WITHDRAW FROM COAL:

COAL DIVESTMENT SCORECARD MAY 2022

WITHDRAW FROM COAL

This report was originally published on 4 May 2022 by the Withdraw from Coal Campaign and authored by a technical team led by the Center for Energy, Ecology, and Development.
It has been updated to account for recent developments.

Layout and design: Jen Derillo

Cover Photo by: Gerimara Vinaya Manuel

For further information on the issues raised in this report please contact:
Center for Energy, Ecology, and Development (CEED)
132 Matahimik Street, Barangay Malaya, Quezon City
info@ceedphilippines.com

Contents

Introduction

> "Human-induced climate change and the war on Ukraine have the same roots—fossil fuels—and our dependence on them."

This statement made by Svitlana Krakovska, the representative from Ukraine during the unveiling of the latest UN Intergovernmental Panel on Climate Change (IPCC) report, sums up the terrifying aftermath of the world's continuous dependence on dirty energy.

Russia's invasion of Ukraine shows how global dependency on fossil fuels can lead to geopolitical issues in times of conflict. The Ukraine crisis has many implications for resource use as gas prices have soared globally due to the compounded effects of the resurgence of demand for fossil fuels after the easing of COVID-19 lockdowns, depleted storage, and difficulty of increasing the supply after the disruptions of the past two years. As the world deals with the fact that Russia is the world's biggest exporter of crude and oil products, among the top three exporters of gas, and holds much of Europe's fossil fuel supplies, the issue of energy security has been at the forefront again. Experts say that de-escalation of the crisis in Ukraine is a topic that must be approached with a strategy that ties together war resolution and the radical reduction of carbon emissions.[1]

It is also this year that the latest UN Intergovernmental Panel on Climate Change (IPCC)[2] gave out its "bleakest warning yet" on the climate crisis. The report warns that the planet will pass its limits of survival unless greenhouse gas emissions are quickly and greatly reduced.

"Human-induced climate change and the war on Ukraine have the same roots—fossil fuels—and our dependence on them."

Following the release of the IPCC's "Code Red" Report[3] and ahead of the 26th UN Climate Change Conference of Parties (COP26) in Glasgow, the DOE's long overdue Coal Moratorium marked its first year. Over 40 frontline coal-affected communities, consumers, environmental and climate justice organizations, and faith-based groups challenged the DOE to fully bare its teeth in implementing the moratorium, starting with issuing the official list of coal-fired power projects shelved by the coal moratorium[4]—something the DOE has yet to release to-date.

Nevertheless, the coal moratorium has shelved ten projects across the country,—from Pangasinan in Luzon to Davao del Sur in Mindanao—shaving off over 6 GW from the pipeline. The groups believe that based on the criteria set by DOE, at least seven more projects with a combined rated capacity of 4.7 GW should be cancelled by the moratorium.

As for COP26, billed as humanity's last, best chance to keep the global temperature rise

1 *Harvey. (2022, March 4). Ukraine war prompts European reappraisal of its energy supplies. The Guardian. https://www.theguardian.com/environment/2022/mar/04/ukraine-war-european-reappraisal-energy-supplies-coal-renewables*

2 *Climate Change 2022: Impacts, Adaptation and Vulnerability. (n.d.). The Intergovernmental Panel on Climate Change. https://www.ipcc.ch/report/ar6/wg2/*

3 *IPCC report: 'Code red' for human driven global heating, warns UN chief. (2021, August 9). UN News. https://news.un.org/en/story/2021/08/1097362*

4 *From Moratorium to History: Seal Coal's End in the Philippine Power Pipeline. (2021, October 26). Power for People Coalition. https://ceedphilippines.com/from-moratorium-to-history-seal-coals-end-in-the-philippine-power-pipeline/#comments*

under control, it was regarded by many as a failure. Developing countries, including the Philippines, have once again underlined how crucial it is for the rest of the world to financially help poor and most climate-vulnerable countries to move away from dirty energy. COP 26 was concluded by the adoption of the Glasgow Climate Pact which aims to keep the 1.5C global warming target within reach. However, the pact doesn't address the emission cuts needed from Global North countries nor the finance needed for Global South to do the same. It is also vague in touching on how complex and urgent it is to phase out fossil fuels.[5]

As the Philippine delegation, led by Finance Secretary Carlos Dominguez, bannered the government's sustainable financial roadmap following the Department's Energy Transition Mechanism program launched in early November. It also vowed to increase renewable energy capacity but remains silent on the phaseout of coal from the energy mix.

On top of these global developments, the result of the presidential elections will set the tempo of the country's path to just energy transition. How the newly elected leaders can successfully transform platforms into policies will dictate the post-Duterte energy and climate landscape. With the window to take action closing fast, governments and private sector players – including banks – must take drastic actions to align their policies to the Paris Agreement and divest from funding coal projects of all kinds.

In the span of just one year, several domestic banks have already taken the lead by announcing coal divestment policies, riding on the global wave of more and more financial institutions exiting coal. RCBC also announced the first Energy Transition Financing (ETF) deal in the Philippines for the early decommissioning of a coal-fired power plant in Calaca, Batangas. This coal plant is part of the 10 to 19 coal-fired power plants subject of the controversial International Finance Corporation complaint filed by the Philippine Movement for Climate Justice that secured a historic win last month[6].

