FUNDING TAR SANDS

Private Banks vs. the Paris Climate Agreement

INTRODUCTION

Meeting the Paris Agreement's climate target must entail a halt to the expansion of fossil fuel extraction and infrastructure, followed by a rapid fossil fuel phase-out. This phase-out should logically start with those fuels which are the most environmentally damaging and economically marginal. Following the work of the Carbon Tracker Initiative,[1] we define these "extreme fossil fuels" as tar sands, Arctic and ultra-deepwater oil, coal, and liquefied natural gas.

Tar sands occupy a unique place among these fuels due to its high extraction costs, difficulties in getting to market, huge reserves, greenhouse-gas intensity, major local environmental and Indigenous rights impacts, and immediate substitutability by less carbon-intensive and cheaper alternatives. The fact that the massive tar sands reserves are almost all concentrated within one wealthy country — Canada — means that from an equity perspective it is a particularly relevant candidate to be the first major fossil fuel to be kept in the ground permanently.

Many of the world's leading banks have expressed their support for the Paris Agreement. Putting this support into practice requires an immediate end to their financing of new tar sands production and other infrastructure. In today's low oil price environment, major multinational oil companies have begun to exit the sector, and overall financing of new tar sands extraction projects has fallen over the past few years.[2] But industry still has plans for new tar sands pipelines, mines, and growth at existing projects, which would increase production by over 70% by 2040.[3] Funding from the world's biggest banks, whether to tar sands projects or the companies behind them, would contribute to this dangerous growth.

The Paris Agreement requires governments to do a "**stocktake**" of their progress toward reducing their emissions to a level consistent with the target of 1.5° or well below 2°, and highlights the important role of finance in enabling the target to be met. The 2018 Katowice Conference of the Parties (COP) to the UN environmental treaty marks the beginning of the stocktake process.

Corporations should also take stock of their progress in aligning their policies and practices with the Paris goals. Many financial institutions have taken steps away from coal, but these alone are insufficient — banks must also restrict their financing of other extreme fossil fuels. We call on global banks to establish policies immediately, ahead of the stocktake COP in 2018, which align their actions with their stated support for averting climate disaster and respecting Indigenous and human rights. This must include exiting the tar sands sector.

TAR SANDS AND INDIGENOUS RIGHTS

Tar sands oil poses threats not just to our shared climate, but to Indigenous rights as well. New and expanded projects continue to be proposed on the recognized traditional territories of Indigenous Peoples in spite of the clear, stated opposition from individual First Nations. Tar sands extraction destroys vast swathes of boreal forest and either strip-mines the cleared land or drills it using a hugely energy- and water-intensive process, causing irreparable harm to First Nations' traditional land, water, livelihoods and cultural practices. Similarly, pipelines that carry tar sands — whether to the Pacific, Gulf Coast, Great Lakes or Atlantic — scar the land and threaten the water of Indigenous and frontline communities across North America, and are often imposed without the free, prior and informed consent (FPIC) of impacted Indigenous Peoples. The United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP), adopted by over 140 countries in 2007, establishes a "universal framework of minimum standards for the survival, dignity and well-being of the indigenous peoples of the world."[4] According to UNDRIP Article 32:

> *States shall consult and cooperate in good faith with the Indigenous Peoples concerned through representative institutions in order to obtain their free and informed consent prior to the approval of any project affecting their lands or territories and other resources, particularly in connection with the development, utilization or exploitation of mineral, water or other resources.*

Initially opposed, both the governments of Canada and the United States now nominally support UNDRIP.[5] However, government and corporate policies and practices are not yet aligned with the declaration. The Treaty Alliance Against Tar Sands Expansion, a growing network comprised of 150 First Nations and Tribes, stands in committed opposition to all tar sands pipelines crossing their traditional lands and waters,[6] and has called for an international campaign to divest from any financial institution that funds them.[7]

TransCanada's Keystone XL (KXL)

With TransCanada's Energy East Pipeline cancelled after intense public opposition, KXL remains the company's headline tar sands project.[8] KXL threatens the Ogallala Aquifer, one of the largest sources of freshwater in the US,[9] and has faced widespread opposition from Tribal nations, ranchers, and the general public since 2008. Without project finance in the works, the banks financing the company are de facto the banks financing the project.

