



Analysis of AXA's 12th December commitment on divestment and underwriting

On the 12th of December, AXA's CEO, Thomas Buberl, [adopted new measures to scale-up climate action](#), covering four courses of action: investments, divestments, insurance business and collective actions. This document only covers the new measures announced on divestments and on underwriting. Both concern the coal and tar sands sectors.

"Unsustainable business is now uninvestable and uninsurable business", Thomas Buberl, 12th December.

Background

AXA is the world's third largest insurance company in terms of assets and the world's second biggest financial services company in terms of revenue.

In 2015, during the first Climate Finance Day, AXA's CEO, then Philippe de Castries, stated that a ['A 2°C World Might Be Insurable, A 4°C World Certainly Would Not Be'](#) and announced a 500 million € divestment based on the exclusion of companies deriving more than 50% of their revenues from coal.

In 2017, after having adopted divestment measures from the tobacco industry a year before, AXA extended its coal divestment to the third-party assets managed by AXA IM but not those managed by AllianceBernstein, another global asset manager majority-owned by AXA. Then in April 2017, AXA became the first major insurer to stop underwriting coal companies in which it no longer invests.

I. The breakthroughs & shortcomings of AXA's new divestment measures

- A) On coal
- B) On tar sands

II. The breakthroughs & shortcomings of AXA's new underwriting measures

- A) on coal
- B) on tar sands

I. THE BREAKTHROUGHS & SHORTCOMINGS OF AXA NEW DIVESTMENT MEASURES

AXA announced a 3,4Bn€ divestment from coal and tar sands.

-> The new exclusion criteria are applied to AXA's own assets, and could be applied to the assets managed by AXA IM for third-parties if they opt-in. AXA IM should have followed an opt-out approach in order to speed up and secure the implementation of the new measures.

-> INCOMPLETE: the new measures won't be applied to the \$336 bln in assets managed for third parties by AllianceBernstein, almost 28% of AXA's total assets under management.

A) ON COAL

AXA announced a **€ 2.4 bln divestment from coal**, based on the exclusion of

a) coal power companies with more than 30% of power production deriving from coal and coal mining companies with a coal share of revenues over 30%

+> AXA aligns itself with the Norwegian Government Pension Fund and Allianz (which had already adopted this threshold in 2015) but also with the French re-insurance company (SCOR). Some French financial institutions have already gone further, with a 20% threshold adopted by CNP Assurances or Caisse des Dépôts et Consignations.

+> **By reducing its exclusion threshold from 50% to 30%, AXA will no longer invest in 20 coal mining companies listed on the GCEL¹ and 51 coal power companies listed on the GCEL², including the U.S. company Duke Energy (35%), which has been ordered to pay the biggest water pollution fine in US history, and PetroVietnam, which is not known for its activity in coal, but is planning 3600 MW of new coal power in Vietnam.**

+> **10 of these 51 companies are also in the 120 coal developers: for example, the European CEZ (47%) and Uniper (32%), which are planning new coal plants in Europe** and would not have been excluded by the 3GW criteria, as well as the US company AES Corporation (34%) which is planning new coal plants in India and in the Philippines.

+> In 2015, AXA measured the relative exposure of a company to coal by referring to the part of the turnover based on coal. As Allianz and others, **AXA is now using the share of power production derived from coal for power companies, which is a better indicator of the real climate impact of a company.**

+> This can have a clear impact on some companies which would have not been excluded without this change of approach. For example, the adoption by AXA of a 50% absolute threshold, had not resulted in its divestment from the German company RWE, the biggest coal power producer and polluter in Europe, because the coal share of its power production is 54%, but its coal share of revenue is 41%. **RWE, which should have already been dropped from AXA investment portfolio in 2015, is now excluded.**

---> EXEMPTION: AXA is allowing exemptions for power companies exposed to coal between 30% and 35 %, and which according to AXA, are "displaying a robust energy transition plan". The GCEL lists 21 power companies between 30 and 35%³. According to AXA, a robust energy

¹ Additionally, there are 21 mining companies with estimated csr >30%, with no guarantee if they are below 50% or not.

² Additionally, there are 5 power companies with estimated cspp >30%, with no guarantee if they are below 50% or not.

³ For 7 of them, their exposure is calculated from their installed capacity and not from the share of coal in their electricity production.

transition plan “would notably include a strategic reorientation towards a less carbon-intensive energy mix, advanced climate risk disclosures, or the provision of solutions for a low carbon economy, backed by relevant indicators, and underpinned by clear evidence that the company recognizes the need for a long term strategy shift”.

b) coal mining companies producing more than 20 mln tons of coal a year ;

+++> FIRST MOVER: AXA is the first investor going beyond the adoption of a relative threshold to also adopt an absolute threshold based on the size of a company’s coal operations and in consequence on its real impact on climate.

+> The GCEL lists 78 mining companies producing more than 20 mln tons of coal a year, including **Glencore** (UK/Switzerland), **Anglo American** (Australia). **These two companies are in the top 15 world coal producers with an annual coal production around and above 100 million tons. But with less than 25% of their revenue based on coal, these 3 companies would not be excluded by investors which only adopt the relative exclusion criteria of 30%.**

---> **INCOMPLETE:** AXA does not complete the job by applying the same approach to coal power producers and by adopting the 10 GW exclusion threshold⁴.

c) companies planning more than 3 GW of new coal.

+++> AMONG THE FIRST MOVERS: AXA is the first major investor adopting an exclusion criteria based not only on a company’s current coal activity but also on its future plans to build new coal capacity, and in consequence, on its future impact on climate.