With the Philippines among the most climate-vulnerable countries, reducing coal emissions is a key climate policy that will keep the 1.5-degree limit within reach. The question remains whether domestic banks are doing enough to quit financing, operating, and developing coal expansion projects.

With the Philippines among the most climate-vulnerable countries, reducing coal emissions is a key climate policy that will keep the 1.5-degree Celsius limit within reach. The question remains whether domestic banks are doing enough to quit financing coal.

5 *COP26: 3 ways the Glasgow Climate Pact fails us - and excludes justice. (2021, November 16). Friends of the Earth. https://friendsoftheearth.uk/climate/cop26-3-ways-glasgow-climate-pact-fails-us-and-excludes-justice#:%7E:text=The%20Pact%20doesn%27t%20get%20the%20world%20on%20track%20for,countries%20to%20do%20the%20same.*

6 *IFC Board Approves Action Plan for CAO Investigation of IFC Investments in Rizal Commercial Banking Corporation (RCBC) in the Philippines. (2022, April 8). IFC. https://pressroom.ifc.org/all/pages/PressDetail.aspx?ID=26929*

About the Coal Divestment Scorecard

Amid all these events and alongside the annual shareholder's meetings of many local banks in the Philippines, Withdraw from Coal (WFC) releases this May 2022 update of its Coal Divestment Scorecard to assist banks and their stakeholder in keeping the Paris Agreement's 1.5°C a reality. All new data and relevant information used for this 2022 report were from April 2021 to March 2022.

The Coal Divestment Criteria and this Scorecard are tools developed by civil society and clean energy advocates under the banner of WFC. Both were created to assess the coal-related financing activities of domestic banks, gauge their current divestment efforts in the coal industry, and evaluate their climate action policies.
Similar to last year, the 2022 Coal Divestment Scorecard used data from the following resources to determine the contributions of Philippine banks to the coal industry:

- Thomson Reuters Project Finance International (PFI)
- Final Prospectuses and Offer Supplements for the Issuance of Financial Instruments
- Philippine Dealing Systems Holdings (PDS) Group
- Urgewald Coal Financiers Database
- Global Energy Monitor
- Refinitiv

16 banks were included in this year's report: 15 that were identified last year plus the addition of one more bank, Robinsons Bank, which wasn't included in the previous iterations of the report due to the recent detection of a coal exposure.

- Asia United Bank (AUB)
- Bank of Commerce (BOC)
- Bank of Philippine Islands (BPI)
- BDO Unibank (BDO)
- China Bank Corporation (China Bank)
- Development Bank of the Philippines (DBP)
- East West Banking Corporation (East West Bank) Land Bank of the Philippines (Land Bank)
- Metropolitan Bank & Trust (Metrobank)
- Philippine Bank of Communication (PBCOM)
- Philippine National Bank (PNB)
- Rizal Commercial Banking (RCBC)
- Robinsons Bank (Robinsons Bank)
- Security Bank (Security Bank) Union Bank of the Philippines (Union Bank)
- United Coconut Planters Bank (UCPB)

It is worth noting that, despite the UCPB and LandBank merger, these banks were scored individually since they have separate policies for most of the period they are being graded.

These Philippine banks were engaged to disclose their financial activities and relevant policies, including but not limited to:

- Policies restricting financing for coal and coal-related companies, projects, and operations
- Specifics regarding the above policies, such as the restrictions imposed (in terms of amount, type, etc.) and the coal-related companies, projects, and operations covered
- Policies regarding thresholds for exclusion of coal companies from investments or underwriting
- Policies regarding the phase-out of coal investments, including a timeline, conditions, and other parts of the phase-out plan
- Any commitment or policy that commits the bank's business practices intending to limit global warming to 1.5°C
- Engagement strategies applying to energy companies that detail how the bank influences or assists these companies to shift toward renewable energy sources
- Publicly stated goals or policies that increase the bank's renewable energy

investments and underwriting, and financing of climate adaptation efforts
- Endorsements of the recommendations of the Task Force on Climate-related Financial Disclosures
- Other relevant environmental pronouncements and policies, especially those regarding climate action and energy investments

Additionally, new queries were made for this latest report to track the banks' access and/or policies and guidance on the issuance of sustainable, green, and climate finance and their exposure to fossil gas and liquefied natural gas (LNG) a fossil fuel deemed as the new 'preferred fuel' in the Philippines.

The scorecard assesses the exposure of each bank on its share of the total value of financing and underwriting of securities provided to coal-related activities (coal development, coal-related operations, and other coal-related projects). Their score on this criterion is then weighted against their current coal divestment policies and climate action policies. The overall score is computed using the following formula:

$$overall\ score = C\left(1 - \frac{0.3D}{5} - \frac{0.1CA}{5}\right)$$

The formula emphasizes the importance of ending coal financing and contributing to climate solutions without diminishing the historical and current contribution of each of the banks to coal expansion in the country. Its use is guided by the practice of similar pioneering international coal divestment initiatives.

How are the banks scored?

