Joint Press Release

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MUFG announced its revised climate policy and 2030 target for power and oil and gas sector
Still inconsistent with 1.5°C

350.org Japan
Kiko Network
Japan Center for a Sustainable Environment and Society (JACSES)
Friends of the Earth Japan
Mekong Watch
Rainforest Action Network (RAN)

Tokyo- On April 1, Mitsubishi UFJ Financial Group (MUFG) announced (1) Revision of the MUFG Environmental and Social Policy Framework and ②MUFG Progress Report (in Japanese only).

Although the six environmental NGOs in Japan acknowledged some progress made by MUFG in its revised climate-related policies and its sectoral 2030 targets for decarbonization, we believe they have some critical issues remaining, such as the following.

1. **Corporate finance portfolio reduction targets for coal-fired power plants**

Although the scope of MUFG's "portfolio reduction targets for coal plants by 2040" has been expanded from project finance to corporate finance, it can only cover **project-tied corporate finance** for clients in the electric power sector. Therefore, it can be interpreted that MUFG can continue corporate finance other than project-tied corporate finance. It is far behind the policies of its foreign peer banks, which have policies to limit all financing to companies with expansion plans.[1]

Furthermore, since it excludes "projects that contribute to efforts toward a transition to a carbon-free society," it is a concern that MUFG can support coal-fired power plant projects that use technologies such as CCUS and ammonia/hydrogen co-firing. These technologies are highly uncertain and will contribute little to emission reductions by 2030, which could only extend the life of existing power plants.

In addition, to keep the global temperature rise below 1.5 °C, it is necessary to reduce the operation of coal-fired power plants to zero in 2030 in developed countries and 2040 worldwide. Compared to overseas banks that take a geographical approach, MUFG's policy is inadequate and cannot be regarded as consistent with the 1.5 °C target.

2. **Setting 2030 targets for the "power" and "oil and gas" sectors**

[1] https://coalpolicytool.org/

MUFG set the 2030 target in the (1) "power" and (2) "oil and gas" sectors toward net-zero portfolio emissions in 2050, which made them the first Japanese megabanks to announce such targets. However, the emission reduction target for the power sector is the “intensity" target, reduced from “349gCO2e/kWh to 156-192gCO2e/kWh". It is insufficient because fossil energy electricity can increase with the intensity target. Therefore, it is necessary to set a reduction target in absolute amounts. MUFG claims that emission reduction targets for the oil and gas sector, which is to “reduce absolute emissions by 15%-28% from 83MtCO2e baseline", is consistent with the IEA's 2 °C and 1.5 °C scenarios. We believe the IEA scenarios largely rely on offset technology, and 15-28% reduction is not enough. As was emphasized again at COP 26, the world needs to halve emissions by 2030.[2] In addition, the scope is limited to "upstream production business", and support for fossil fuel infrastructure such as oil/gas pipelines, LNG terminals, and oil/gas-fired power plants is not covered in this target. These middle and downstream sectors should also be included.

3. Revision of coal mining sector policy

The revised policy ruled out financing for “new thermal coal mining projects for power generation”. However, there are still loopholes, such as the expansion of existing projects and corporate finance for coal mining companies, which are inconsistent with the 1.5 °C target. For example, MUFG can continue to fund pure-play coal mining companies such as White Haven Coal in Australia and Adaro Energy in Indonesia, which have expansion plans in the coal mining sector.

We should also note that Mizuho Financial Group announced a similar policy one year ago.

4. Addition of oil and gas (shale oil and gas, pipeline) sector

In addition to the current "oil sand" and "development of the Arctic" in the oil and gas sector, "shale oil and gas" and "pipeline" have been newly added to "transactions of high caution". However, they are limited to assessing the impact of environmental and social risks and do not ban financing for those sectors. Thus, it is far behind overseas financial institutions with such restriction policies for unconventional and conventional oil and gas sectors[3].

<Comments from joint release organizations>

Eri Watanabe, Senior Finance Campaigner, 350.org Japan

"The day before the policy announcement, a new NGO research revealed that the MUFG is the world’s 6th and the worst Asian fossil bank since the Paris Agreement.[4] Despite some progress made in this announcement, vast loopholes and late deadlines remain, which makes it inconsistent with the 1.5 °C target. MUFG became the first Japanese megabank to announce its

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[2] https://unfccc.int/sites/default/files/resource/cop26_auv_2f_cover_decision.pdf

[3] https://reclaimfinance.org/site/en/2022/03/22/the-oil-and-gas-policy-tracker-a-tool-to-detect-greenwashing-practices-in-the-finance-sector/

[4] https://www.bankingonclimatechaos.org/

2030 emission reduction targets for the power and oil and gas sectors. However, they are also insufficient to meet the 1.5 °C target, and upgrading its targets is necessary. There is no room for new fossil fuel infrastructure development and expansion of existing projects if humankind is serious about tackling the climate crisis. Banks like MUFG should urgently put forth a policy that rigorously stops financing such businesses and the companies that promote new and expansion of fossil fuel projects. ”

Yuki Tanabe, Program Director, Japan Center for a Sustainable Environment and Society (JACSES)
"On March 31, the day before the announcement of this policy, it was reported that MUFG Bank, through its subsidiary, Bank of Ayudhya (locally known as Krungsri), signed a loan agreement for the Hin Kong gas-fired power project planned in Thailand. Yesterday's financing decision has overwhelmed today's announcement of policy and target enhancements. It has spotlighted the announced policy on the oil and gas sector as inadequate to meet the goals of the Paris Agreement. It is necessary to stop financing new oil and gas projects as soon as possible. "

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