TRANSCANADA'S BANKERS:

US:	Bank of America, Citigroup, JPMorgan Chase, Wells Fargo
Canada:	ATB Financial, Bank of Montreal, Canadian Imperial Bank of Commerce (CIBC), Desjardins, Export Development Canada, National Bank of Canada, Royal Bank of Canada (RBC), Scotiabank
Europe:	Barclays, Crédit Agricole, Credit Suisse, Deutsche Bank, HSBC
Japan:	Mitsubishi UFJ Financial Group (MUFG), Mizuho, Sumitomo Mitsui Financial Group (SMFG)

Kinder Morgan's Trans Mountain

At least a dozen First Nations and Tribes have filed legal challenges to this project, which would triple the amount of crude oil that can be piped from Alberta to the British Columbia coast. Exporting the oil carried by this new pipeline would require 400 tankers a year (a 700% increase) to travel through the Salish Sea.[10] A spill of tar sands oil in those waters could cause severe harm to coastal communities and wildlife, including resident orca and salmon populations.

The banks listed below have funded a loan package specifically earmarked for the pipeline.

PROJECT BANKERS:

US:	Bank of America, JPMorgan Chase, Suntrust
Canada:	ATB Financial, Bank of Montreal, Canadian Western Bank, CIBC, Desjardins, National Bank of Canada, RBC, Scotiabank, Toronto-Dominion (TD)
Europe:	Barclays, HSBC, Siemens
Asia:	Bank of China, China Construction Bank, Industrial and Commercial Bank of China (ICBC), Mizuho, MUFG, SMFG, United Overseas Bank

Enbridge's Line 3

This new pipeline threatens the way of life and physical survival of the Ojibwe people in Minnesota by creating a destructive corridor through unique wild rice beds, which play a profound and essential role in the diet and culture of the Ojibwe.

ENBRIDGE'S BANKERS:

