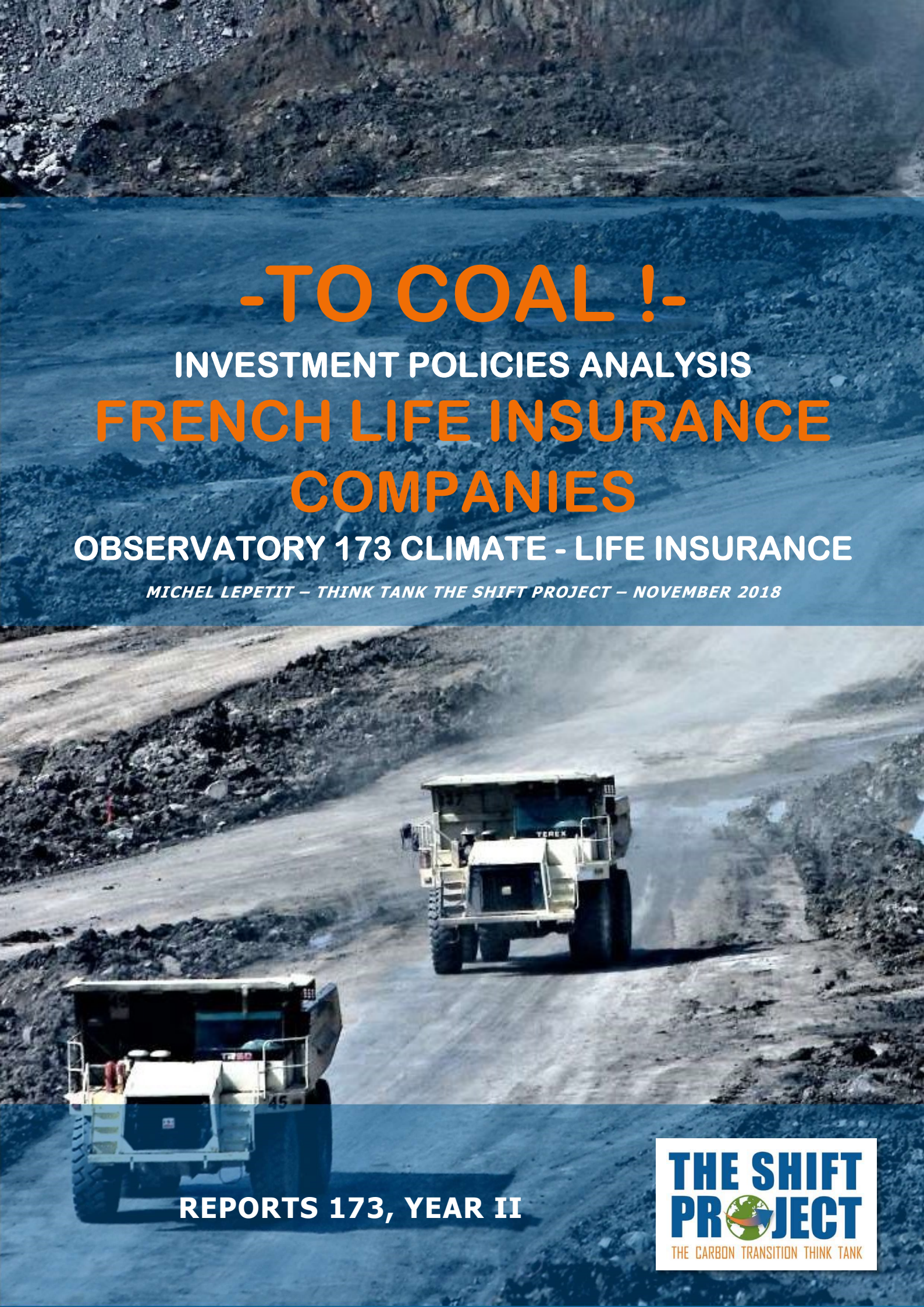




-TO COAL !-

INVESTMENT POLICIES ANALYSIS

**FRENCH LIFE INSURANCE
COMPANIES**

OBSERVATORY 173 CLIMATE - LIFE INSURANCE

MICHEL LEPETIT – THINK TANK THE SHIFT PROJECT – NOVEMBER 2018

REPORTS 173, YEAR II

**THE SHIFT
PROJECT**
THE CARBON TRANSITION THINK TANK

About Observatory 173 Climate - Life Insurance

Why the Observatory 173 Climate - Life Insurance?

