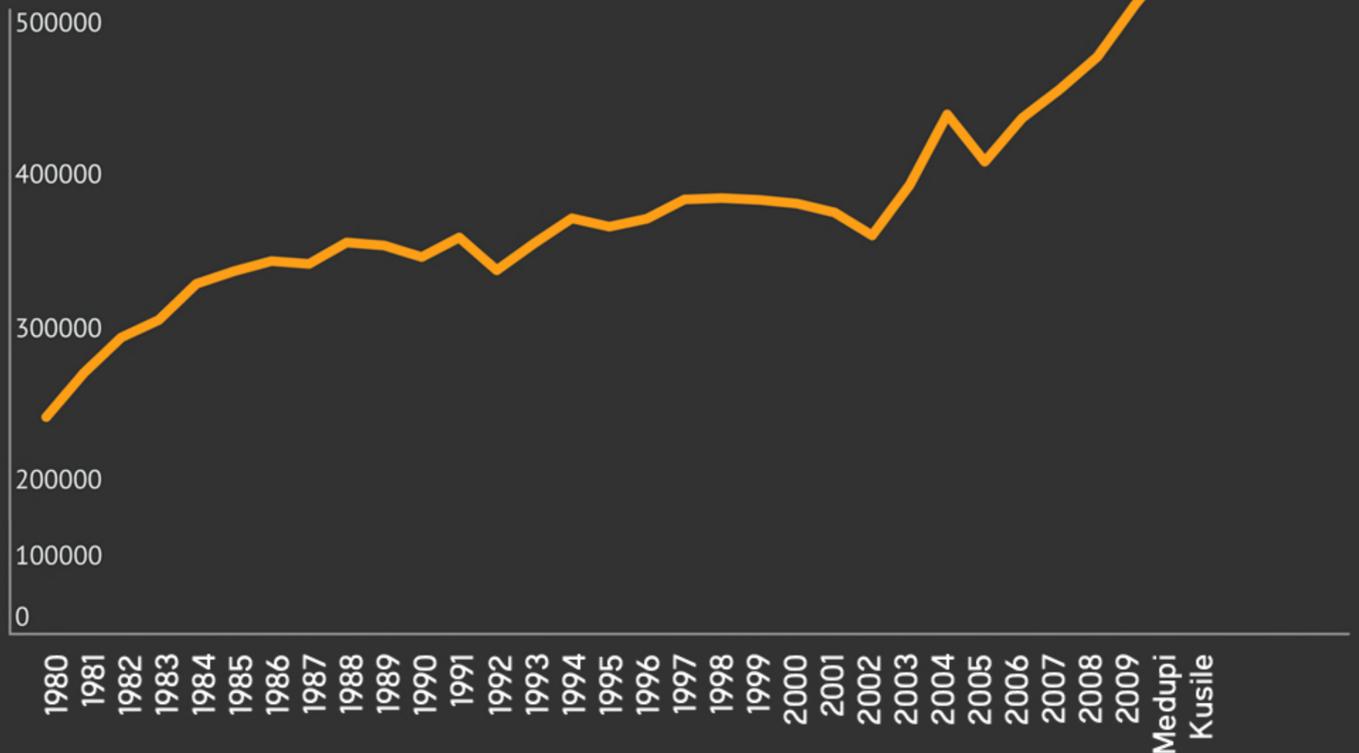


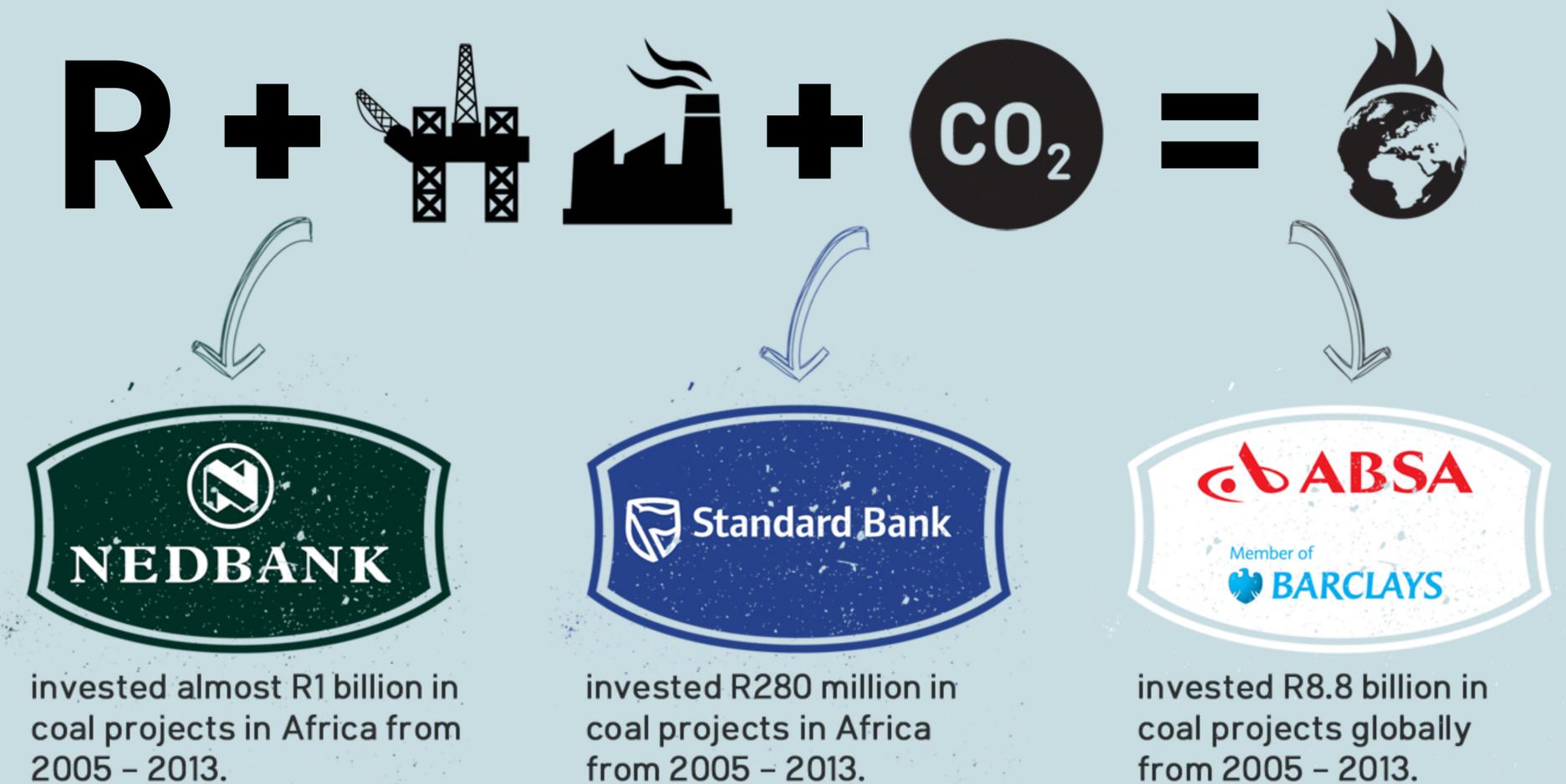
# SOUTH AFRICA'S COAL ADDICTION

South Africa's CO<sub>2</sub> emissions have more than doubled since 1980 to almost 500 000 kt per year, largely due to our coal addiction. When Medupi and Kusile coal plants come into operation, we will emit 75000 more kilotonnes of CO<sub>2</sub> every year.



## THE DIRTY BANKS

South African banks are greenwashing their work while funding Africa's growing addiction to fossil fuels at the same time. Behind closed doors, they are financing massive coal power stations, oil refineries and drilling rigs. This contributes to climate change, uses and pollutes huge amounts of scarce water and affects people's health.



The banks have their fingers on the trigger: keep on financing and lot of people are going to suffer here on the continent that faces the worst impacts of climate change.



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# FOSSIL FREE AFRICA: WHY AND HOW TO DIVEST FROM FOSSIL FUELS



A just transition away from coal to clean solar and wind energy will certainly not happen overnight but we can have a fossil free future with solar, wind and other renewable energy sources providing clean, sustainable and locally-generated electricity for millions of people across the continent.

A bold step change is required in investment in clean renewable energy and far greater ambition and political will by governments to beat their addiction to coal. Banks, pension funds, universities and faith based organisations will play a crucial role in the just transition by committing to stop financing future projects, to divest their existing investments and to backing renewable energy.

