PRB banks responsible for over US$1.25 trillion in climate-destructive financing since Paris Agreement

San Francisco, CA - As the UN Principles for Responsible Banking (PRB) marks its one-year anniversary, a review of signatory banks’ financing shows that PRB banks are far from their stated goals. Twenty PRB banks alone are responsible for over US$1.2 trillion in loans and underwriting to fossil fuels from 2016-2019 and are among the largest global financiers of fossil fuels, and the 20 PRB banks most exposed to forest-risk commodities have provided over $52 billion in loans, underwriting, and investments from 2016-2020Q1 to commodities driving deforestation. The majority of these banks are failing to disclose these impacts, and total financing is on the rise in recent years.

First launched by 132 banks on September 22, 2019 — during NYC Climate Week — now 187 banks and counting have signed on. PRB banks have committed to assess the impacts of their financing and align their business strategy and practice with the Paris Climate Agreement and the Sustainable Development Goals (SDGs).

Civil society groups have welcomed the Principles, but warned of the risk of greenwashing and called for banks to ambitiously implement the Principles in order to make concrete change. PRB banks must align their financing with the recently launched Principles for Paris Aligned Financial Institutions, by ending finance for fossil fuels, deforestation and land degradation, as well as activities that facilitate human/Indigenous rights violations.

“When the climate and biodiversity are nearing a breaking point, and when a record number of land and environmental defenders are being killed, PRB banks are still pumping billions of dollars into fossil fuels and deforestation-linked commodities, while touting their green credentials. If this initiative is to have any significance, we must see change now,” said Hana Heineken, Senior Campaigner, Rainforest Action Network (RAN).

“As the world has already crossed the 1°C level of global warming, and the impacts of the climate crisis on people and planet continue to intensify, time is running out. We urge PRB banks to set meaningful targets as soon as possible, and to be transparent about their progress towards reaching these. Enabling external scrutiny is a prerequisite for the Principles to be effective.” Daisy Termorshuizen, Climate Campaigner and PRB Campaign Coordinator, BankTrack.

“Indigenous peoples are seeking basic accountability for indigenous human rights violations emerging from extractive industries backed by banks and financial institutions. The PRB banks have a role and responsibility in protecting indigenous peoples right to Free, Prior and Informed Consent, and providing remedy for abuses they contribute to through their business relationships. Time will tell whether the PRBs will live up to its promises in aligning with the Paris Climate Agreement and the SDGs (Sustainable Development Goals). As deadly infernos rage in the Western United States and the skies turn red blotting out the sun,
the magnitude of climate change is written across a burning atmosphere for all to see. We don’t have time for hesitation from the PRBs,” said Michelle Cook, Founder, Divest Invest Protect.

“The Amazon - one of the most critical ecosystems to maintain climate stability and home to hundreds of distinct Indigenous nations - is fast nearing a tipping point, after which it will no longer be a rainforest. Yet PRB banks continue to finance the expansion of oil drilling and agribusiness there, running roughshod over Indigenous rights and ignoring climate impacts. PRB banks need to take meaningful action before it’s too late for the Amazon and the entire planet,” said Moira Birss, Climate and Finance Director, Amazon Watch.

“We have yet to see the level of commitment and urgency from the PRB banks that addresses the gravity of the climate crisis, deforestation, and lack of respect for Indigenous rights. The world is on the brink of ecological collapse, yet PRB banks continue with incremental changes. Time is running very short for the PRB banks to adhere to the Paris Climate Agreement and uphold human and Indigenous rights as they continue to finance the fossil fuel industry, the destruction of forests and vital biodiverse ecosystems. What is needed now is rapid divestment from fossil fuels, and deep investment in renewable and regenerative energy, and community-led solutions,” said Osprey Orielle Lake, Executive Director, The Women’s Earth and Climate Action Network (WECAN) International.

“How can banks celebrate the Principles for Responsible Banking and yet continue ignoring community concerns? We, the community of Lamu, have tried to reach out to ICBC many times since 2016 over the proposed 1050 MW Lamu coal power plant without response. Why should banks invest in projects that are worsening climate change, destroying community natural marine resources, and putting the lives of people at risk?” said Khadija Shekuwe, Coordinator, Save Lamu.

