

Mr. Jean-Laurent Bonnafé
Chief Executive Officer
BNP Paribas
16, boulevard des Italiens
75009 Paris

Montreuil, 11th October, 2016

An end to BNP Paribas financing of coal development in Poland – support for Polska Grupa Energetyczna (PGE) should stop first

Dear Mr. Bonnafé,

We are alarmed about the current and ongoing coal development plans in Poland and concerned about the support for such development which is being provided by BNP Paribas. As a group of civil society organisations, we are writing to urge BNP Paribas to exclude the Polish coal company Polska Grupa Energetyczna (PGE) from further financial support.

We appreciate the measures which BNP Paribas adopted last year in order to reduce its support for coal. These are important first steps towards a complete fossil fuel phase-out from the bank which is now necessary in order to meet the agreed international objective of holding the increase in the global average temperature to well below 2°C, if not 1.5°C, as agreed at the Paris climate summit in December 2015.

In this regard, we also acknowledge BNP Paribas' signing of the Paris Pledge for Action, including the commitment "to ensure that the ambition set out by the Paris Agreement is met or exceeded". We truly believe that, as a global institution, BNP Paribas can play a significant role in driving the decarbonisation of the global economy. However, and unfortunately, currently BNP Paribas is not equipped to meet the challenge.

While, according to Ecofys, any new coal-fired power plant is inconsistent with a 2°C scenario¹, there are currently more than 2000 coal fired power plants under preparation to be built in the world. If all were to be built, according to Climate Action Tracker, "emissions from coal fired power generation in 2030 would be 400% higher than what is consistent with scenarios limiting warming to below 2°C."

Such projects are not only being planned in non-high income countries, but also within the EU – in Poland. Indeed, despite opposition from local communities and flying in the face of the EU's environmental legacy and ambitions, Poland is pushing hard, along with its state-owned coal companies such as PGE S.A, to open and develop new hard coal and lignite open pit mines and new coal fired power plants.

PGE, the largest Polish energy utility which derives over 90% of its electricity production from burning coal – including 33.43% from lignite – is known for its Bełchatów lignite-fuelled power plant, the dirtiest power plant in the EU which emitted 37 million tons of CO₂ in 2013².

PGE plans to develop more than 5000 MW of new coal capacity³, including a 450 MW unit at its 1500 MW Turów lignite power plant⁴ In Opole, two additional 900 MW hard-coal units are planned, which will make the Opole power plant the biggest hard-coal power plant in Poland.

In addition to all of this, PGE, which is responsible for three quarters of the lignite production in the country (totalling up to 49.4 million tons of lignite extracted in 2015), also intends to open new lignite

¹ See: <http://www.ecofys.com/files/files/ecofys-2016-incompatibility-of-hele-coal-w-2c-scenarios.pdf>

² See: <http://www.caneurope.org/docman/coal-phase-out/2913-dark-cloud-report/file>

³ According to the Global Coal Plant Tracker database: <http://endcoal.org/global-coal-plant-tracker/>

⁴ The Turów lignite power plant is the nineteenth dirtiest coal fired power plant in the EU (10 million tons of CO₂).

mines. The Zloczew open pit mines, involving more than 600 million tonnes of lignite, are planned to start operating by 2020. Another huge lignite mine, with over 1,5 billion tonnes of lignite and which would require a new 1600-2400 MW lignite plant to be built in its vicinity is planned at Gubin-Brody by 2023⁵.

The build-up of such huge lignite and hard coal capacities will have dire consequences for Poland, the EU, and the whole world. Not only would the construction of this new coal capacity lock in carbon-based infrastructure for many decades to come and block the development of renewable energy and energy efficiency in Poland, it would blatantly disregard established EU climate targets and the economic support provided by the EU for many years and aimed at supporting Poland's energy transition.

We believe that any support for the construction of this new coal capacity would discredit your institution's stated position on climate change.

In 2015, BNP Paribas committed to not provide project finance for new coal fired power plants in high income countries⁶ and to *"only provide financial products and services to, or invest in, CFPG [coal-fired power generation] companies that [...] has a diversification strategy to reduce the share of coal in its power generation mix"*⁷. Excluding PGE from BNP Paribas support is the only appropriate action to take in order to be in line with and meet this commitment.

In September 2015, PGE secured a USD 1,459.8 million loan from a syndicate of eight banks for general corporate purposes. This loan was divided into two tranches: a USD 958.2 million eight year term loan (to be paid back by 2023) and a USD 501.6 million revolving credit facility. BNP Paribas contributed an estimated amount of USD 182.5 million to this deal: USD 119.8 million and USD 62.7 million for each tranche respectively⁸.

While part of this loan is intended to finance the building of two hard coal units at the Opole power plant, BNP Paribas must make sure to not support any further PGE coal investment by immediately announcing the exclusion of PGE from BNP Paribas support.

We acknowledge that BNP Paribas has already engaged in the exclusion of around 20 companies.⁹ However, counting the power generation sector alone, there are more than 600 companies involved in the planned 1400 GW new coal capacity around the world. This puts into acute perspective the small number of exceptions you have made to date, and we urge you to accelerate the review of your portfolio and the exclusion of companies with coal development plans – the exclusion of PGE, we would suggest, should be an immediate priority for BNP Paribas in this regard.

We also urge you to specify in your recent policy on coal power plants that BNP Paribas do not provide financial products and services to, or invest in, CFPG [coal-fired power generation] companies with coal development plans.

Sending a clear signal that BNP Paribas is truly engaged in the global energy transition is essential. We would point out that this opportunity could be seized before COP 22 in Marrakech, Morocco, for example on 'Climate Finance Day' on the 4th of November.

As part of a global network of non-governmental organisations which are focused on preventing the development of the coal sector, we will be closely monitoring BNP Paribas' position on these issues in the coming weeks, and will react accordingly.

We would appreciate an answer by the 25th of October.

Yours sincerely,

⁵ If the plan is realised, approximately ten villages would have to be destroyed, see: <http://en.frankbold.org/our-work/campaign/lignite-mine-gubin>

⁶ Given the fact that only 6.5% of the 1400 GW planned new coal capacity in the world since 2010 is located in high income countries, this restriction is well below what the climate science requires and BNP Paribas must follow Natixis and commit to not provide any project finance to new coal fired coal power plants, without any geographic, economic or technical exception.

⁷ https://group.bnpparibas/uploads/file/csr_sector_policy_coal_fired_power_generation.pdf

⁸ Thomson Reuters Eikon, "PGE – Company Deals", viewed September 2016.

⁹ As stated in a letter of 18th May 2016 from Laurence Pessez to Les Amis de la Terre France.

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