The Shift Project is a think tank working towards a post-carbon economy. An association recognised as a non-profit organisation and guided by the need for scientific rigour, our mission is to enlighten and influence the debate on the energy transition in Europe. Our members are large companies that want to make the energy transition their priority.

In October 2016, *The Shift Project* launched the **Observatory 173 Climate - Life Insurance**, which since the second quarter of 2017 has been assessing the extent to which French life insurance companies are taking climate risks into account - and managing these complex risks. Inspired by the Banque de France's approach of French life insurance market monitoring, **Observatory 173** focuses on the twelve main French life insurance companies. These represent more than €1300 billion of the €1700 billion in savings that have been entrusted to life insurance in France.

Observatory 173 focuses on the climate issue. It mainly analyses the twelve "Article 173" Reports, which are published annually by French life insurance companies for disclosure on their climate risk management, their investment policy and the means they implement to contribute to the energy and climate transition. Each year, it will also analyze the Solvency and Financial Condition Reports (SFCR) of these twelve companies in the hope that their risk management will increasingly integrate climate risk management.

At COP21, the Financial Stability Board (FSB), the international institution that brings together the financial supervisory and regulatory authorities of the world's major economies, announced the launch of a Working Group on "Climate Risks". This Working Group, the Task Force on Climate-related Financial Disclosures (TCFD), states that climate is a systemic risk for the global financial system. The TCFD believes that *"By encouraging climate-related financial disclosures by asset owners, beneficiaries [TSP's note : in France, the beneficiaries of life insurance policies] and other stakeholders will be in a position to better understand exposures to climate-related risks and opportunities. Further, climate-related financial disclosures by asset owners may encourage better disclosures across the investment chain—from asset owners to asset managers to underlying companies—thus enabling all organizations and individuals to make better-informed investment decisions."*¹.

Observatory 173 also aims at this objective². Finally, it aims to promote in France and internationally the initiatives of French life insurance companies that will make the great regulatory innovation "Article 173" an example to be followed in other countries.

This policy paper is dedicated to Christophe Point (†2016)

Main publications of the Observatory 173

- (Sus) au charbon ! Analyse des politiques d'investissement de l'assurance vie française par l'Observatoire 173 Climat_V2 – Assurance Vie [27 Novembre 2018]
- Mutation de l'environnement réglementaire de l'assurance vie, une documentation de l'Observatoire 173 Climat – Assurance Vie [29 Octobre 2018]
- Rapports 173, année zéro : l'assurance vie collectivement en marche vers une meilleure prise en compte du risque climat, selon l'Observatoire 173 Climat – Assurance Vie [1^{er} Décembre 2017]

¹ Excerpts from the June 2017 TCFD reports "[Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures](#)" and Annex on Asset Owners (p. 33)

² See France Stratégie bulletin N°54 : [Mettre la fiscalité de l'épargne au service d'une croissance durable \(May 2017\)](#). Graphic N°1 : Pathway from household savings to final investment

- L'information sur les risques liés au climat dans les rapports publics de solvabilité de l'assurance vie : « Peut mieux faire », selon l'Observatoire 173 Climat – Assurance Vie [13 Juin 2017]
- Présentation au Commissariat général au développement durable [19 Janvier 2017]
- Lancement de l'Observatoire 173 Climat – Assurance Vie : Le think tank *The Shift Project* lance l'Observatoire de la transition énergétique et climatique de l'assurance vie en France [27 Octobre 2016]

Executive Summary : To coal !

As climate becomes a major concern for millions of savers, The Shift Project's Observatory 173 Climate – Life Insurance submits several key questions that must now be answered by French life insurers.

A. Reports 173, Year II: French life insurance investment policies under the microscope

[The Observatory 173 Climate – Life Insurance](#) was created by The Shift Project in 2016 to monitor the implementation by life insurance in France of Article 173 of the Energy Transition Act³, which requires financial portfolio managers to explain how they take into account (or not) the climate issue in managing their assets.