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I. PRB Banks are Far From Sustainable

Analysis of PRB bank portfolios up to 2020 reveals that PRB banks are far from aligning their financing with the Paris Climate Agreement and the SDGs.

Just 20 PRB signatories have been responsible for over US$1.2 trillion in loans and underwriting to fossil fuels between 2016 and 2019, with total financing by this group on the rise in recent years. Some of the largest financiers have been PRB members US-based Citigroup, UK-based Barclays, and Japanese megabanks Mitsubishi UFJ Financial Group (MUFG) and Mizuho Financial Group.

Loans & underwriting to all fossil fuels by 20 PRB banks (2016-2019, USD Bln)
Source: Rainforest Action Network, BankTrack, Indigenous Environmental Network, Oil Change International, Reclaim Finance, Sierra Club, Banking on Climate Change 2020

On top of this, just 20 signatories have provided over $52 billion in loans and underwriting (2016-2020Q1) and investments (2020Q1) to forest-risk commodities that are driving deforestation and land degradation in the tropical forest regions of Brazil, Southeast Asia, and Central and West Africa. As fires are intentionally lit to clear land for agriculture, such as for beef and palm oil, PRB banks such as Bradesco, Itaú Unibanco, Santander and
Rabobank serve as some of the largest backers of the beef sector in Brazil, while CIMB and MUFG rank among the largest backers of the global palm oil sector.

II. Case Studies on PRB Bank Financing Impacts

Case Study 1: Tar Sands Oil

The tar sands (also known as oil sands) of Alberta, Canada are infamously dirty oil reserves, whose resource-intensive extraction and transportation causes harm to the climate, ecosystems, and health of local communities, and violates Indigenous rights. In fact, Canadian tar sands emit about 31% more greenhouse gases over their entire life cycle than average North American crude. The industry has encountered deep setbacks over the last year. Teck Resource canceled their Frontier Mine in Feb 2020 and the pandemic has dropped the price of oil beyond usual cycles. While the full effects of the pandemic have yet to fully play out, tar sands production has long been restricted by a pipeline bottleneck, meaning the fate of increased tar sands extraction effectively lives or dies with two proposed pipelines that would run from Canada to the United States: Line 3 and Keystone XL (in addition to the Canadian government’s Trans Mountain pipeline).

Financing to these two projects are flowing in the form of corporate loans and bonds to the pipeline operators, namely Line 3’ Enbridge and Keystone XL’s TC Energy, formerly known as TransCanada. TC Energy’s subsidiary TransCanada Energy Pipelines currently has three active general corporate purpose loans totaling close to 7.8 billion USD and 2.75 billion USD in bonds issued just this year. TC Energy has stated that it will seek a project-specific loan for Keystone XL, from which PRB banks in particular absolutely must stay away. Enbridge and its relevant subsidiaries currently have over 11.5 billion USD in general corporate purpose loans or other loans, and an additional 3 billion USD in bonds issued this year.
While both operators have an extensive history of leaks and face widespread opposition from local and Indigenous communities, where even US Presidential candidate Joe Biden has pledged to end Keystone XL, 13 PRB banks continue to finance these controversial pipeline projects.

**PRB Banks Actively Financing Line 3 / KXL:** Barclays, Citi, Credit Agricole, Credit Suisse, Desjardins, Deutsche Bank, DNB, ICBC, Mizuho, MUFG, National Bank of Canada, SMBC, Societe Generale

**Case Study 2: Pulp & Palm oil giant Sinar Mas Group**
The Sinar Mas Group (SMG) is one of the largest conglomerates in Indonesia, and its pulp and paper business (known as Asia Pulp and Paper or APP) and palm oil business (listed in Singapore as Golden Agri Resources or GAR SGX:E5H) are Indonesia’s biggest pulp and paper and palm oil producers. Despite APP and GAR publishing sustainability policies over five years ago, the group has deep-rooted environmental, social and governance risks associated with its operations.

In recent years, the company has been in the spotlight over its extensive culpability for Indonesia’s annual fire and haze crisis, connected to its high dependence on Indonesia’s carbon-rich peatlands to grow acacia and oil palms for its pulpwood and palm oil mills, both through its own operations and those of its suppliers. Since 2015, fires in APP pulp concessions and those of its partners and affiliated suppliers have resulted in the largest burned area among any corporate group in Indonesia, totaling over 250,000 hectares between 2015-2018 alone. But the company has continued to flout measures necessary to avoid the fires. Last year saw thousands of fire alerts in several of the same APP partner concessions, concentrated within peatland areas. SMG’s palm oil division under GAR has also been linked to the fires, as well as illegal harvesting, land rights violations and the destruction of critical habitat for Sumatran orangutans and elephants.