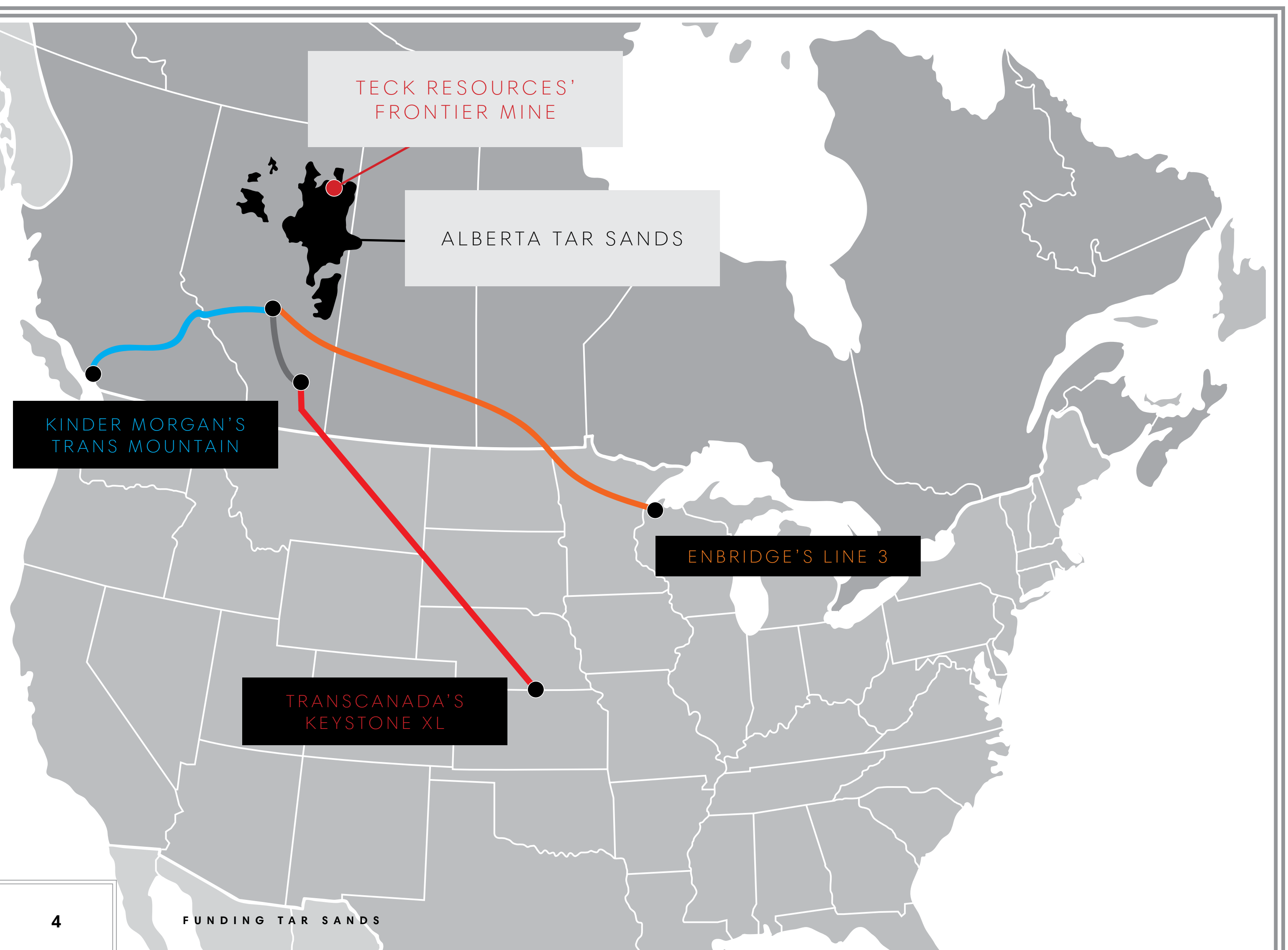
US:	Bank of America, Citi, Huntington, JPMorgan Chase, Morgan Stanley, Wells Fargo
Canada:	ATB Financial, Bank of Montreal, CIBC, Desjardins, Export Development Canada, National Bank of Canada, RBC, Scotiabank, TD
Europe:	Barclays, BNP Paribas,[11] Crédit Agricole, Credit Suisse, Deutsche Bank, DNB, HSBC, Société Générale, UBS
Asia:	Bank of China, Bank of Taiwan, China Construction Bank, China Merchants Bank, First Commercial Bank, ICBC, Mega International Commercial Bank, Mizuho, MUFG, SMFG, State Bank of India, United Overseas Bank

STOP IT AT THE SOURCE - TECK RESOURCES' FRONTIER MINE

Teck Resources, a Canadian mining company, has proposed building a huge new open-pit tar sands mine, at a projected cost of more than C$20 billion. The Frontier Project, between Fort Chipewyan and Fort McMurray in Alberta, would produce 260,000 barrels per day of bitumen.[12] The mine would be located in the traditional territory of the Athabasca Chipewyan First Nation, who have rejected the project on grounds that it would devastate forests and muskeg areas crucial to wild bison, threaten traditional hunting and fishing practices, and pose severe risks of water and air contamination. The community is located downstream from the tar sands at the mouth of the Athabasca River delta, and is already experiencing high cancer rates linked to industrial pollution in the region.[13]

Taking Teck's plans at face value, the Frontier mine would start operations in 2026. With a 41-year projected lifespan, that means Teck could still be extracting carbon-intensive tar sands in 2067[14] — 17 years after global carbon emissions must be zeroed out in order to limit global warming to 1.5°C.[15] The province of Alberta has committed to cap its greenhouse gas emissions from the tar sands sector at 100 megatonnes annually — enough space to allow 43% more than what the sector currently emits.[16] Allowing this substantial growth would be incompatible with what is required to reach climate safety. With companies continuing to push through applications for new extraction, enough tar sands projects have already been approved to push Alberta's emissions past the arbitrary 100 megatonne limit.[17] With or without a cap, it's clear that Teck's massive, yet-to-be-approved mine would be unacceptable on climate grounds.

Banks that finance Teck at the corporate level — like **Bank of Montreal, CIBC, JPMorgan Chase, RBC, Scotiabank,** and **TD**, all co-leads on the company's billions in revolving credit — are supporting Teck while it pushes on with this proposal and its threats to the Indigenous rights and the climate.



