

Erste Group to phase out business activities in the thermal coal sector by 2030

Erste Group launched a long-planned review of the fossil fuel chapters in its “Responsible Financing Policy” at the end of 2020, following a delay due to the global pandemic. The increased urgency brought about by rising global temperatures has led Erste Group to tighten its financing parameters for thermal coal related activities. *“The Corona pandemic is an obvious chance for an ecological reboot for the whole economy. I believe that future growth must come from sustainable projects,”* said Bernd Spalt, CEO of Erste Group.

Ending business activities in the coal sector

The global warming limit of 1.5°C set by the 2015 Paris Agreement can be achieved only if the use of coal as an energy source is phased out as early as 2030 [ref. IPCC report, 2014]. This is the reason why Erste Group has committed itself to progressively reducing its financing for the thermal coal mining and power generation sectors, with the ultimate goal of achieving a net zero exposure by 2030.

With regards to coal, Erste Group now already has very little relative exposure to coal mining, but the energy mix of producers in the region often reflects the countries’ energy sources. Counting in all exposures to producers with a share of coal of more than 10% in their energy mix, Erste Group now has less than 0.3% of its portfolio exposed to coal-fired electricity generation.

The thermal coal sector is a significant contributor to our planet’s rising temperatures and by doing so, also impacts the world’s societies and future generations with regard to environmental preservation, human rights, and the public’s health and well-being. Erste Group is taking a clear stand and joining other leading financial institutions by tightening its parameters for financing coal-related activities.

As a result of its updated policy, new direct financing of coal asset-specific investments or cash flows related to coal mining, coal processing, coke processing, or coal-based power generation are no longer eligible. This ineligibility includes the extension, refurbishment and servicing of existing plants, as well as the supply chain dedicated directly to assets of coal mining or coal-fired power plants. Furthermore, corporate financing will no longer be provided for companies or groups of companies which extend their coal mining or coal-based power generation (installed) capacities or those companies which derive more than 25% of revenues from the coal sector. Also, the trade of coal as a commodity, stocking and processing of coal will no longer be eligible for financing by Erste Group.

Financing engagements with direct coal asset financing will continue until maturity of the existing contracts; revolving contracts in this sphere will not be prolonged beyond the end of 2023.

Especially in the CEE region, coal is still a relevant factor ensuring energy security and continues to serve as a significant primary energy source in district- and retail heating for some of the region’s countries. Taking these current dependencies into account, Erste Group wants to support the region’s transition out of coal without compromising on energy security and social responsibility. Based on these considerations, Erste Group will pursue in-depth discussions with its relevant corporate clients so that these can by the end of 2023 set credible transition plans. *“We will support clients’ transition efforts to disengage from the thermal coal sector within the 2030 timeframe,”* said Spalt.

Press department

Peter Thier
Peter Klopf
Martin Sonn-Wende

Tel: +43 50100 – 17247
Tel. +43 50100 – 11676
Tel. +43 50100 – 11680

Email: peter.thier@erstegroup.com
Email: peter.klopf@erstegroup.com
Email: martin.sonn-wende@erstegroup.com

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