RAINFOREST ACTION NETWORK

CITIGROUP'S NEW COAL POWER POLICY:
A MISSED OPPORTUNITY

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Citigroup, the #1 U.S. banker of coal power in 2017,[1] has quietly updated its coal power policy.[2]

While the new policy is a step forward, it is a missed opportunity. It falls far short of the coal power policies of other major banks, let alone what is needed to meet the challenge of the climate crisis.

The policy prohibits project-related financial services for coal-fired power plants, with the significant exception of plants that are (a) built with "ultra-supercritical" technology, the most efficient of modern coal plant designs, (b) in countries where no more than 90% of the population has access to electricity, and (c) aligned with the host country's plans under the Paris Agreement. The policy also says Citi will "engage" with its clients in the power sector on their plans to reduce their greenhouse gas emissions, but it makes no commitments to stop financing these clients if they do not cut their emissions.

In comparison with other banks

Citi's new policy lags far behind the leading global bank policies on coal power. Twenty banks prohibit project finance for coal-fired power plants worldwide, without geographic loopholes.[3] Thirteen restrict financing to coal-fired power companies; ING has committed to phase out all such financing by 2025.[4] Seven restrict financing for companies building new coal-fired power plants, with ABN AMRO effectively prohibiting such financing.[5]

In the U.S., PNC and US Bank are among the banks that prohibit project finance for coal-fired power plants worldwide. While Citi's project finance prohibition is stronger than that of JPMorgan Chase — which allows project finance for coal plants in all non-OECD countries — JPMorgan Chase makes a portfolio commitment that Citi lacks, to reduce the proportion of coal power in its portfolio going forward (though both banks should set dates by which their coal power financing will be at zero, as ING has done).[6]

No restriction on corporate finance

By far the biggest shortcoming in Citi's policy is the lack of any restrictions on corporate finance (i.e. general lending and underwriting services to coal companies), which dwarfs finance for specific projects as a source of funding for coal power.

From 2016 through September 2018, Citi was the #1 U.S. banker of the 120 top global companies building new coal power — the #1 lender and the #1 underwriter, with a total of $9.3 billion combined.[7] Of that support, only 6% was in the form of project-related finance.[8]

This shortcoming means that Citi can continue to support companies actively building new coal-fired power plants anywhere in the world, as long as these companies are paying for the plants out of their general corporate coffers. For instance, as recently as the second half of last year, Citi played a leading role on two loans — totaling $1.62 billion — to Indonesian state-owned utility PLN,[9] which plans to build more than 6,900 MW of new coal-fired power capacity.[10]

Coal is not a solution for energy poverty

The loophole in Citi's project finance prohibition — allowing financing for some coal plants in countries where 10% or more of the population lacks access to electricity — is supposed to be so that Citi can help "address situations of energy poverty".[11] But low electrification rates are due more to remote communities' lack of grid access than to a lack of power generation capacity.[12] In many places, the most efficient way of getting electricity to remote areas is through low-cost, decentralized solutions such as solar home systems and mini-grids — not through massive centralized power plants and huge investments in long-distance transmission and distribution lines.[13] And where new sources of power generation are needed for developing country grids, solar and wind power are now often cheaper, and much quicker to build, than coal plants.

Building new coal plants in countries with high levels of energy poverty will not only take resources away from real rural electrification solutions, it will also harm the health of nearby communities. According to the Overseas Development Institute, "Air pollution from coal causes some 670,000 premature deaths a year in China and 100,000 in India. A one gigawatt plant in Indonesia could cause 26,000 premature deaths over its lifespan."[14]

And of course building new or expanded coal plants anywhere will increase greenhouse gas emissions. While Citi's project finance carve-out appears intended to benefit countries suffering energy poverty, continued financing of coal power will drive climate impacts in those countries — impacts to which many of them are particularly susceptible. 26 of the 65 countries with 90% or less electricity access[15] are members of the Climate Vulnerable Forum.[16]

Finally, several countries with 90% or less electricity access currently have no operating coal-fired power: Côte d'Ivoire, Democratic Republic of Congo, Ghana, Guinea, Kenya, Malawi, Mozambique, Niger, Nigeria, Swaziland and Tanzania.[17] Building new or expanded coal-fired power in these countries could initiate a cycle of dependency on the industry, for example by driving the development of coal mines or import infrastructure to supply the plants.

Conclusion: A missed opportunity

Citi's new coal power policy is a missed opportunity to align the bank with what is necessary to keep global warming to 1.5 degrees Celsius. There is an urgent need for global banks to end financing of expansion of fossil fuel extraction and infrastructure — with coal a clear priority — and commit to phase out support for fossil fuels on a timeline compatible with limiting climate change to 1.5 degrees.

Last year's landmark report from the Intergovernmental Panel on Climate Change calls for net-zero emissions by 2050 in order to meet this goal.[18] A typical coal plant operates for 40 years. Support for new coal-fired power is simply incompatible with meeting the Paris goals and limiting climate change to 1.5 degrees.

Despite being an inadequate response to the climate crisis, Citi's new coal power policy is one of the leading policies among the biggest U.S. banks. But this says less about the strength of Citi's climate initiative than it does about how weak the climate policies of the big six U.S. banks currently are.

This is all the more disappointing because, in some key areas, Citi has taken a leadership role — for example, in responding to the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). The bank has been a central player in developing methodologies for banks to implement the TCFD recommendations, and late last year issued the first TCFD report from any of the big six U.S. banks. That report included encouraging language, noting that "Citi acknowledges the risks highlighted by the IPCC's recent Special Report, *Global Warming of 1.5°C*, and recognizes the urgent need to keep warming below 2°C with a goal to limiting it to 1.5°C. … We must take action today to do our part to avoid the worst potential impacts of climate change."[19]

Yet, in its first major policy update since making that commitment, Citi remains far from living up to these words. While the bank's new coal power policy is a step forward, Citi has much further to go to truly do its part on climate.

Right now, a number of factors are converging, including the TCFD, the IPCC report, and growing public recognition of the concrete, present-day impacts of climate change. These factors are highlighting the urgency of the climate crisis. They are also creating a window for financial institutions to act. Citi, and its peers, should seize the chance to establish clear future-facing policies that align with 1.5 degrees.

ENDNOTES

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