PHOTOS: JIRI REZAC / GREENPEACE; DAVID DODGE / PEMBINA INSTITUTE

BANK POLICY GRADES

GRADE		BANK
A	**Tar sands exclusion** - Prohibits all financing for all companies with tar sands operations, as well as all finance for tar sands projects, with public reporting on implementation	
A-	**Significant tar sands exclusion** - Prohibits all finance for tar sands projects, and excludes companies with tar sands expansion plans and companies with significant tar sands activity, with public reporting on implementation	
B+	**Tar sands phase-out and/or partial exclusion with reporting** - Commits to phase out all financing for and/or exclude companies with tar sands expansion plans or significant tar sands activity, with public reporting on implementation, and prohibits all finance for tar sands projects	**EUROPE:** BNP Paribas
B	**Partial tar sands phase-out and/or exclusion with reporting** - Commits to phase out one or more types of financing for and/or exclude some tar sands companies, with public reporting on implementation, and prohibits all finance for tar sands projects	
B-	**Partial tar sands phase-out and/or exclusion without reporting** - Commits to phase out one or more types of financing for and/or exclude some tar sands companies, and prohibits all finance for tar sands projects	**EUROPE:** ING, Rabobank
C+	**Tar sands project-specific financing exclusion** - Prohibits all finance for tar sands projects	
C-	**Partial tar sands project exclusion** - Prohibits finance for some tar sands projects, but not all	**CANADA:** Desjardins* **EUROPE:** ABN Amro, Commerzbank, Crédit Agricole **US:** US Bank

GRADE		BANK
D+	**Tar sands due diligence** - Has an enhanced due diligence process for transactions related to tar sands, with publicly disclosed due diligence criteria	**CANADA:** RBC **EUROPE:** Barclays, Credit Suisse, HSBC, UBS **US:** Citi, Goldman Sachs, JPMorgan Chase, Morgan Stanley, Wells Fargo
D	**Enhanced due diligence that applies to tar sands** - Has a general enhanced due diligence process that covers tar sands-related transactions, such as for the oil and gas sector, with publicly disclosed due diligence criteria, or has a tar sands-specific due diligence commitment without publicly disclosed due diligence criteria	**CANADA:** TD **EUROPE:** Deutsche Bank, RBS, Société Générale** **US:** Bank of America
D-	**General due diligence** - Has a general environmental and social due diligence process for corporate financing transactions	**CANADA:** Bank of Montreal, CIBC, Scotiabank **EUROPE:** Santander, Standard Chartered, Unicredit **JAPAN:** Mizuho, SMFG
F	**No policy**	**EUROPE:** Natixis **JAPAN:** MUFG

* Desjardins' moratorium on funding pipelines, including tar sands pipelines, is temporary. A permanent policy will be announced by the end of the year and this grade will be reassessed at that time.

** Société Générale has indicated they are developing a new policy covering tar sands oil. This grade will be amended based on an assessment of that policy, upon publication.

POLICY DISCUSSION

After months of public outrage about the bank's involvement in controversial fossil fuel projects, in October 2017, **BNP Paribas**, the second-largest bank in Europe, established a new standard for global banks with a set of measures on non-conventional oil and gas.[18] The tar sands portion of this policy mostly excludes companies with more than 30% of their business in tar sands,[19] and rules out financing for the full range of tar sands projects.[20] In line with their new policy, the bank will not support Keystone XL, Trans Mountain or Line 3, and should not provide any new support to the companies involved in these projects. This policy is explicitly aimed at aligning BNP Paribas with efforts to keep global warming below 2°C, and sets the bar on tar sands policies for major banks.

In June 2017, **ING** clarified its tar sands policy to explicitly rule out all project finance, in recognition of the sector's climate and Indigenous rights impacts.[21] The bank's general corporate finance policy rules out support for companies with a majority of business in prohibited activities, including tar sands. **Rabobank** likewise rules out all tar sands project finance, and restricts corporate finance to tar sands companies.

The next policy tier consists of a number of banks with partial project finance exclusions, whether pipelines (**US Bank**), extraction (**Commerzbank** and **Crédit Agricole**[22]), or exploration (**ABN Amro**). **Desjardins**' moratorium on pipeline project finance puts it provisionally in this group, pending its permanent policy, to be released by the end of the year. These project-level policies leave clear loopholes for banks to provide general corporate finance to the very companies behind these projects, many of which may end up being constructed without project financing.