Regarding Divestment Policy and Climate Action Efforts, scores were modified based on new information obtained from various documents, such as the banks' web pages, definitive or preliminary information statements (depending on the availability on the Philippine Dealing System Holdings Corporation website), reports, press releases, news articles, annual reports, and sustainable finance frameworks (SFFs). These issuances were obtained through a data-restricted search, limited to results from April 2021 to March 2022, using a pool of pre-defined keywords. The search was iterated over each bank's name and acronym. The first 30 results for each bank were subjected to an initial review for relevance to the scorecard criteria. This process resulted in 95 documents which were then individually reviewed for relevant information. The longer documents were subjected to a keyword search using pre-defined keywords, while the shorter ones were read in full. Any relevant information was extracted and tabulated under the pertinent criterion in both cases. For this Scorecard update, no new information was recorded for 11 of the banks for the Divestment Policy criterion, and 8 banks had no new information for the Climate Action Efforts criterion.

Out of the 16 banks, 5 responded to requests for disclosures: Bank of Commerce,

Banks have not quit coal despite their coal divestment policies. A glaring finding within the specified timeline for this report is that despite several banks' announcements that they have stopped financing coal and/or will no longer finance future coal projects, they in effect still do by underwriting bonds issued by coal developers.

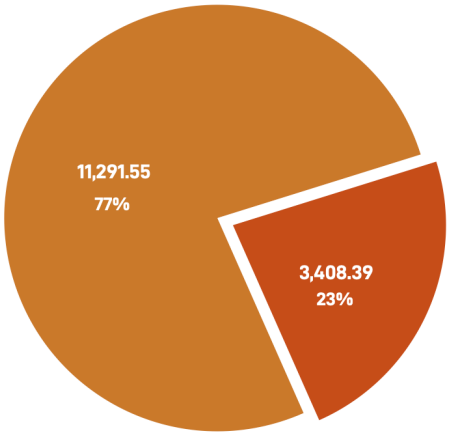
BPI, Security Bank, Development Bank of the Philippines, and RCBC. Landbank responded to the request for disclosure for last year's scorecard in June 2021, which was beyond the 2021 Coal Divestment Scorecard's covered period. The response was instead considered for the Coal Divestment Scorecard for 2022. The scores for banks that did not respond to requests for disclosures were based on available annual reports, sustainability reports, policies, and other publicly available documents.

This year, WFC used additional data available in the Infrastructure 360 and Loan Connector platforms of Refinitiv–a global financial market data and infrastructure provider. It maintains a database featuring more than a million mergers and acquisitions (M&A) deals spanning over 40 years, covering corporate finance transactions and investment banking league tables across equity markets, debt, loans, bonds, project finance, initial public offerings (IPOs), joint ventures, repurchases, private equity, and municipal bonds. Findings from the Refinitiv platforms that weren't included in previous scorecards contributed slightly to the increase of scores for some banks in the Coal Financing criteria.

Banks with coal divestment policies are still funding coal projects

Banks have not quit coal despite their coal divestment policies. A glaring finding within the specified timeline for this report is that despite several banks' announcements that they have stopped financing coal and/or will no longer finance future coal projects, they in effect still enable financing to flow into these projects by underwriting or selling bonds issued by coal developers. For the bonds covered by this scoring period, the lead manager and underwriter banks distributed and sold the bonds, receiving underwriting fees and management fees for their services. The selling agents also received selling commissions according to the prospectuses.

Total Known Coal Financing, Q1 2009-Q1 2022 (in million USD)



Total Amount of Known Bonds Underwritten Total Amount of Known Bonds Underwritten

From the Q2 2021 to Q1 2022 period of this report, no coal financing through loans was reported. Instead, it was through underwriting and selling bonds that banks have enabled coal projects, guaranteeing funds that will ultimately be channeled to coal projects. This is not an isolated case.

In fact, a quarter of coal financing from 2009 to 2022 is channeled through bonds. The banks that scored higher in the Coal Financing criteria in this report are the banks that helped arrange, guarantee, and sell bonds, whose proceeds are committed to coal projects.

Last year, Aboitiz Power, the country's second-largest coal developer, issued four bonds to refinance or redeem bonds whose net proceeds were used to finance two coal projects: GNPower Dinginin (GNPD) and GNPower Mariveles (GNPM).

Both coal plants were not devoid of controversies. In December 2021, the Energy Regulatory Commission granted GNPower Dinginin a Certificate of Compliance for the first unit of its 724.965-megawatt coal plant in Mariveles, Bataan. This COC, however, only covers Unit 1 as Unit 2 is still undergoing construction. Both GNPM and GNPD suffered outages last year that triggered a longer implementation of the Red Alert status of the Luzon Grid, resulting in island-wide rotating brownouts. The 316-megawatt Unit 2 of GNPower Mariveles experienced a sudden outage which led to the entire facility's shutdown. The 600-megawatt Unit 1 of the GNPower Dinginin plant also suffered an outage due to a suspected boiled tube leak.

Contrary to their own representations, banks with coal divestment policy declarations are involved in this bond issuances. For Aboitiz Power's Series B 3.9992% Bonds Due 2025 and Series C 5.0283% Bonds Due 2028 with a principal amount of Php 6 billion with Oversubscription Option of Php 6 billion, BDO's investment banking arm BDO Capital & Investment Corporation is the joint issue manager, joint bookrunner, and joint lead underwriter, along with the investment banking arms of other domestic banks—China Bank's China Bank Capital Corporation, Metrobank Group's First Metro Investment Corporation, and Security Bank's SB Capital Investment Corporation. RCBC's investment banking arm RCBC Capital Corporation and Union Bank act as selling agents.

