# RAN's Response to Liberty Mutual's Sustainability Reports

*Analyzing the 2020 Environmental, Social and Governance Review & Task Force on Climate-Related Financial Disclosures Report*

April 15, 2021

## Context

In April 2021, Liberty Mutual released two new sustainability reports: a 2020 Environmental, Social and Governance (ESG) Review and an inaugural Task Force on Climate-Related Financial Disclosures (TCFD) Report. In these publications, Liberty Mutual states a commitment "to continuing to take steps toward our overall energy transition goals with the aim of achieving a low-carbon future" (2020 ESG Review, p. 4). While this is an encouraging sentiment, the reports do not detail any concrete goals, steps, or timelines and are devoid of immediate actions to bend the curve on the climate crisis.

According to research commissioned by Insure Our Future, Liberty Mutual is a top insurer of oil and gas globally and is the third biggest insurer in the U.S. power sector, with 11% market share. This means that the firm bears a clear responsibility among global insurers to phase out its climate impact.

In today's reports, Liberty Mutual makes no new commitments on fossil underwriting or investment. It reiterates, but does not strengthen, its coal underwriting and investment policy. It also restates its existing commitment to reduce overall fossil investment, though without any specifics on a phaseout plan. Liberty continues to lack any explicit policies on underwriting oil and gas projects and companies, including tar sands oil and Arctic drilling, and on any requirements to verify that the projects it insures respect human rights, specifically the right to Free, Prior, and Informed Consent of impacted communities.

Liberty Mutual notes that it has a key role to play in a transition to a low-carbon economy, but does not set out a pathway to zeroing out the emissions associated with its own underwriting and investment portfolios. As described below, Liberty Mutual must take the immediate steps of ending insurance for fossil fuel expansion projects, as there is no room in the global carbon budget for new fossil fuel infrastructure, and exiting the coal, tar sands, and Arctic oil and gas sectors.

The reports were released on the day of Liberty Mutual's annual meeting, which took place over webcast and lasted all of seven minutes. Company executives ignored the thousands of questions they had received in advance of the meeting concerning Liberty's approach to climate change and human rights.

These publications also come one week after the United Nations Principles for Responsible Investment (UNPRI) network publicly announced that it is reviewing Liberty Mutual's membership in the sustainable investing network, following a formal complaint concerning Liberty's plans to build a massive coal mine, the proposed Baralaba South project, in Queensland, Australia.

## What's Missing?

These reports by Liberty Mutual gesture to an overall direction – to "facilitate the transition to a low-carbon economy" (2020 ESG Review, p. 33) – with little detail as to what a "low-carbon economy" entails, and without specific, concrete steps that the insurance company will undertake immediately and in the coming years. These are the urgent, near-term commitments that Liberty Mutual failed to make today:

- **Immediately stop underwriting new fossil fuel projects:** Burning all oil, gas, and coal reserves already in development would exceed a 2°C carbon budget, let alone a 1.5°C budget. This means that there is no room for fossil fuel expansion, including new fossil fuel exploration or extraction, and new or expanded fossil fuel infrastructure that locks in such production. Liberty Mutual needs to immediately prohibit insurance services, including surety bonds, for all fossil fuel expansion projects.

- **Commit to phase out fossil fuel underwriting overall:** Ending underwriting for new fossil fuel projects will not be enough. To limit global temperature rise to 1.5°C, a managed decline of existing fossil fuel production is needed. Liberty Mutual must commit to phase out all underwriting of fossil fuels on an explicit timeline that is aligned with limiting global warming to 1.5°C.

- **Exit coal:** Liberty Mutual did not make any updates to the coal underwriting and investing policy it adopted in 2019. This leaves the insurance company with a policy riddled with loopholes. To match best practice globally, Liberty Mutual must close the loopholes and lower the relative coal thresholds to zero to support a full exit from coal by 2030 in OECD/European countries and by 2040 at the latest elsewhere.

  Permit applications for Liberty Mutual's proposed new wholly-owned greenfield coal mine, the Baralaba South project in Queensland, Australia, must be withdrawn immediately. Liberty Mutual's proposed new coal mine is incompatible with the imperative to limit global warming to 1.5ºC.