Thirteen banks have policies requiring tar sands-specific due diligence, indicating that they recognize that involvement in the sector carries unique risks. These include the six biggest U.S. banks (**Bank of America, Citi, Goldman Sachs, JPMorgan Chase, Morgan Stanley** and **Wells Fargo**), Canadian giants **RBC** and **TD,** and **Barclays, Credit Suisse, HSBC, RBS** and **UBS** in Europe.

The 2018 stocktake COP in Poland represents an important milestone for the private sector as well as governments to assess what steps they've taken to align their policies with the aims of the Paris Climate Agreement. Ahead of that conference, global banks should move now to prohibit tar sands project finance and exclude financing for tar sands companies, starting with those that have tar sands expansion plans, such as TransCanada, Kinder Morgan, Enbridge and Teck.

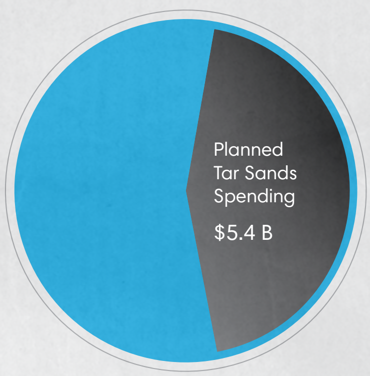
Kinder Morgan, TransCanada, and Enbridge are examples of midstream energy companies that are making big bets on tar sands. On top of their current tar sands assets — like TransCanada's Keystone Pipeline system, or Enbridge's Regional Oil Sands and Mainline systems — these companies' growth plans include enormous new tar sands pipelines.

TAR SANDS INFRASTRUCTURE MAKES UP:

77% of **Enbridge**'s planned growth spending.[23]

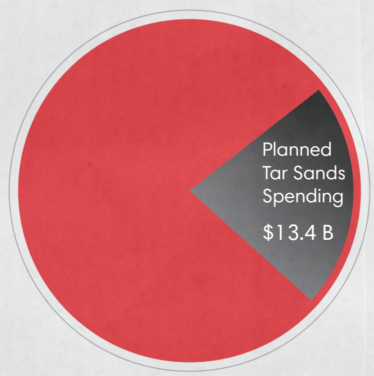
Total Planned Growth Spending: $21.1 B

44% of **Kinder Morgan**'s planned growth spending.[24]



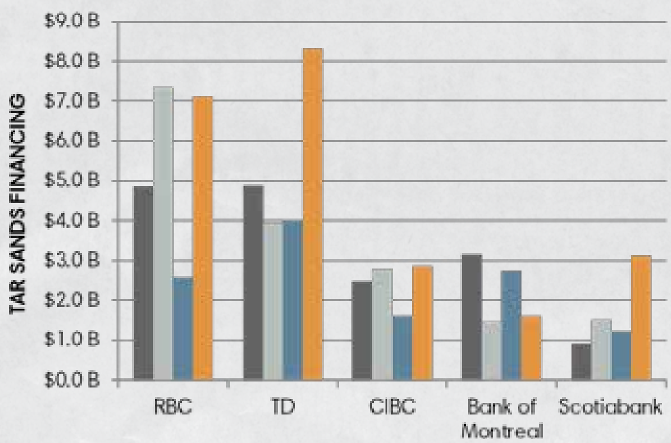
Total Planned Growth Spending: $12.2 B

22% of **TransCanada**'s planned growth spending.[25]