For Aboitiz Power's Series D: 5.3066% 5-Year Bonds Due 2027 Series E: 5.7388% 7-Year Bonds Due 2029 with a principal amount of Php 7 billion with Oversubscription Option of Php 3 billion, BDO and the same banks or their investment arms act as the joint issue managers, joint bookrunners, and joint lead underwriters. Instead of RCBC, Land Bank joins Union Bank as a selling agent. Land Bank is accredited by Green Climate Fund (GCF)—a program supposed to "help developing countries limit or reduce greenhouse gas (GHG) emissions and adapt to climate change by supporting programs and projects that promote a paradigm shift to low-emission and climate-resilient development."

With GN Power Dinginin being a new coal plant commissioned only late last year, Security Bank's participation in this bond issuance contradicts the bank's response letter that states it will "discontinue the financing of new coal generation power plants." It also contradicts BDO and RCBC's no coal pronouncements.

According to the latest Offer Supplements of these AboitizPower bonds, the Joint Bookrunners and Joint Lead Underwriters undertake the sale and distribution of the bonds to third party buyers/investors.

How are domestic banks involved in AboitizPower latest bond issuances?

AboitizPower's Series B 3.9992% Bonds Due 2025 and Series C 5.0283% Bonds Due 2028 with a principal amount of Php 6 billion with Oversubscription Option of Php 6 billion		
Joint Issue Managers, Joint Bookrunners, and Joint Lead Underwriters	**Commitment (without Oversubscription Option)**	**Issue Management and Underwriting Fees (without Oversubscription Option)**
BDO Capital & Investment Corporation	Php 1,500,000,000.00	Aggregate fee of up to 0.45% inclusive of GRT on the final aggregate nominal principal amount of the Series B and Series C Bonds issued, which is inclusive of underwriting fees, issue management fees of Php 27,000,000 and selling commissions to be paid to the Selling Agents.
China Bank Capital Corporation	Php 1,500,000,000.00	
First Metro Investment Corporation	Php 1,500,000,000.00	
SB Capital Investment Corporaiton	Php 1,500,000,000.00	

Selling Agents	Commitment (without Oversubscription Option)	Selling Commissions
RCBC Capital Corporation	Php 1,500,000,000.00	Aggregate fee of up to 0.45% inclusive of GRT on the final aggregate nominal principal amount of the Series B and Series C Bonds issued, which is inclusive of underwriting fees, issue management fees of Php 27,000,000 and selling commissions to be paid to the Selling Agents.
Union Bank of the Philippines	Php 1,500,000,000.00	

Aboitiz Power's Series D: 5.3066% 5-Year Bonds Due 2027 and Series E: 5.7388% 7-Year Bonds Due 2029 with a principal amount of Php 7 billion with Oversubscription Option of Php 3 billion		
Joint Issue Managers, Joint Bookrunners, and Joint Lead Underwriters	**Commitment (without Oversubscription Option)**	**Issue Management and Underwriting Fees (without Oversubscription Option)**
BDO Capital & Investment Corporation	Php 1,867,000,000.00	Aggregate fee of up to 0.45% on the final aggregate nominal principal amount of the Third Tranche Bonds issued, which is inclusive of underwriting fees of Php
China Bank Capital Corporation	Php 1,867,000,000.00	
First Metro Investment Corporation	Php 1,866,000,000.00	
SB Capital Investment Corporaiton	Php 1,400,000,000.00	
Selling Agents	**Commitment (without Oversubscription Option)**	**Selling Commissions**
Land Bank of the Philippines	0	Not specified
Union Bank of the Philippines	0	

Banks that banner no coal financing policies, through their investment banking arms, still have exposure to coal by underwriting and selling bonds of coal developers. There is an urgent need to close this loophole and urge banks to have more transparent financing policies that disclose their participation in bonds intended for coal development. Banks should not make superficial distinctions in their "no coal" pronouncements—whether direct financing or indirect financing through subsidiary investment banking arms, whether through issuing loans or underwriting or selling bonds—all financing that enable the continued operations of coal plants in the country should be included.

Lead Manager: The financial institution that arranges the entire transaction, includingthe sale of the bonds, legal documentation, and settlement procedures. It contacts other financial institutions (called managers) to form a syndicate that agrees to buy the bonds (to sell to investors).

Bookrunner: A bookrunner is the primary underwriter or lead coordinator in the issuance of new equity, debt, or securities instruments.
Underwriter: An underwriter is the investment bank that buys the shares from the company and resells them to the public.[7]

7 Definitions from Thomson Reuters Practical Law

Concrete pledges, not vague promises on coal divestment

Within the timeline for this report, four banks have declared that they are no longer financing coal.

In their response letter to WFC dated April 2, 2022, Security Bank stated its goal to exit coal by 2033. Though they have existing exposure to coal sources due to previous loans, they have committed to immediately discontinue the financing of new coal generation power plants.

On March 31, 2022, RCBC President and Chief Executive Officer Eugene S. Acevedo said that the bank pledged to entirely remove its exposure to coal financing by 2031 and boost lending to renewable projects as it moves towards sustainability. This was following the bank's previous statement in December 2020 that it will stop funding new coal plants though no date was mentioned back then.