- **Exit tar sands:** Liberty Mutual has again neglected to put in place a tar sands policy, despite being a major backer of the sector and linked to pipeline projects like Trans Mountain and the now-cancelled Keystone XL. Liberty Mutual must rule out all new tar sands extraction and transportation projects and commit to exit the tar sands sector completely.

- **Rule out support for Arctic oil and gas projects:** Liberty Mutual's discussions of sustainability do not mention fossil fuel extraction in the Arctic, which poses grave threats to the environment and Indigenous rights. As The Gwich'in Steering Committee has outlined clearly, Liberty must rule out underwriting any projects in the Arctic Refuge and commit to exit the Arctic oil and gas sector completely.

- **Respect Indigenous rights:** Liberty Mutual's new reports do not mention Indigenous rights at all. This means that Liberty Mutual can continue underwriting fossil fuel projects that threaten Indigenous rights and do not respect the right to Free, Prior and Informed Consent of impacted Indigenous peoples, as articulated in the UN Declaration on the Rights of Indigenous Peoples.

- **Divest from fossil fuels:** Liberty Mutual should divest all assets, including assets managed for third parties, from coal, oil, and gas companies that are not aligned with a 1.5ºC pathway. Any company that is expanding coal, oil, or gas infrastructure is not aligned with 1.5ºC.

## Evaluating Liberty Mutual's Policies

There's an emerging consensus that any serious climate policy from an insurance company must end support for fossil fuel expansion and set out a plan to reduce underwriting and investment exposure to coal, oil, and gas in line with a 1.5ºC-aligned pathway. The details of such a policy – and how Liberty measures up to global best practices – are outlined in the table below.

| ***Policy Recommendations*** | ***Liberty Mutual's Commitments*** | ***Stronger Steps That Global Peer Insurers Have Taken*** |
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| **Coal underwriting:** Immediately cease insuring new coal projects and coal companies, unless they have a coal exit plan that commits to close all coal-related assets by 2030 in EU/OECD countries and by 2040 globally. | | |
| Immediately prohibit underwriting new coal mining and power projects. | **None:** Liberty Mutual's coal restrictions do not apply at the project level. | 24 insurance companies have policies in place restricting insurance coverage for new coal projects, according to Reclaim Finance's Coal Policy Tool. |
| Immediately prohibit underwriting any company that is developing new coal projects (mines, power plants, associated infrastructure). | **None** | AXA and Zurich restrict insurance coverage for companies that are expanding coal mines, power plants, and associated infrastructure. |
| Immediately prohibit underwriting coal companies. | Liberty Mutual has prohibited underwriting companies that generate 25% of revenue from coal mining or 25% of energy production from coal power. | For *relative* thresholds, Aviva sets out the best practice, currently defining coal companies as those that generate 20% of revenue from coal mining or electricity generation.<br><br>In addition to these relative thresholds, AXA, VIG, and Zurich employ *absolute* thresholds, defining coal companies based on how much coal they mine or burn for electricity. |
| Commit to exit coal by 2030 in OECD/EU countries and 2040 elsewhere. | **None** | Five insurance companies have committed to coal phaseout plans. AXA has put in place an exit strategy in line with these dates, requiring coal companies to disclose a coal exit or asset closure plan by 2021. Swiss Re also just committed to tighten its treaty reinsurance underwriting to exit all exposures in OECD countries by 2030 and the rest of the world by 2040. |