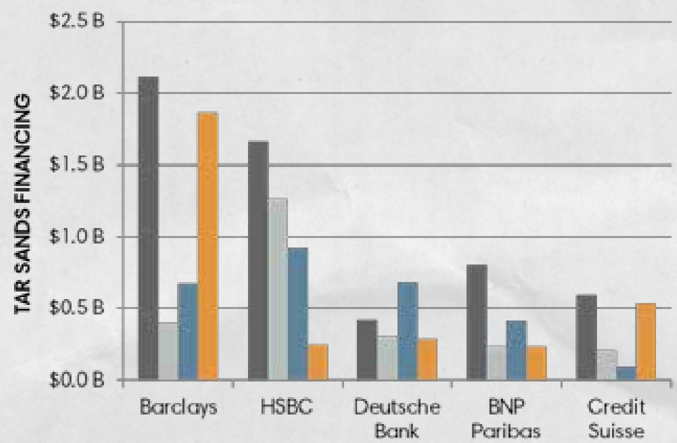


Total Planned Growth Spending: $59.6 B

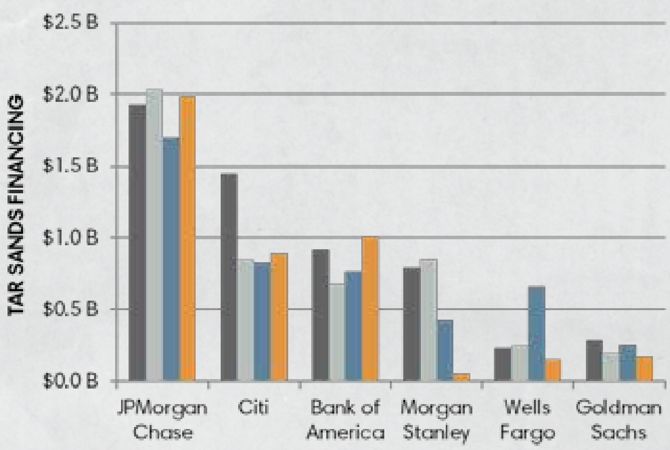
CANADA: **TOP 5 TAR SANDS BANKS**



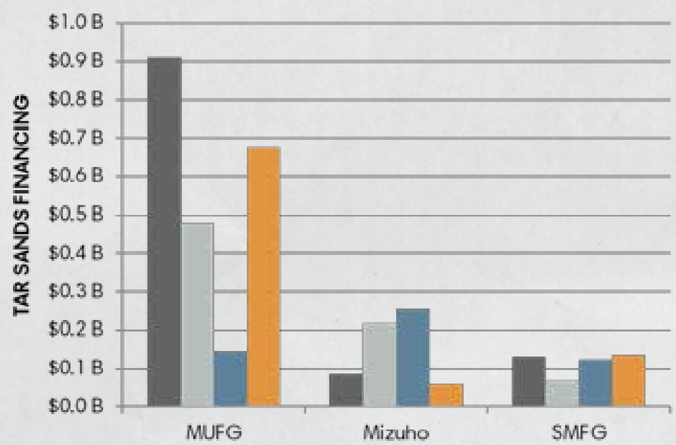
EUROPE: **TOP 5 TAR SANDS BANKS**



UNITED STATES: **TOP 6 TAR SANDS BANKS**



JAPAN: **TOP 3 TAR SANDS BANKS**



METHODOLOGY

We reviewed each bank's involvement in corporate lending and underwriting transactions (debt and equity issuance) for all companies holding tar sands reserves, as well as the companies carrying tar sands oil via pipeline out of Alberta, from 1/1/14 to 9/30/17. All transaction amounts are weighted by the company's involvement in tar sands: for operators, this is based on tar sands reserves out of total reserves. For pipeline companies, this is based on tar sands infrastructure as a percentage of current assets. For a list of companies included and a full explanation of methodology, visit **RAN.org/fundingtarsands**.