The Fossil Free Africa campaign is beginning with a call on South Africa's dirty banks to commit to:

- full disclosure of their fossil fuel investments prioritising investment in renewable energy financing
- developing a true risk profile of fossil fuel investments
- support for research on the true cost of fossil fuels to people and the environment in particular water pollution and access
- a public statement committing to stop financing future mining, refineries and power station projects in South Africa and across Africa

The growing global grassroots divestment movement has seen over 160 universities, faith based organisations and pension funds commit to moving their investments out of fossil fuel companies in the last 4 years. The Fossil Free South Africa campaign is also part of the divestment movement with calls on UCT and other varsities across the country to divest their endowments.

## THE DIRTY BANKS

2014 is on track to be a record year for global CO<sub>2</sub> emissions yet global commercial banks' investments in coal continue to increase. 2013 was a record year for coal finance with banks globally

providing more than R880 billion (\$88 billion) to the main 65 coal companies, over four times the amount provided in 2005.

The single greatest source of man-made carbon dioxide (CO<sub>2</sub>) emissions is coal. According to the IEA 44% of global emissions from fossil fuels come from coal. Since the year 2000, global coal production has grown by over 69% and now amounts to a staggering 7.9 billion tons annually. And since 2005 – the year in which the Kyoto Protocol came into force – the installed capacity of coal-fired power plants has increased worldwide by 35%. Coal has been the fastest growing energy source for every year of the last decade.

South African banks are playing a crucial role in financing Africa's growing addiction to fossil fuels yet attempt to greenwash their activities. Despite various corporate sustainability claims, figures from the recent annual reports of Nedbank, Standard Bank and Absa / Barclays show a combined R10 billion of direct financing for coal projects between 2005 and 2013 which contributed to combined annual profits of over R32 billion in the 2013 financial year.

## COAL AND ENERGY PRODUCTION IN SOUTH AFRICA, GHANA AND KENYA

Primary energy consumption has risen over the past 20 years in Africa from 366 terawatt-hours to 703 terawatt-hours, a rise of 92 percent. South Africa's primary energy consumption over the same period has increased from 181 terawatt-hours to 256 terawatt-hours, a rise of 41 percent. The hunger for primary energy continues to threaten climate change mitigation and adaptation efforts, as the burning of coal continues to contribute to rising global emissions.

In spite of global pressures to move towards renewable energy, thermal coal is currently a predominant driver of energy generation in several countries on the continent towards 2030.

[1] 'Global Carbon Budget 2014', Earth System Science Data journal – Emissions for 2014, according to the research, are set to rise to 40bn tonnes. That compares with emissions of 32bn tonnes in 2010, showing how fast the output is rising.

[2] 'Banking on Coal', [http://www.banktrack.org/show/pages/banking\\_on\\_coal\\_2014\\_report](http://www.banktrack.org/show/pages/banking_on_coal_2014_report)

[3] 'Banking on Coal', [http://www.banktrack.org/show/pages/banking\\_on\\_coal\\_2014\\_report](http://www.banktrack.org/show/pages/banking_on_coal_2014_report)

However the commissioning of new coal-fired power plants will effectively lock in CO<sub>2</sub> emissions for the next 30 to 40 years. If climate change is to be addressed and the average global rise in temperature limited to 2 degrees, a moratorium on new coal-fired power plants and the decommissioning of existing plants could provide an effective first step towards a sustainable carbon future.

South Africa has proposed the development of a third coal-fired power station, Coal 3. However as the national energy provider Eskom was not awarded its proposed 16 percent electricity tariff increase, it has no funds for Coal 3 and is dependent on external financiers to fund future coal-fired power plants in the country. Both Ghana and Kenya are also currently exploring opportunities around coal-fired power generation to ensure future energy security.

2014 is on track to be a record year for global CO<sub>2</sub> emissions yet global commercial banks' investments in coal continue to increase.

## SOUTH AFRICA'S COAL ADDICTION

South Africa remains in the top ten coal producing as well as coal consuming countries in the world. The top 5 coal producers in South Africa based on market capitalization are: BHP Billiton's Energy Coal South Africa (BECSA), Anglo American Thermal

Coal, Xstrata Coal – now known as Glencore, Exxaro Resources, and Sasol Mining.

## COAL INVESTMENTS: A GAMBLE FOR THE BANKS WAGERING ON YIELDS

According to Els, 2014, global coal mining still requires ZAR8,127 billion investment through to 2035. This investment does not include the costs of actual mining operations or the transportation costs. A further, ZAR3,317 billion is potentially required to develop transportation infrastructure, mainly rail. Investment into coal is regarded as less expensive per equivalent unit of output than oil or gas (Els, 2014).