Last month, RCBC also announced its participation in the first Energy Transition Financing (ETF) deal in the Philippines for the early decommissioning of AC Energy Corp.'s South Luzon Thermal Energy Corp. (SLTEC) 2×135 MW power plant in Calaca, Batangas. The ETF deal reportedly adopts the principles of ADB's Energy Transition Mechanism[8], an initiative heavily criticized by environmental groups and civil society for lack of sufficient consultations, conflicting interests of initial financiers announced, and the possibility of absolving developers from complaints and the growing risk of stranding assets.

RCBC's ETF deal comes after the Compliance Advisory Ombudsman (CAO) of the International Finance Corporation (IFC), the private sector arm of the World Bank, found that the IFC has failed to comply with its appraisal and supervision of environmental and social risks emerging from its investment in RCBC's banking business. This finding was a result of an investigation prompted by a complaint filed by the Philippine Movement for Climate Justice against IFC over 19 RCBC-financed coal power plants, including the SLTEC coal power plant[9]. The ETF deal was not considered in RCBC's score, as it was announced beyond the scoring period of this report.

Public announcements are very much welcome and considered a vital step for banks looking to divest. However, the scores mirror that there is an urgent need for banks to immediately develop comprehensive board-approved policies on coal divestment. This lends credibility to the bank's commitment to backing the transition to renewable instead of ending up as ambiguous plans on paper.

On December 3, 2021, BDO Capital and Investment Corp. President Eduardo V. Francisco announced during the Energy Investment Forum organized by the Department of Energy that BDO, "as a rule of thumb", will stop financing coal.

In a press briefing last August 2, 2021, new BPI President Teodoro Limcaoco said that "while BPI's original commitment was to halve coal financing by 2026 and go

8 RCBC participates in PHL's first ETF deal. (2022, Apriil 29). Business World. https://www.bworldonline.com/spotlight/2022/04/29/445222/rcbc-participates-in-phls-first-etf-deal/

9 IFC Board Approves Action Plan for CAO Investigation of IFC Investments in Rizal Commercial Banking Corporation (RCBC) in the Philippines. (2022, April 8). IFC. https://pressroom.ifc.org/all/pages/PressDetail.aspx?ID=26929

down to zero by 2037, in line with the Paris accord to decarbonize, it was possible to totally phase out all remaining coal lending by 2033." The bank also released its Coal Policy that states that "BPI Group shall have no additional commitments to finance greenfield coal power generation projects and outstanding loans of BPI Group to coal power generation shall be reduced to 50% of current exposure by 2026, and zero by 2032, ahead of the Paris Climate Agreement target for non-OECD[10] countries."

Such pronouncements made by banks in the last two years deserve recognition and appreciation. It is for this reason that changes were made to this criteria under Divestment Policy. Under these new criteria, points are awarded to banks if:

1 – Bank has made a public announcement

2 – Bank has adopted an official policy or resolution

3 – Bank has adopted official policy and is in the process of developing a comprehensive and strategic framework/ execution plan

4 – Bank has adopted an official policy and comprehensive framework

5 – Bank has adopted an official policy and framework and is currently in the implementation stage

Following this new scoring guide, BDO and Security Bank were awarded 1 point for their announcement. BPI was awarded 3 points because of its Coal Policy effective June 2021 to achieve zero exposure by 2032. RCBC's score rose from 2.5 (following the last Scorecard's criteria) to 4 points in acknowledgment of its coal divestment policy to go zero coal financing by 2031 coupled with its Green Time Deposit program which is the first in the country.

Another adjustment to the scoring guide still under the Divestment Policy is the addition of two criteria which increased the divisor from two to four. Under the question "Did the bank disclose any of the following information?" the criteria are now:

- Amount invested in coal companies or companies engaged in coal-related operations OR commits to disclose it
- Amount invested in coal-related operations or projects OR commits to disclose it
- Amount divested from coal companies or companies engaged in coal-related operations OR commits to disclose it
- Amount divested from coal-related operations or projects OR commits to disclose it

**those highlighted are the additional criteria*

This adjustment on the scoring guide led to the scores of two banks to slightly go down, though there was no change in their divestment policies, as the formula changed for the computation: DBP from 0.71 to 0.68 and Unionbank from 0.15 to 0.14.

Public announcements are very much welcome and considered a vital step for banks looking to divest. However, the scores mirror that there is an urgent need for banks to immediately develop comprehensive board-approved policies on coal divestment. This lends credibility to the bank's commitment to backing the transition to renewable instead of ending up as ambiguous plans on paper.