RANK	BANK	FINANCING 2014	(B=BILLIONS / M=MILLIONS) 2015	2016	2017 (FIRST 3QS)	TOTAL
1	TD	$4.878 B	$3.940 B	$4.020 B	$8.345 B	$24.487 B
2	RBC	$4.857 B	$7.333 B	$2.578 B	$7.109 B	$22.265 B
3	CIBC	$2.467 B	$2.799 B	$1.589 B	$2.871 B	$10.192 B
4	BANK OF MONTREAL	$3.130 B	$1.464 B	$2.732 B	$1.605 B	$9.776 B
5	JPMORGAN CHASE	$1.926 B	$2.033 B	$1.700 B	$1.987 B	$8.404 B
6	SCOTIABANK	$893 M	$1.533 B	$1.219 B	$3.110 B	$6.800 B
7	BARCLAYS	$2.114 B	$401 M	$670 M	$1.867 B	$5.330 B
8	HSBC	$1.666 B	$1.267 B	$919 M	$246 M	$4.438 B
9	CITI	$1.443 B	$844 M	$824 M	$892 M	$4.043 B
10	BANK OF AMERICA	$923 M	$679 M	$766 M	$1.013 B	$3.408 B
11	MORGAN STANLEY	$788 M	$853 M	$425 M	$48 M	$2.581 B
12	MUFG	$910 M	$478 M	$145 M	$676 M	$2.330 B
13	DEUTSCHE BANK	$42 M	$309 M	$679 M	$285 M	$1.908 B
14	BNP PARIBAS	$805 M	$230 M	$419 M	$229 M	$1.683 B
15	CREDIT SUISSE	$596 M	$208 M	$91 M	$533 M	$1.460 B
16	WELLS FARGO	$231 M	$245 M	$655 M	$154 M	$1.429 B
17	GOLDMAN SACHS	$283 M	$187 M	$251 M	$165 M	$1.066 B
18	RBS	$810 M	$118 M	$17 M	$13 M	$1.030 B
19	SOCIÉTÉ GÉNÉRALE	$190 M	$319 M	$167 M	$71 M	$747 M
20	MIZUHO	$85 M	$216 M	$256 M	$60 M	$616 M
21	SMFG	$127 M	$67 M	$124 M	$133 M	$468 M
22	UBS	$209 M	$74 M	$65 M	$43 M	$438 M
23	CRÉDIT AGRICOLE	$69 M	$72 M	$186 M	$57 M	$418 M
24	STANDARD CHARTERED	$18 M	$51 M	-	$12 M	$82 M
25	SANTANDER	$27 M	-	$22 M	$34 M	$82 M
26	COMMERZBANK	$13 M	$15 M	-	$9 M	$37 M
27	NATIXIS	$4 M	$5 M	$3 M	$19 M	$31 M
28	UNICREDIT	-	-	$29 M	-	$29 M
29	ING	$6 M	-	-	$15 M	$21 M
30	US BANK	-	-	$3 M	-	$3 M
	TOTAL [26]	$29.891 B	$25.738 B	$20.554 B	$31.599 B	$115.602 B

RECOMMENDATIONS

FOR BANKS:

- As an immediate next step toward aligning your bank's policies and practices with the 1.5°C aim of the Paris Agreement, exceed the standard set by BNP Paribas' tar sands policy by instituting an A-range policy, ahead of the stocktake at COP 24 in 2018.
  - Prohibit all finance for tar sands projects and exclude companies with tar sands expansion plans and companies with significant tar sands activity, with public reporting on implementation.
  - Commit, going forward, to excluding all financing for all companies with tar sands operations.
- Align your bank's policies and practices with UNDRIP, including measures to ensure that your clients respect the right to FPIC for Indigenous peoples.

FOR INVESTORS:

- Engage with banks to reduce climate, human rights, deforestation, and reputational risks by instituting an A-range tar sands policy, and exercise voting rights and file shareholder resolutions in support of this aim.
- Divest from the tar sands producers and pipeline companies analyzed in this report.
- Align investment policies with the objectives of the Paris Climate Accord, UNDRIP, and the UN Guiding Principles on Business and Human Rights.
- Seek robust disclosure of climate, human rights, and deforestation risks, including all financed emissions from fossil fuels and land use, consistent with the recommendations of the Task Force on Climate-related Financial Disclosures, GHG Protocol, and Global Reporting Initiative guidelines.

NOTE: All finance data and bank lists are sourced from Bloomberg Professional Services. All dollar amounts are expressed in US Dollars unless otherwise indicated. Tar sands reserves data is sourced from Rystad Energy AS via Oil Change International. Learn more at **RAN.org/fundingtarsands**.

