is keen to promote its ranking in the Carbon Disclosure Project. However this only relates to carbon emissions from sources such as computer screens and light bulbs in bank branches and offices, not the carbon that results from the fossil fuel projects that the bank makes possible through its provision of finance. A coalition of NGOs has repeatedly asked for disclosure on monitoring and publishing of embedded emissions. To date, RBS has not produced any material relating to these requests. A recently released study on carbon accounting by Milieudefensie and BECO emphasises that: "both NGOs and the involved financial institutes are increasingly convinced of the importance of accounting for the carbon emissions of financial products."[57]

"Collaboration and Policies: The most effective way of addressing the energy financing challenge is through cross-sector collaboration because this moves the whole banking sector forward as a whole. In this spirit, RBS will take a leading role in discussions to improve the way the Equator Principles for project finance incorporate climate change risks. In addition to our long-standing adoption of the Equator Principles for project finance, we are introducing revised environmental, social and ethical (ESE) risk policies governing our general lending to certain sectors, including the oil and gas sector."

The Equator Principles (voluntary guidelines around best practice signed by 69 international banks) are limited in their scope, partly because they are applicable only to project finance as opposed to other forms of finance. If banks use corporate loans to finance companies involved in coal or tar sands extraction, they can effectively avoid responsibility for those activities carried out by those companies. Concerns have been raised over the value of the Equator Principles in the wake of numerous harmful projects being financed by 'Equator' banks, including Mountain Top Removal coal mining in the US, the Rio Madeira dam in Brazil, and a gas pipeline in Papua New Guinea. Twenty-six 'Equator' banks have financed companies involved in tar sands extraction.[58]

In 2010, an open letter to Equator Principles Financial Institutions (EPFIs) signed by representatives of over 80 civil society groups involved in bank campaigns all over the world expressed serious doubts about the usefulness of the Equator Principles. The letter said that, "we want to convey our growing concern about the apparent ineffectiveness of the Equator Principles initiative to help meet the profound social and environmental challenges of our times. After over six years we are disappointed with the lack of transparency, accountability, effectiveness and true compliance with the Principles and the lack of progress in their further development. We are even more disappointed about the continued involvement of EPFIs in projects that should have no place in the portfolio of banks that strive to be sustainability leaders." [59]

"The world's use of energy: Global energy supply is still heavily dependent on fossil fuels: over 80% of total primary energy supply comes from coal/peat, oil and gas."

Finance plays a crucial role in sustaining this reality. According to RBS's own advertising logic, it is providing finance that "Makes it happen."[60] What this 'it' is – a fossil fuel economy, or, alternatively, a low-carbon future – is precisely the reason why tax-payer financed RBS should be committing to reduce the amount of finance being provided to the fossil fuel sector and in doing so act in the interest of the public good.

Part 6: Conclusions and recommendations

Over the past three years, several international banks have published clear policies that begin to address the issue of their investments in the dirtiest of fossil fuels. RBS has failed to keep up with this shift, but has meanwhile focussed energy on window-dressing its portfolio and greenwashing its image. In the broader context of climate change politics, governments have failed to set binding international agreements to reduce carbon emissions, fossil fuel companies continue to lobby for lower restrictions and the green energy sector struggles to find finance. The efforts of communities and groups around the world to tackle climate change are a fragile barricade in the face of the flood of finance for the fossil fuel industry. Having bailed out RBS, the UK taxpayer is owed a financing practice that serves the public good by promoting ecological, social and economic sustainability rather than driving us to the edge of climate catastrophe.

This report recommends that RBS:

- Recognises that its biggest impact on climate change is through the nature of the companies and projects to whom it is providing finance.

- Calculates and discloses the carbon emissions embedded in its provision of finance to fossil fuel companies, and adopt a strategy to bring about a year on year reduction of those embedded emissions.

- Designs and adopts sectoral polices for companies or projects operating in particularly problematic fossil fuel sectors, such as tar sands extraction in Canada, drilling for oil in the Arctic and the provision of loans to support new coal operations.

Appendix I

Global top 20 of hard coal producers

Company	Country of Origin	Operating in	2009 production (Mt)	%
Coal India	India	India	404	6.6
Peabody Energy	United States	United States, Australia	244	4.0
Shenhua Group	China	China	210	3.4
Rio Tinto	UK / Australia	United States, Australia	140	2.3
Arch Coal	United States	United States	119	1.9
Alpha Natural Resources	United States	United States	117	1.9
China National Coal Group	China	China	114	1.7
Datong Coal Mine Group	China	China	113	1.9
BHP Billiton	UK / Australia	Australia, South Africa, United States, Colombia	105	1.7
Anglo American	United Kingdom	South Africa, Australia, Colombia	96	1.6
SUEK	Russia	Russia	88	1.4
Xstrata	Switzerland	South Africa, Australia, Colombia	86	1.4
Bumi Resources	Indonesia	Indonesia	63	1.0
Consol Energy	United States	United States	60	1.0
Kompania Weglowa	Poland	Poland	48	0.8
KRU	Russia	Russia	46	0.8
Adaro Energy	Indonesia	Indonesia	41	0.7
Sasol	South Africa	South Africa	39	0.6
Massey Energy	United States	United States	38	0.6
Sherrit International	Canada	Canada	37	0.6
Total top-20	**2,171**	**36.2%**		
Other coal mining companies	3,929	63.8%		
World coal mine production	**6,100**	**100.0%**		

