Mr. Jean-Laurent Bonnafé
Chief Executive Officer
BNP Paribas
16, boulevard des Italiens
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Paris, 2 May 2019

Subject: answer to BNP Paribas' letter to Europe Beyond Coal

Dear Mr. Bonnafé,

We thank you for your letter sent on the 11th of March. We share some of your comments, including the overall goal of aligning with the UN Paris Climate Agreement, and welcome BNP Paribas' decisions to no longer support coal and other forms of energy that emit the highest levels of greenhouse gases. Nonetheless, we disagree with others, in particular the methodology/path to achieve these objectives. With this letter we want to highlight the main points of divergence and provide guidelines we hope BNP Paribas will follow to make its ambition a reality.

1. First of all, while BNP Paribas Paribas is committed to aligning the financing of the energy sector with the Paris Agreement, the bank still refers to the objective of keeping global warming to "below 2°C" and fails to integrate in its climate strategy the outcomes of the latest climate science by adopting policies compatible with limiting warming to 1.5°C.

The Paris Agreement objective is to limit the global temperature rise well below 2°C while pursuing efforts to keep it to less than 1.5°C. The recent Intergovernmental Panel on Climate Change (IPCC) special report on the impacts of global warming of 1.5°C stated that limiting average temperature increases to 1.5 rather than 2°C will result in "robust differences", both in terms of human and environmental impacts and in terms of economic and financial costs[1].

We call on the BNP Paribas group to acknowledge the latest climate science and commit to aligning with the goal of keeping global warming to 1.5°C and at the maximum well below 2°C.

While the necessary changes in all sectors are "unprecedented in terms of scale", the IPCC report states that they are still achievable. However, this will be possible only if all decision-makers pursue them and deploy the right tools. The "Sustainable Development Scenario" (SDS) referred to in your letter

[1] Limiting global warming at 1.5°C above pre-industrial levels will lead to fewer and less intense extreme weather events as well as droughts, floods and wildfires. It will also reduce impacts on sea level rise, species loss and extinction, public health and livelihoods, water and food security and economic growth. Economic damages will also be two to three times lower.

does not include a reasonable probability of limiting warming to 1.5°C and depends heavily on negative emissions technologies (NETS) beyond its 2040 timeframe.

As a consequence, we encourage BNP Paribas to join current efforts led by other investors in engaging the IEA leadership, asking them to put a realistic 1.5°C scenario at the centre of its next World Energy Outlook[2].

2. Secondly with regards to coal, while we acknowledge the steps taken by the bank in 2015 ahead of COP21, followed by the adoption of new restrictions to its direct and indirect support to the coal industry in February 2017, we are concerned by the limitations of BNP Paribas' approach. We believe these limitations prevent BNP Paribas from contributing fully to preventing the development of new coal infrastructure and the required phase out of the existing one by 2030 in Europe and OECD countries, and by 2040 elsewhere, and to align its business with a 1.5°C or even a 2°C trajectory. We have already shared policy guidelines and detailed feedback with BNP Paribas with respect to its coal mining and coal power policies; in this letter we will only stress the main ones[3].

We believe the best way to encourage companies to transition out of coal is to send them clear signals about BNP Paribas' ultimate objective. BNP Paribas Asset Management has already signed a collective statement to governments and power utilities calling them to phase-out coal in line with science-based targets, which in the case of coal means a phase out by 2030 in OECD/Europe, and by 2040 globally. We believe it is time for the BNP Paribas group to apply this objective to itself and to commit to over time eliminate coal assets from all business lines. This requires that all coal companies with BNP Paribas involvement should either be actively engaged with or divested from.

Contrary to its policy on oil and gas and coal policies adopted by its competitors, the BNP Paribas group has no strict exclusion criteria for companies active along the coal-value chain. We call on BNP Paribas to adopt such criteria and to commit to strengthening them over time (e.g. every three years), as the deadline for a complete coal phase-out is approaching. Moreover, while we welcome BNP Paribas' willingness to support the transition of coal-based companies, we believe companies that still have coal expansion plans[4] are reluctant to transition out of coal nor willing to align with the Paris Agreement's climate targets. They should consequently be excluded from any new support.

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[2] BNP Paribas Asset management stated in a press release published on 14 March 2018 for the adoption of new restrictions on coal the bank's asset management branch they "would like to see the IEA publish and regularly update a 1.5°C scenario and to adopt a more precautionary stance with regard to negative emissions technologies in its modelling". We acknowledge this statement but call the BNP Paribas group and its subsidiaries to proactively request IEA energy scenarios that successfully comply with the Paris agreement. https://www.bnpparibas-am.com/en/bnp-paribas-asset-management-announces-tighter-exclusion-policy-on-coal-companies/

[3] The overall list of demands in regards to coal can be found in this document collectively endorsed by the members of the Europe Beyond Coal campaign: https://drive.google.com/file/d/1lzexgD6fauDpt3uOsKdyilCPHvTGrEqG/view?usp=sharing

[4] Including the construction/development/expansion of coal plant/mine/infrastructure, life extension of existing coal plants through retrofit, acquisition of existing coal assets.