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| **Oil and gas underwriting:** Immediately cease insuring new oil and gas projects, and phase out, in line with a 1.5ºC pathway, insurance for oil and gas companies. | | |
| Immediately prohibit underwriting new oil and gas projects. | **None** | Suncorp has adopted a policy prohibiting underwriting for any new oil and gas projects. |
| Immediately prohibit underwriting new tar sands expansion and commit to exit the sector. | **None** | Eleven insurers have restricted underwriting for the sector, including two US companies. AXIS Capital's policy restricts underwriting support for extraction and transport projects and companies. |
| Immediately prohibit underwriting new Arctic oil and gas projects and commit to exit the sector. | **None** | At least three global insurers have ruled out underwriting oil and gas exploration, production, or transportation projects in the Arctic National Wildlife Refuge. AXIS Capital's policy commits to not "underwrite new insurance or offer facultative reinsurance contracts for projects involved in exploration, production or transportation of oil and gas in the refuge." AXA has committed to fully phase out underwriting Arctic drilling. |
| Commit to phase out oil and gas underwriting in line with 1.5ºC. | **None** | Suncorp has committed to phase out all oil and gas underwriting by 2025. |
| **Coal, oil, and gas investing:** Divest all assets, including assets managed for third parties, from coal, oil, and gas companies that are not aligned with a 1.5ºC pathway. | | |
| Divest from fossil fuel companies. | Coal: Liberty previously committed to not make new investments in coal companies, as defined by the thresholds above, and phase out existing investments by 2023.<br><br>Fossil fuels as a whole: In these new reports, Liberty Mutual reiterates a commitment to "gradually reduc[e] exposure to traditional energy and fossil fuels" with no concrete | Coal: AXA Investment Management has adopted a stringent coal phaseout plan for its investment portfolio aligned with the 2030 and 2040 dates and the coal company definitions as detailed in its underwriting restrictions.<br><br>Fossil fuels as a whole: In addition to making no new direct investments in fossil fuels, Suncorp has pledged to phase out all direct investments in gas and oil by 2040. |

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| | details on divestment steps or investment screens for oil and gas (2020 ESG Review, p. 33). | |
| Apply all investment policies to all assets, including those managed on behalf of third parties. | **None** | AXA Investment Management recently updated its investment policies to apply to all third-party assets. |
| As a shareholder, vote for climate resolutions and against Boards that are not adequately addressing climate change. | **None** | Zurich has stated its intention to engage with invested companies on climate issues, with the threat that lack of sufficient action will result in voting against board members at shareholder meetings. |

## Liberty-Backed Spotlight Projects

A pair of Liberty-backed fossil projects with grave impacts on rights and the climate are currently facing determined community opposition. Liberty Mutual should end support for these projects, and its fossil fuel policies should future-proof the company against involvement in projects of this sort going forward.

**Baralaba South Coal Mine:**

The proposed Baralaba South coal mine poses grave threats to local Queensland agricultural and grazing land, the rights of the Woorabinda Aboriginal community, and the stability of the global climate. The mine would create 400 million tonnes of additional $CO_2$ emissions over its projected life. Despite these serious environmental and human rights concerns and well-documented widespread local opposition, Liberty Mutual is moving ahead with plans to build the mine. Liberty Mutual wholly owns the proposed Baralaba South project, through Liberty Metals & Mining Holdings, a division of Liberty Mutual Investment Holdings. Thus, Liberty Mutual has sole discretion over the future of this project and could withdraw the proposal expediently.

Liberty Mutual's role in the project has already garnered significant media attention in Australia and the US and is now in the focus of a formal complaint to the UN Principles for Responsible Investment (UNPRI) from community group Save the Dawson. The UNPRI is currently considering de-listing Liberty Mutual as a signatory to the sustainable investing initiative due to this egregious project.

Impacted community members are urging Liberty Mutual to swiftly cancel the project, noting that there is an upcoming opportunity to do so by not submitting the project's Environmental Impact Statement (EIS) due on April 30, 2021.

**Trans Mountain Tar Sands Pipeline:**

The existing Trans Mountain tar sands pipeline carries tar sands oil from the heart of the tar sands in Alberta, Canada down to the coast of British Columbia. The project is a major environmental and public health hazard with a long history of spills polluting drinking water and harming communities. The Canadian government, which owns Trans Mountain, is attempting to build a parallel pipeline – the Trans Mountain Expansion Project – which would multiply these risks tremendously. The project has faced powerful Indigenous-led resistance in the courts and along the route for nearly a decade.

Liberty Mutual is one of eleven insurance companies that collectively provided more than 500 million USD in insurance coverage for the existing pipeline last year, according to the 2019-2020 Certificate of Insurance. These insurers are coming under increasing scrutiny for their role in supporting this toxic project. In 2020, three companies, including the pipeline's lead insurer Zurich, cut ties with Trans Mountain following a groundswell of grassroots activism and engagement.

This year, a coalition of First Nations, Indigenous land defenders, and environmental groups is ramping up pressure on Liberty Mutual to publicly rule out insuring Trans Mountain when the 2020-2021 insurance policy expires on August 31, 2021.