Global top 20 of coal-fired electricity producers

Company	Country of origin	Operating coal-fired power plants in	Coal-fired capacity (MW)	%
China Datang Group	China	China	81,138	4.6
China Huaneng Group	China	China	79,550	4.5
China Guodian Group	China	China	71,287	4.1
China Huadian Group	China	China	59,940	3.4
China Power Investment Group	China	China	43,200	2.5
Eskom	South Africa	South Africa	34,658	2.0
American Electric Power	United States	United States	28,161	1.6
RWE	Germany	Germany, United Kingdom, Netherlands	26,465	1.5
E.ON	Germany	Western Europe, Russia, United States	25,619	1.5
NTPC	India	India	25,375	1.4
KEPCO	South Korea	South Korea	24,205	1.4

Company	Country of origin	Operating coal-fired power plants in	Coal-fired capacity (MW)	%
Enel	Italy	Italy, Spain, Slovakia, Russia	21,735	1.2
Southern Company	United States	United States	20,992	1.2
Guangdong Yuedian Group	China	China	18,290	1.0
Zhejiang Provincial Energy Group	China	China	17,943	1.0
Duke Energy	United States	United States	15,435	0.9
Tennessee Valley Authority	United States	United States	15,032	0.9
Vattenfall	Swedend	Denmark, Germany, Poland	14,417	0.8
GDF Suez + International Power	France, UK	UK, Portugal, US, Australia, Indonesia, China, South America	12,305	0.7
Others			1,104,445	62.8
Total			**1,759,000**	**100**

Source: Summary p.ii, 'Mapping Global Investment in Coal', Profundo, 2010. Figures collected from companies' Annual Reports and other relevant information.

The following coal power companies are not included in the Bloomberg financing data in Part 2 and Appendix II of this report, because they are not publicly traded:

China Datang Group (China)
China Huaneg Group (China)
Guangdong Yuedian Group (China)
Zhejiang Provincial Energy Group (China)

Appendix II

Top 20 International banks coal mining finance ranking

(Source: Bloomberg)

Banks are ranked according to their involvement in the provision of finance in the world's 20 largest coal mining companies, in millions of Euros. (Data was obtained for the 35 international banks that had been involved in providing finance to the 20 coal mining companies, however due to space restrictions only 20 are featured here.)

1.	Bank of America Merrill Lynch	2,930.73
2.	Industrial & Comm Bank of China	1,825.66
3.	PNC Bank	1,708.98
4.	China Everbright Bank	1,619.21
5.	Citi	1,498.63
6.	Danatama Makmur PT	846.65
7.	UBS	819.9
8.	RBS	791.87
9.	Morgan Stanley	759.45
10.	HSBC Bank PLC	639.39
11.	JP Morgan	554.19
12.	Deutsche Bank AG	416.38
13.	Enam Securities Pvt Ltd	416.38
14.	Kotak Mahindra Capital Company	416.38
15.	Scotia Capital Inc	354.43
16.	Stifel Nicolaus Weisel	354.43
17.	Credit Suisse	274.56
18.	China Citic Bank	206.45
19.	Societe Generale	200.01
20.	ICICI	166.27

Top 20 International banks coal power finance ranking

(Source: Bloomberg)

Banks are ranked according to their involvement in the provision of finance in the world's 20 largest generators of coal power, in millions of Euros. (Data was obtained for the 69 international banks that had been involved in providing finance to the 20 coal power companies, however due to space restrictions only 20 are featured here.)

1. JP Morgan	8,610.16
2. BNP Paribas Group	8,340.01
3. RBS	7,201.82
4. Barclays Capital	6,774.22
5. Credit Agricole CIB	5,530.72
6. UniCredit Group	5,218.22
7. Citi	5,146.12
8. Intesa Sanpaolo SpA	4,620.18
9. Societe Generale	4,525.61
10. Deutsche Bank AG	4,064.93
11. HSBC Bank PLC	3,820.54
12. Mitsubishi UFJ Financial	3,771.92
13. Bank of America Merrill Lynch	3,133.55
14. Commerzbank AG	2,942.87
15. Mediobanca	2,847.42
16. China Everbright Bank	2,764.92
17. Banco Santander SA	2,596.21
18. Credit Suisse	2,454.15
19. Morgan Stanley	2,191.83
20. Banco Bilbao Vizcaya Argentaria	2,069.43

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All over the world, diverse groups from community activists to schoolchildren, small businesses to faith-based networks, are starting to take action on climate change. Big business is following suit, but often with tactics that bring their integrity into question. Climate change is being used as to create a new kind of brand identity, without any of the fundamental changes needed to tackle the root causes of the problem itself – the use of fossil fuels.

This report takes on the case of the Royal Bank of Scotland, an international bank with interests across the fossil fuel sector that is promoting itself as a genuine actor in climate change efforts. Despite the fact that there is not a single lump of coal or drop of oil to be found beneath the streets of London, the City acts as one of the international capitals of the fossil fuel industry. RBS is the UK high street bank that has been most heavily involved in financing the hydrocarbon industry.