10 *Organisation for Economic Co-operation and Development*

TIMELINE OF DOMESTIC BANK'S NO COAL POLICY PRONOUNCEMENTS

BANK	DATE OF PRONOUNCEMENT	SCOPE OF PRONOUNCEMENT
RCBC	December 2020	Cease financing to new coal-fired power projects
	March 2022	Phase out lending to coal-fired power plants by 2031 Coal exposure will amortize every year and will decline until it zeroes out in 2031
DBP	March 2021	Publicly reported that it has stopped financing coal power plants after year 2016, which was formalized into a Board approved policy in September 2018 to put power generation from non-renewable energy in the negative list of borrowers and loan purposes
BPI	April 2021	Halve the amount of our outstanding coal loans by the end of 2026, and zero coal exposure by 2037
	August 2021	No additional commitments to finance greenfield coal power generation projects, outstanding loans to coal power generation shall be reduced to 50% of current exposure by 2026, and zero by 2032, ahead of the Paris Climate Agreement target for non-OECD countries
BDO	December 2021	Will stop financing coal "as a rule of thumb"
Security Bank	April 2022	Committed to immediately discontinue the financing of new coal generation plants, and exit financing coal power plants by 2033

More banks need to ride the climate action momentum

BPI and RCBC scored high on the criteria of aligning their business practices to limit global warming to 1.5°C. BPI's Coal Policy was integrated into its Sustainability Agenda with the goals of the Paris Agreement in mind including reducing coal exposure by 50% by 2026 and 0% by 2032. RCBC first announced in 2020 that it would stop funding coal but it was only by March 2022 that the bank gave a timeline: the bank pledged to entirely remove its exposure to coal financing by 2031.

Notable also are banks that have engagements that make them the first to do so in the country. RCBC is the first Philippine bank to participate in Partnership for Carbon Accounting Financials (PCAF) which makes them the first bank to commit to disclose greenhouse gas (GHG) emissions of its portfolio within three years from joining the organization. BPI is the first bank to support the Task Force on Climate-related Financial Disclosures (TCFD), which was created to develop consistent climate-related financial risk disclosures for companies, banks, and investors to provide information to stakeholders.

RCBC's Sustainable Finance Framework also aligned its initiatives with the UN Sustainable Development Goals (SDGs) and the Paris Agreement.

Divesting from coal shouldn't lead to financing fossil gas

The biggest financial institutions in the world are not only exiting from coal[11] but also restricting lending for other fossil fuels and aligning their portfolios with the reduction goals of the Paris Agreement[12] which signal that natural gas projects, or more appropriately referred to as fossil gas, projects, are terrible investments.

11 Institute for Energy Economics and Financial Analysis. (2019, February). Over 100 Global Financial Institutions Are Exiting Coal, With More to Come. http://ieefa.org/wp-content/uploads/2019/02/IEEFA-Report_100-and-counting_Coal-Exit_Feb-2019.pdf

12 Institute for Energy Economics & Financial Analysis. (2021, November 11). Finance is leaving oil and gas. https://ieefa.org/finance-exiting-oil-and-gas/

In this context, a new line of query was opened to banks to specifically inquire about their exposure to fossil gas.

Fossil gas currently accounts for a meager 6% of the country's total energy supply. However, planned new fossil gas and liquefied natural gas (LNG) capacity in the pipeline has been seeing a steep rise in recent years. Based on DOE, news, and company announcements, a total of 27 power plant projects and 9 LNG terminal projects[13] are planned to be built in the country. The DOE's Philippine Energy Plan 2018-2040 (PEP), in fact, envisions a "world-class, investment-driven, and efficient natural gas industry to make it the preferred fuel for end-use subsectors."

A new line of query was opened to banks to specifically inquire about their exposure to natural gas, more appropriately referred to as fossil gas.

In their response letter, Security Bank disclosed that they have "some exposure to natural gas and LNG" even as "the bank recognizes that climate change is a global problem that will require global cooperation to address and that globally, there is an increasing acknowledgment of the important role that lenders, investors, and markets must play to shift investments away from fossil fuels and emissions-intensive industries."

At least two other domestic banks have known exposure to gas projects. China Bank and DBP have reportedly granted a term loan facility worth Php 6 billion to Atlantic Gulf & Pacific Company (AG&P) which is investing a substantial Php 14.6 billion into an LNG Import Facility in Ilijan, Batangas through Linseed Field Power Corporation. The proposed facility will impact small-scale fishing and eco-tourism which are the primary sources of livelihood for residents in Batangas. It also has implications on marine biodiversity as the project will impact the Verde Island Passage (VIP) Marine Corridor located within the globally significant Coral Triangle, an area considered to be the center of the center of marine biodiversity in the world.

With coal developers starting to venture into fossil gas, it is crucial to guard how banks are funding said projects. Many have posited fossil gas as an alternative fuel source and a transition vehicle towards renewable energy. However, two of the first LNG terminal and LNG power plant targeted for commissioning this year expects to operate for 25-35 years, lifespans that will surely go beyond climate deadlines. And the fossil gas industry releases large amounts of methane—a greenhouse gas whose influence, if viewed over 10- to 20-year time scales, is at least as large as that of carbon dioxide according to the Intergovernmental Panel on Climate Change's latest Sixth Assessment Report.

Unlocking financing for renewable energy

In December 2021, the Bangko Sentral ng Pilipinas (BSP) urged banks to channel more funding towards projects that will accelerate the country's energy transition. During a panel at the Asian Financial Forum this January, BSP Governor Benjamin Diokno said that BSP is looking to provide "preferential rediscount rates or provision of higher loan values to enable banks to extend green loans or finance sustainable investments." Just this February, BSP released Annex A of its Sustainable Finance Framework and asked banks to conform to its guiding principles in lending to green projects.