BNP Paribas’ insurance and asset management branches have recently adopted policies excluding new or existing support to companies because they are either expanding or highly exposed to coal, in relative as well as in absolute terms, and that are, as a consequence, currently unlikely to transition rapidly enough to 100% renewable energy. On the financing side, we believe BNP Paribas could combine the approaches adopted by its subsidiaries with its will to support its clients in the transition towards renewable energies by applying targeted and impactful engagement with a select group of companies[5].

In particular, we believe BNP Paribas should require that clients who are active in the coal value chain adopt, within a year, a decarbonisation target to gradually align their business model with the UN Paris Climate Agreement, and to publish, within two years maximum, a clear and detailed implementation plan - that is fair to workers and communities - for the gradual closure (not sale) of existing coal plants and mines, resulting in a coal exit by 2030 at the latest in the OECD and in Europe, and by 2040 in the rest of the world. While we believe engagement can be a transformative tool, we believe this can only be the case if companies are aware that a failure to comply with the demands within a specific timeline will lead to pre-announced measures from the bank[6].

3. With regards to RWE, Europe´s biggest CO2 emitter and air polluter, you stated that “the company is entering in a complete transformation process that should make it one of the key European players in the renewable energy sector”.

An asset swap with E.ON will indeed increase RWE´s renewables capacities. However, that in itself does not reflect a “complete transformation process”, because RWE would remain Europe´s biggest climate threat. Hard coal and lignite accounted for approximately 54 % of RWE´s power production in 2018, while renewables accounted for less than 6 %. A successful asset swap would raise the number for renewables to approximately 14 %.[7]

We take note of your position saying you “shall pay close attention to RWE’s alignment with the German coal exit strategy.” We believe BNP Paribas refers to the recommendations of the German coal commission, which proposes to phase out coal-fired power generation by 2038 with an option to end it by 2035. However, we need to remind you that the outcomes of the German coal commission are as of yet neither binding nor Paris compliant. While it remains to be seen whether the government

[5] We advise investors not to engage more than six months with companies investing in the development of new or existing coal infrastructure.
[6] For example, no more support after 1 year engagement and public exclusion after 2 years engagement.
[7] Currently, RWE’s power production is made of 38.2% of lignite, 15.7% of hard coal, 26.8% of gas, 12.4% of nuclear, and 5.6% of renewable energies. If the asset swap with E.ON is concluded, RWE’s energy mix will rely on 35% of lignite, 14% of hard coal, and 14% of renewable. http://www.rwe.com/web/cms/mediablob/en/3948146/data/0/4/RWE-annual-report-2018.pdf, p.44

will follow them, it is already certain that the suggested date for a total coal phase-out is at best 5, and at worst 8 years too late compared to what is required to be Paris compliant.

Despite the lack of ambition of the German coal commission outcomes, RWE's first reaction to them was to state that 2038 still is "far too early"[8]. While RWE is not publicly opposing a coal-phase out anymore, it was quick to clarify that neither the company nor its employees want to pay for "political" decisions and demand at the minimum 1.2 billion €/GW capacity as a compensation. This price would deter any politician from adopting a legal coal phase-out date aligned with the Paris Agreement and is completely unjustified for old, polluting and already recovered assets.

Moreover, RWE is continuing its preparatory work for the expansion of the Hambach mine and is even accelerating the relocation and destruction of several villages in the Garzweiler mine expansion area. If RWE intended to follow the German coal commission's proposal and close a total of 3 GW of lignite capacity, the expansion of the two mines would not be necessary, as their production could be reduced in a way that would leave both the Hambach forest and the villages intact. What makes this case even clearer, is that researchers have transparently calculated that the coal commission proposal with a total 3GW capacity closure at the Niederaußen and Neurath plants and a 2038 phase out pathway means that RWE will need to mine less and both mine expansions are unnecessary.[9]

With currently 670 CO2g per kWh and an estimated coal share of revenue over 30%, RWE is both excluded from the investment of BNP Cardiff and of BNP Asset Management. As one of the main financiers of RWE, the BNP Paribas group as a whole should now publicly commit to put on hold any new financial service to RWE until it publishes a Paris Agreement compliant closure plan for its existing coal infrastructure, and it announces an immediate end to capital expenditure into the building, life extension or expansion of coal plants and mines.

We remain at your disposal for any additional information and to discuss this subject with you and your teams.

Kind regards,

Kathrin Gutmann	Lucie Pinson
Campaign director	Finance campaign advisor
Europe Beyond Coal	Friends of the Earth France

[8] https://www.finanzen.net/nachricht/aktien/rwe-kohleausstieg-2038-deutlich-zu-frueh-termin-2032-ueberpruefen-7067290

[9] Pao-Yu Oei et al: "Ergebnis vom Kohlekompromiss: Der Hambacher Wald und alle Dörfer können erhalten bleiben", DIW Berlin, February 2019. https://www.diw.de/documents/publikationen/73/diw_01.c.612926.de/diwkompakt_2019-132.pdf