REFERENCES

1. "Carbon Supply Cost Curves: Evaluating Financial Risk to Gas Capital Expenditures," Carbon Tracker Initiative, July 2015; "Carbon Supply Cost Curves: Evaluating Financial Risk to Oil Capital Expenditures," Carbon Tracker Initiative, May 2014.
2. Nicholas Kusnetz, "Exodus From Canada's Oil Sands Continues as Energy Giants Shed Assets," InsideClimate News, April 14, 2017.
3. Claudia Cattaneo, "Alberta's Patch: Solving the World's Big Environmental Challenges or a Sunset Industry?," Financial Post, September 28, 2017.
4. "United Nations Declaration on the Rights of Indigenous Peoples," United Nations, March 2008.
5. Rob Capriccioso, "The Obama Administration Now Supports UNDRIP—But That's Not Enough," Indian Country Today, June 30, 2011; Tim Fontaine, "Canada Officially Adopts UN Declaration on Rights of Indigenous Peoples," CBC News, May 10, 2016.
6. "Treaty Alliance Against Tar Sands Expansion," Treaty Alliance Against Tar Sands Expansion, accessed September 21, 2017.
7. "The Banks," Mazaska Talks, accessed September 21, 2017.
8. Shawn McCarthy, Kelly Cryderman, and Jeff Lewis, "TransCanada Halts Pipeline, Sparking New Regional Tensions," The Globe and Mail, October 5, 2017.
9. Steven Mufson, "Keystone XL Pipeline May Threaten Aquifer that Irrigates Much of the Central U.S.," The Washington Post, August 6, 2012.
10. Gordon Hoekstra, "B.C. Pipeline Showdown: Will Kinder Morgan Expansion Get Built?," Vancouver Sun, June 2, 2017.
11. In October 2017, BNP Paribas announced that it would no longer finance tar sands pipelines including Line 3. Moreover, to comply with their commitment to also exclude companies highly involved in tar sands, BNP Paribas should not provide new support to Enbridge.
12. "The Frontier Project," Teck, pg. 2.
13. Stéphane M. McLachlan, "Water is a Living Thing" - Environmental and Human Health Implications of the Athabasca Oil Sands for the Mikisew Cree First Nation and the Athabasca Chipewyan First Nation in Northern Alberta - Phase Two Report," July 7, 2014, pg. 12.
14. "The Frontier Project," Teck, pg. 2.
15. Joeri Rogelj et al., cited in: Greg Muttitt et al., "The Sky's Limit: Why the Paris Climate Goals Require a Managed Decline of Fossil Fuel Production," September 2016, pg. 13.
16. "Capping Oil Sands Emissions," Alberta Government, accessed October 4, 2017.
17. Justin Giovannetti, "Alberta Bill Would Cap Oil Sands Greenhouse Gas Emissions," The Globe and Mail, November 1, 2016.
18. By assets; see: "Top 50 Banks in Top 1000 World Banks by Tier 1 and Assets 2017," The Banker Database, accessed October 11, 2017; "BNP Paribas Takes Further Measures to Accelerate its Support of the Energy Transition," BNP Paribas, October 11, 2017.
19. Based on reserves for production companies, and on turnover for diversified or midstream companies. For companies exclusively active in pipelines, the threshold is at 50%.
20. The policy also excludes companies with more than 30% of their business in shale oil and gas, and rules out financing for shale oil and gas and Arctic oil projects.
21. "Extractives Industry," ING, accessed October 11, 2017.
22. Crédit Agricole's public policy only mentions open pit extraction projects, however the bank has commented to the authors of this report that it has not, in the past, developed commercial activity with the oil sands sector and does not intend to do so in the future, as reported to Friends of the Earth France on October 26th; Etienne Goetz and Sharon Wajsbrot, "BNP Paribas Tourne le dos Aux Hydrocarbures Non Conventionnels," LesEchos, October 11, 2017.
23. Percentage out of total capital cost for growth projects that are commercially secured and not complete. "2016 Annual Report," Enbridge Inc., February 2017, pg 38.
24. Percentage out of total capital growth spending in planned projects. "Annual Report 10-K," Kinder Morgan, February 2017, pg. 5.
25. Not including the cancelled Energy East Pipeline. Percentage of total project costs in capital spending program, from Annual Report. "Annual Report 2016," TransCanada, February 2017, pg 16.
26. ABN Amro, Rabobank, and Desjardins are three banks analyzed in this report that do not appear in this chart, because they did not lead relevant transactions during this time period.

PUBLICATION DATE: NOVEMBER 2017