In April 2020, the Bangko Sentral ng Pilipinas issued Circular No 1085, which requires all

13 This includes active (currently included in DOE's list of Private Sector-Initiated Power Projects and/or announced by the proponents) and inactive (removed from DOE's list of Private Sector-Initiated Power Projects without an official announcement of cancellation by the proponents).

banks to develop a Sustainable Finance Framework (SFF) and Environmental and Social Risk Management System (ESRMS). The SFF gives banks a three-year transition period to adopt sustainability principles and enables banks to increase loan allocations to green or sustainable projects as part of their strategic environmental and social objectives. So how are banks responding to the BSP requirement and are they on target to comply with the SFF's full implementation by 2023?

BDO raised Php 52.7 billion from its landmark green bond where proceeds will be "exclusively applied to finance or refinance a combination of both green and social projects that offer environmental and social benefits." BDO Capital President Ed Francisco also said that the bank is open to lending more to renewable energy projects specifically wind, solar, geothermal, and run-of-river projects.

BPI's Sustainable Development Finance (SDF) program covers energy efficiency, renewable energy, climate resilience, green buildings, and sustainable agriculture projects. Last year, SDF funded 365 projects in the first half of the year alone including Php 28 billion in credit to 158 energy efficiency projects, Php 139 billion for renewable energy (RE), and Php 34 billion for 109 climate resilience developments. The bank has also announced that it is open to more solar energy investments.

Last December, DBP launched its Solar Merchant Power Plant (SMPP) Financing Program to provide funding for solar power developers who intend to sell electricity through the Wholesale Electricity Spot Market. Under SMPP, borrowers can avail of a maximum loanable amount of up to 60% of the total project cost for projects located in Luzon, and up to 50% for projects in the Visayas. This is a critical development that affords renewable energy technologies a way around the usual challenges of securing power supply agreements with distributors and electric cooperatives against competing fossil fuel plants. The bank has also granted a Php 115-million term loan for the installation of six solar-powered irrigation systems in Lanao del Sur and a Php 750-million revolving credit line to boost renewable energy storage.

PNB launched two global feeder funds that support companies with strong sustainability roadmaps. The World Perspective Equity Feeder Fund gives investors access to high-quality companies with sustainable growth while the US Equity Sustainability Leaders Feeder Fund allows clients to invest in US companies with superior Environmental, Social, and (Corporate) Governance (ESG) characteristics. PNB also granted a Php 2.4 billion loan for the construction of a 12-megawatt run-of-river hydroelectric power project in Bukidnon.

RCBC launched the country's first green time deposit where proceeds will be used exclusively for the bank's green asset portfolio which will fund support for green projects such as renewable energy, pollution prevention and control, energy efficiency, sustainable water management, and clean transportation. The bank also committed to focusing its lending on renewable energy projects over the next two years. 70% of the loan projects will be allotted to solar farm projects, while the balance will be for wind, geothermal, and hydropower projects.

Another development seen to bolster the development of renewable energy in the country is the Green Energy Option Program which provides consumers the option to source their electricity supply from renewable energy resources, such as biomass, solar, wind, geothermal, ocean energy, and hydropower. This means that consumers don't have to be tied to a distribution utility in their location, spelling more opportunities to access more reliable and affordable power sources.

Overall Scores

For this Scorecard update, the top four banks most exposed to coal remain unchanged from last year's ranking. BPI, PNB, BDO, and Metrobank once again cemented their positions as the country's top coal financiers. China Bank ties with Security Bank on the fifth spot. China Bank's lack of new policies for divestment and climate action kept its scores unchanged plus new findings showing its involvement in the Atimonan coal plant project – giving it a bigger share under the loan criteria – pushed the bank into the top five, up to one spot from last year's 6th ranking. Security Bank's announcement to exit coal by 2033 and Paris alignment efforts scored well for the bank, lowering its overall score and putting it at par with Chinabank.

A welcome development for this scorecard is seeing divestment policies gain traction among domestic banks. BPI and Security Bank's scores increased for both Divestment Policy and Climate Action. BPI's No Coal Policy with divestment timeline and its board-approved Sustainability Agenda aligned with the Paris Agreement scored high for two criteria.

Having no new policies on divestment and climate action spelled negatively for some banks for this scoring period. Union Bank, Land Bank, and DBP scored worse this year, taking their scores higher up the rankings compared to last year. Union Bank and Land Bank both went up one spot while DBP is no longer the least dirty bank as it jumped to the 14th spot.

Other factors that caused movement in the ranking are the changes in the shares for loans and bonds, plus the inclusion of Robinsons Bank into the report which added one more into the divisor for all scores. New bonds meant a bigger total bond amount which also increased the shares of banks involved in this issuance: BDO, Metrobank, China Bank, and Security Bank. This in turn made the shares of East West and PBCOM decrease.