+> **AXA’s commitment covers 56 companies, including 55 companies listed in the CPDL⁵.** From the financial research done by Profundo on the investors’ exposure to the 120 coal developers, some examples of companies that will now be excluded from AXA investment portfolios are **the Japanese company Marubeni and South Korea’s KEPCO** which both have aggressive coal development plans in several countries, including in some frontier countries with no or little coal power capacity.

---> **INCOMPLETE: AXA should widen its approach and exclude all coal developers, regardless of the amount of their coal planned capacity. A good example to follow would be the Dutch bank ABN Amro** which announced in 2017 that it will no longer finance utilities which are planning to increase their installed coal power capacity.

The CPDL lists 65 companies planning new coal capacity up to 3 GW, 22 of them are excluded from AXA’s investment universe because of the 30% exclusion threshold. AXA could still invest in at least 39 companies listed in the CPDL⁶.

From the financial research done by Profundo on the investors’ exposure to the 120 coal developers, AXA is exposed to 3 out of the 39 companies planning up to 3GW and with a coal share of power less than 30%: China Energy Engineering Corp, Chubu, and TEPCO.

Beyond the CPDL, the GCEL lists 164 other coal developers which are planning less than 3GW of new coal capacity. AXA could still invest in more than 64 of them which have a coal share of power production below 30%⁷.

⁴ Not all utilities report on their coal consumption, therefore, the GCEL also uses a 10,000 MW threshold. Utilities with an installed coal capacity of 10,000 MW invariably burn over 20 million tons of coal per year.

⁵ The GCEL lists 282 companies planning new coal plants, 120 of them are listed in the CPDL. 56 of the GCEL and 55 companies of the CPDL are planning more than 3GW (75 of the GCEL and 64 of the CPDL are involved in coal plants totalling more than 3GW).

⁶ We don’t have the share of coal in the Coal Share of Power Production of 4 of these 65 companies

⁷ 48 of the 164 meet the >30% cspp criterion, 65 do not. We don’t have the share of coal in the power production of 51 of the 164 companies planning less than 3GW and are not on the CPDL.

Any new coal MW is inconsistent with the climate targets of the Paris Agreement, and AXA must make its investment in companies planning up to 3GW of new coal capacity conditional upon their cancellation of plans for new coal plants, in line with the recent announcement by the French Insurance Federation.

As other insurers, AXA must set a clear timeline here, with the COP24 in 2018 appearing as a relevant deadline for companies to give up their coal power development plans. Particular attention should be given to AXA's position in regards to the 3 companies listed above.

Additional exemptions are for subsidiaries with an activity not related to coal and financial arms no longer emitting coal-related debt.

=> AXA is divesting from 113 companies. This more than double the number of coal companies divested in 2015. 6 companies are being exempted from the new policy.
=> Despite strong shortcomings and a lack of consistency in the approach, AXA is a first mover by adopting two new criteria and positioning itself as a leader on fossil fuels divestment. To be followed.
=> Next steps for AXA will be a) to divest from all new coal power and mining developers ; b) to apply its policy to all assets under management; c) divest from the 233 coal service companies listed in the GCEL ; d) to adopt the 10GW threshold.

B) ON TAR SANDS

AXA also announced a **€700 mln divestment from tar sands**, based on the exclusion of

a) companies for which more than 30% of their proven and probable oil reserves are tar sands reserves;

-> This threshold covers around half of the tar sands producers in the world, and around 70% of the world's proven and probable tar sands reserves.

-> Among the companies in which AXA can no longer invest, is the Canadian company Teck Resources which is planning a huge new open-pit tar sands mine, called the Frontier Project, at a projected cost of more than C\$ 20 billion. Located in Alberta, it would produce 260,000 barrels per day of bitumen and would be operated until 2067, 17 years after global carbon emissions must be zeroed out in order to limit global warming to 1.5°C.

b) the 3 major companies planning new tar sands pipelines in North America.

-> This refers to TransCanada, Enbridge and Kinder Morgan, three companies which are planning new tar sands pipelines in North America. The Keystone XL, Line 3 and Trans Mountain pipeline projects raise serious concerns for Indigenous human rights as well as for the climate.

=> AXA is divesting from 13 tar sands production companies and from the 3 companies planning new major tar sands pipelines: TransCanada, Enbridge and Kinder Morgan.
=> The next step for AXA will be to divest from any companies which do not give up their development plans in the tar sands sector.

II. THE BREAKTHROUGHS & SHORTCOMINGS OF AXA NEW MEASURES ON UNDERWRITING

A) ON COAL

- a) **AXA announced it will no longer provide construction cover to any new coal power plant and mine project.**

-> Until now, AXA like Zurich only stopped underwriting companies that fell under its first divestment action as they derive more than 50% of their revenue from coal.

+> FIRST MOVER: AXA is the first insurer to adopt restrictions covering any new coal project. Zurich and Scor have stopped insuring new coal mines and Scor also ended insuring of new lignite plants.

- b) **AXA announced it will no longer provide property cover to existing coal plants and mines, when they are included in coal-only risk packages.**

-> Just like Scor which ended underwriting of existing lignite mines or plants, AXA's new measure only applies to coal-only packages.

-> EXEMPTION: Some exemptions will be applied to some countries where AXA identifies coal power plants as the only baseload energy and where there are concerns in regards to energy access.

B) ON TAR SANDS

AXA announced it will no longer insure any risk related to tar sands production and pipeline transportation.

+> AXA is following Swiss Re, which has already stopped underwriting tar sands. Both have also stopped insuring Arctic drilling projects.

=> AXA is the first insurer to move on underwriting and investment at the same time, maintaining consistency across both areas of business. This consistent approach must be followed by other insurers.

=> The next step for AXA will be to stop providing insurance to any companies which do not give up their development plans in the tar sands sector.