Greenpeace commissioned a study to understand the external cost of coal combustion in South Africa, in 2011, and estimated the true cost of coal combustion for the country to potentially be ZAR60.6 billion (Greenpeace, 2011). Rainforest Action Network et al's (2014) Coal Finance Report Card states that the financial case for investment into coal is declining.

Yet between 2005 and 2013, Barclays Group, Nedbank and Standard Bank continued to underwrite investments and make loans to the value of ZAR9.89 billion. Garnering combined profits of around ZAR32.5 billion for the 2013 annual financial year.

### Coal producers in South Africa

Company	Market capitalization (Million ZAR)	Share price (ZAR)	Tonnes produced (Mtpa)	Operating profit (FY13)	P/E Ratio <sup>1</sup>
Anglo American Thermal Coal	378 528	2697	749	USD 6 620 Bil	17.6
BHP Billiton Energy Coal South Africa (BECSA)	710 428	3354	1 671	USD 19 225 Mil	9.9
Exxaro	53 359	149	40	USD 323 Mil	10.7
Glencore	841 478	6345	138	USD 10 375 Mil	14.1
Sasol Mining	406 991	625	43	USD 3 688 Mil	14.2

Source: Bloomberg (with permission) 2014, Company annual reports, 2013

### Companies investing in thermal coal in Africa (2014)

Company	Market Capitalization (ZAR Bil)	Operating profit (FY13) (ZAR Mil)	Disclosed coal Investment(s) (ZAR Mil)	Sphere of influence	Public listing
Barclays Group	142	8 735	8 800	Global/Regional/National	JSE/LSE
Nedbank	120	7 168	970	National	JSE
Standard Bank	225	16 660	280	National	JSE

Source: Bloomberg (with permission), BankTrack (with permission), Company reports, 2013

## BANK REPORTING OF FOSSIL FUEL INVESTMENTS

Based on the annual and sustainability reports of Nedbank, Barclays Group and Standard Bank, it is evident that whilst figures and information are often provided for annual investments into renewable energy projects, thermal coal and other fossil fuel projects are not disclosed in full. Banks have also systematically failed in the past to disclose any relevant figures informing their customers, shareholders and other stakeholders about the amount of carbon emissions they are co-responsible for emitting.

## NEDBANK CAPITAL COAL DEALS

Nedbank Capital has listed some of their key deals on their company website, three of these related to

investments made into the coal mining companies Anglo American, Glencore and Exxaro.

## ENVIRONMENTAL POLICIES FOR BANKS

Nedbank, Standard Bank and Barclays / Absa use guidelines around four core areas to address their sustainability, these include: financial sustainability, environmental sustainability, social sustainability and governance. On the environment the table below compares respective carbon emissions policies.

The tables below clearly illustrate the contradictions of Nedbank's policies. Nedbank cannot claim to have no GHG emissions if it is financing coal projects. It is time to take responsibility for the full impacts of Nedbank's coal investments and financing.

### Nedbank Capital Coal Deals

Type of finance	Date	Company	Value	Time	Role
Debt origination	2012	Anglo American	ZAR 2 Bil	5 & 7 year	Lead manager
Global commodity finance	n/a	Glencore International	ZAR 38.5 Bil	Syndicated revolving credit facility	Senior lead arranger
Resources Finance	2013	Exxaro	ZAR 3.85 Bil	Preference shares to refinance Main Street 333's Mezzanine debt	n/a

Source: Nedbank Capital website, 2014

### Carbon emissions policies for banks

Company	Decarbonisation	Emissions thresholds for lending and investment activities	Internal targets for reducing emissions set	Reporting on internal targets for emissions
Barclays Africa Group	Committed to reduce carbon footprint by 4% from 2010 levels, achieved 12% reduction in 2012	Stated that their climate action programme will look at indirect consequences of their lending and investment activities	Yes	Yes
Nedbank Capital	Committed to carbon neutrality across its operations by 2010 – achieved in 2010	No greenhouse gas emissions performance standards disclosed for transactions	Yes	Yes
Standard Bank	Increased the scope of electricity consumption measurement to 100% for RSA operations in 2012	No greenhouse gas emissions performance standard disclosed for transactions	Unclear	Yes

Source: Barclays Citizenship report, 2012; Nedbank integrated report, 2013; Standard Bank sustainability report

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