Coal Divestment Scorecard 2022

Bank	Coal Financing - Overall	Divestment Policy	Climate Action	Overall Score
Bank of the Philippine Islands	4.00	0.50 ↑	1.63 ↑	3.75 ↓
Philippine National Bank	3.00	0.00	0.40	2.98
BDO Unibank	3.00	0.39 ↑	1.50	2.84 ↓
Metropolitan Bank & Trust	2.00	0.00	0.50	1.98
China Banking Corporation	2.00	0.00	0.95	1.96
Security Bank	2.00	0.11 ↑	0.68 ↑	1.96 ↓
Rizal Commercial Banking Corp.	2.00	0.75 ↑	2.03	1.83 ↓
Asia United Bank	1.00	0.00	0.10	1.00
Bank of Commerce	1.00	0.00	0.15	1.00
Robinsons Bank	1.00	0.00	0.25	1.00
United Coconut Planters Bank	1.00	0.00	0.25	1.00
Union Bank	1.00	0.14 ↓	0.90	0.97
Land Bank of the Philippines	1.00	0.00	1.60	0.97
Development Bank of the Philippines	1.00	0.68 ↓	2.83 ↑	0.90
East West Banking Corp.	0.00 ↓	0.00	1.13	0.00 ↓
Philippine Bank of Communication	0.00 ↓	0.00	0.25	0.00 ↓

** For red columns, higher scores are worse. For green columns, higher scores are better. Arrows indicate the scores' directions of change from the April 2021 scorecard.*

Recommendations

The Coal Divestment Scorecard presents benchmarks to be met for a bank to be considered as a leader in coal divestment and climate action efforts. While banks' scores are telling of how they are faring in terms of exerting climate-aligned energy and sustainability policies and efforts and where key areas of improvement are, the following is a summary of recommendations:

1. While existing coal policy pronouncements from five domestic banks are far from comprehensive and sufficiently measurable against the 1.5 degree C Paris ambition, they are a welcome step forward. Banks that have not so far made any pronouncements on their coal or fossil fuel exposure, meanwhile, are lagging behind and must immediately come up with clear policies and timelines.

2. Banks that have made public pronouncements that they will no longer fund or support coal projects should ensure that they likewise do not indirectly support financing for these projects, such as through underwriting or selling securities intended for coal projects. Participation in these types of securities, whether as arrangers, underwriters, book runners, or selling agents, render useless the "no coal" policies of these banks who ultimately still enable financing to flow into the coal industry, and in the process profit from these transactions through issue management and underwriting fees and selling commissions.

3. Banks that have made public pronouncements that they will no longer fund or support coal projects should also develop and disclose comprehensive framework, strategy, and timeline to execute these pronouncements. Broadstroke pronouncements serve as a market signal to the dying viability of coal, yet offer little ability for shareholders and stakeholders alike to determine how their banks are faring in contributing to meet climate and energy transition deadlines and targets.

4. Banks that have either made pronouncements and/or are currently developing their framework should develop criteria for divesting from companies that are contributing to the coal expansion. Furthermore, they should develop engagement strategies to encourage their clients to withdraw from coal and other fossil fuel projects.

5. Coal divestment is the necessary first step to sustainable financing, which should be followed by a long-term strategy to divest in other carbon-intensive and environmentally destructive projects. All 16 banks, which are now required to implement a sustainable finance framework, should take caution that they do not merely shift from funding coal to funding equally harmful fossil gas projects. Instead, they should initiate the formulation of a fossil fuel divestment strategy which aligns with the 1.5 degree Celsius Paris Goal. In doing so, banks would be assisting government leaders in creating more ambitious targets and roadmaps for prioritizing the advance of renewable energy in the Philippines over the development of coal, gas, and other detrimental energy. This includes the careful consideration of the overall impacts of energy transition mechanisms and the raising of RE integration targets from 35% to 50% by 2030 - a matter which is now also awaiting deliberation in the Philippine congress.

Join the Movement

While the primary purpose of this Scorecard is to assist banks in evaluating where they stand in coal divestment and climate and sustainability efforts as required by the climate crisis, clients of these banks will also find information presented here useful. As their stakeholders, bank shareholders, depositors, and other customers have the capacity to influence their banks toward shifting policy and investment directions away from coal and toward sustainable power systems.

Withdraw from Coal regularly posts educational materials, updates, and opportunities to take action in its social media channels and website. Follow us to learn more.

About WFC

Launched in January 2020, the Withdraw from Coal campaign was organized by Filipino civil society groups, environmental advocates, and faith-based organizations, in order to urge Philippines banks to reduce their exposure to the risks of financing the coal industry and to assist them in aligning their businesses with the objectives of the Paris Agreement. In do- ing so, it hopes to contribute to ending fossil fuel dependence in the Philippines thus ad- dressing the threat of climate crisis.
Withdraw from Coal is coordinated by:

- Bishop Gerardo Alminaza, Diocese of San Carlos
- Bishop Broderick Pabillo, Archdiocese of Manila
- Catholic Bishops' Conference of the Philippines-National Secretariat for Social Action / Caritas Philippines (CBCP-NASSA) through the Eco-Convergence Program
- Association of Major Religious Superiors in the Philippines (AMRSP)
- Global Catholic Climate Movement - Pilipinas (GCCM)
- Center for Energy, Ecology, and Development (CEED)
- Living Laudato Si (LLS)
- Philippine Movement for Climate Justice (PMCJ)
- Philippine-Misereor Partnership, Inc. (PMPI)
- Alyansa Tigil Mina (ATM)
- WWF Philippines
- Manila Observatory

Disclaimer

For this initiative, Withdraw from Coal uses information from third party sources we believe to be reliable and have been used by similar pioneering international efforts. We, however, do not guarantee the full accuracy and completeness of available data. WFC is open to discussions with representatives of the banks subjected to this assessment on our research findings.

WITHDRAW FROM COAL

132 Matahimik Street, Barangay UP Village
Quezon City 1100