April 16, 2020

Joint Statement
Citing Paris Agreement, SMBC Group announces new coal financing policy but still lags behind Mizuho

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Today, Sumitomo Mitsui Financial Group (SMBC Group) released a statement on "Consideration of ESG risks,"[1] which revises some of the Group's ESG-related policies. On the topic of coal-fired power generation, it states that "Support for newly planned coal-fired power plants, in principle, is not provided," giving the impression that the Group is ending its funding for coal power. However, it also states that "Exceptions may be considered for those projects which use environmentally friendly technologies, such as ultra-supercritical pressure and for those projects which have been provided support before the revision."

To achieve the Paris Agreement's long-term goals, developed countries need to completely stop the operation of coal-fired power plants by 2030, and developing countries by 2040. So there is no space to build any new ones. Regardless of whether the technology used is ultra-super critical (USC) or better, or "projects which have been provided support before the revision," any new coal-fired power projects are clearly inconsistent with the Paris Agreement. In addition, the policy makes no mention of anything about stopping to finance coal mining and other fossil-fuel-related industries, or reducing the outstanding balance of credit for those industries. SMBC Group signed the UN Principles for Responsible Banking (PRB) and made a commitment to align its business strategy with the Paris Agreement, but it is obvious that the revised policy is still insufficient. SMBC Group's policies still lag far behind the investment and loan policies of many overseas financial institutions.

With this announcement by the SMBC Group, all three Japanese megabanks have now declared that they will stop financing new coal-fired power plants. But the credibility of their policies will now be put to the test: Will they provide financing for the Vung Ang 2 coal-fired power project in Vietnam? The Japan Bank for International Cooperation (JBIC) and four Japanese private banks, including the SMBC Group, are currently considering funding this project. Meanwhile, other major international banks, namely, Standard Chartered Bank (UK), OCBC Bank (Singapore) and DBS Bank (Singapore), have already withdrawn from the project, citing their policies to end coal financing. Decisions by the Japanese banks -- to either withdraw from Vung Ang 2 or to apply their exception clauses and go ahead with

[1] https://www.smbc.co.jp/news_e/e600579_01.html

funding -- will be a clear indicator of the real effectiveness of their current policies on climate change mitigation.

Meanwhile, there are differences in the scope of coal policy exceptions among Japanese banks. On April 15, Mizuho Financial Group (Mizuho) announced a new coal policy, containing exceptions that would apply for “projects to which Mizuho had already expressed its intention to provide financing prior to the start of this policy” and for “replacement projects” in cases necessary for a stable energy supply in the host country and for reduction of greenhouse gas emissions (see NGO’s *Joint Statement: Mizuho Financial Group’s new coal policy should close all loopholes*).[2] On the other hand, SMBC Group excludes “those projects which use environmentally friendly technologies, such as ultra-supercritical pressure,” which leaves larger loopholes than Mizuho. The SMBC Group’s revised policy is of nearly the same standard as a policy announced by Mitsubishi UFJ Financial Group (MUFG) in May 2019. In that context, SMBC Group is making very slow progress and just playing catch-up with MUFG. Its level of climate policy ambition needs a boost.

For the above reasons, we call upon the SMBC Group to further strengthen its policies. We urge SMBC Group to remove the exceptions mentioned above and establish a policy that immediately stops financing for all coal-fired power projects. We also urge SMBC Group to declare a policy of withdrawing from investments and lending (corporate lending, underwriting and holding of debt and equity) for companies that are heavily dependent on coal (power generation, mining, etc.), and companies planning to build new coal-fired power plants. It is also important to establish policies, based on science and the Paris targets, to limit investing and lending not only for coal-related industries, but also other fossil-fuel-related industries, as they are sources of carbon emissions.

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[2] https://sekitan.jp/jbic/en/2020/04/15/3964