Yet, SMG has been the largest beneficiary of bank financing to forest-risk commodities in Southeast Asia, receiving 15.5 billion USD of loans & underwriting since 2016 (2016-20Q1). 8 PRB Banks have participated in financing this Group since 2016.

**PRB Banks Financing SMG (2016-20Q1):** ABN Amro, CIMB, Citigroup, ICBC, Itau Unibanco, Mizuho, MUFG, Rabobank

**III. Background on the UN Principles for Responsible Banking**

On September 22, 2019, the United Nations Environmental Program Finance Initiative (UNEP FI) and 30 “founding” banks launched the Principles for Responsible Banking (PRBs) during the United Nations General Assembly in New York. Starting out with 132 signatories, more than 185 banks have adopted the Principles a year on.
The Principles for Responsible Banking are a set of six Principles (see below), which commit banks to align their business strategy and practice with the goals set out in the Paris Climate Agreement and the Sustainable Development Goals (SDGs).

**PRINCIPLE 1: ALIGNMENT**
We will align our business strategy to be consistent with and contribute to individuals’ needs and society’s goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

**PRINCIPLE 2: IMPACT & TARGET SETTING**
We will continuously increase our positive impacts while reducing the negative impacts, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

**PRINCIPLE 3: CLIENTS & CUSTOMERS**
We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

**PRINCIPLE 4: STAKEHOLDERS**
We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society’s goals.

**PRINCIPLE 5: GOVERNANCE & CULTURE**
We will implement our commitment to these Principles through effective governance and a culture of responsible banking.

**PRINCIPLE 6: TRANSPARENCY & ACCOUNTABILITY**
We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society’s goals.

Source: UNEP FI Principles for Responsible Banking [link]

In order to implement the Principles, signatory banks are required to: 1) analyse their current (positive and negative) impact on people and planet; 2) set targets where they have the most significant impact and implement them; and 3) publicly report on their progress following the reporting and self-assessment template. Within 18 months of signing, a PRB bank must report for the first time on progress made. After four years, PRB banks are expected to have fully implemented the Principles.

A commitment from banks to align their business with the goals of the Paris Climate Agreement and with the SDGs is of fundamental importance, though long overdue. In order to have even a 50% chance of limiting global heating to 1.5°C - which the Paris Climate Agreement aims for - global emissions must be reduced by roughly half of 2010 levels by 2030 and further reduced to effectively zero by 2050. The world has already crossed the 1°C level above pre-industrial levels in 2017, and with each year’s delay in reducing global emissions, the task will get more difficult.

In the meantime the impact of the climate crisis on communities and nature continues to grow, as exemplified by the huge forest fires now ravaging every corner of the world, and it has never been more urgent for banks to make serious changes to their climate-wrecking business operations.

Since the launch of the Principles last year, UNEP FI has taken several steps to try to ensure that banks adopt and implement the PRBs in good faith. These include developing a [Portfolio Impact Analysis Tool](#) that banks can use to identify their significant impact areas,
announcing a civil society advisory board, and installing a mechanism for banks to be delisted if they fail to properly implement the Principles.

Still, whether or not the PRBs will lead to concrete change in the banking sector, largely comes down to the level of ambition with which banks will implement the Principles. Will banks use the framework of the PRBs to set meaningful targets on how they will change their lending portfolios and underwriting activities, steering away from financing business that only brings havoc to the world? Or will they set weak targets, proceed with business as usual, and merely use the PRBs as a greenwashing tool? During the launch of the PRBs, a group of 38 PRB banks signed the Collective Commitment to Climate Action, thereby committing to publish and take concrete action within the first year of signing. But that is only one fifth of the signatories.

It is crucial that signatory banks set meaningful targets as soon as possible, and are transparent about their progress in implementing the Principles. Transparency will make it possible for external stakeholders to hold PRB banks accountable, a prerequisite for the Principles to be effective.

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