This law provides for annual reporting by institutional investors on their climate-related risks, as well as on their investment policy to address them.

The Observatory 173 produced its first report in 2017, based on the publications of the twelve largest French life companies, which alone manage nearly a third of the financial savings of the French (with more than 1300 billions euros).

In 2018, the analysis focused on coal investment strategies. While a review of the application of the provisions of Article 173 of the law will be carried out by the government before 31 December 2018, the Observatory 173 publishes the first analysis of coal exclusion policies in the investments of French life insurance companies.

B. Why and how not to go to coal ?

A global consensus seems to be emerging to consider coal-related sectors as deserving special vigilance. For many stakeholders, it would be imperative to exclude certain coal investments from now on : on the one hand, coal mining (mines), and on the other hand, coal-fired power generation (power plants).

The Observatory 173 analysed in detail the policies of the twelve main French life insurance companies. It noted a strong increase in the selective exclusion of investments. These exclusion policies are detailed in the report.

After the publication of an alarming IPCC special report on the somewhat illusory "target" of 1.5°C⁴, the issue of coal investment appears critical, criticizable and criticized.

Observatory 173 addresses the issues of the underlying objectives of the coal exclusion policies of French life insurers. Are exclusion policies part of an individual approach or a collective ambition? Is it herd behaviour or the result of an autonomous reflection ? Are some actions in practice just plain green washing ? Do investors have a clear idea of their initial situation ? Do they act consistently for other carbon energies ? Do they have a strategy regarding scope extensions already imagined or even planned ? Are they sometimes in a conflict of interest situation ? Have they identified reputational or judicial risks ? Finally, do life insurers properly educate the general public about their strategy, when they have one?

C. "Stranded assets" : what if the "stranded assets" approach was stranded ?

The 2016 speech by Bank of England Governor Mark Carney to the financial industry made the term "stranded assets" famous. This term refers to assets that are highly dependent on fossil fuels, which may therefore be significantly or totally devalued during the energy and climate transition. There is currently a broad consensus that

³ [Act No. 2015-992 of 17 August 2015 on the energy transition for green growth](#) (online)

⁴ [Summary for Policy makers - IPCC special report on the impacts of global warming of 1.5°C](#) above pre-industrial levels and related global greenhouse gas emission pathways, in the context of strengthening the global response to the threat of climate change, sustainable development, and efforts to eradicate poverty, October 2018

coal-related industries (and in particular coal mines and coal-based power plants) could become the main source of "stranded assets". However, are the prospects for lower returns on these assets well founded ? This is not obvious today, when we observe the rise in coal prices, and the refusal (Australia) or inability (Germany, etc.) of several major economies to quickly turn away from its exploitation.

Should the rationale for coal exclusion policies therefore come from a search for profitability (the world turning away from coal, these assets would be less valuable), or from an ethical choice made at the expense of profitability ? Another sensitive issue is how to ensure that an exclusion effectively hinders the continued operation of the asset concerned. Should we consider an alternative investment strategy : remaining a shareholder in a coal company in order to change its corporate strategy from the inside, even if it means that the company's profitability drops ?

Given the growing importance of the issue of coal exclusion from investments, and the growing sensitivity to the issue of climate change for millions of French people who have entrusted their savings to life insurers, the Observatory 173 asks them to provide more explanations on the justification for their decisions and to better explain their energy transition strategy.

Observatory 173 Climate - Life Insurance		2017					
		COAL					
		New investments				Existing investments	
		Is there a policy of excluding new coal investments? If so, on the basis of which criteria?				Is there a policy of coal divestment? If so, on the basis of which criteria?	
		Power generation coal-based		Coal Mines		Power generation coal-based and coal mines	
Life insurance company	Life provisions end 2017 (Bn €)	Policy	Exclusion criteria	Policy	Exclusion criteria	Policy	Target (amount) and method chosen
AXA	132	yes	Coal > 30% of sales or exp. plan > 3 GW	yes	Coal > 30% of sales or production > 20 Mt/y	yes	Target of €3,000 million in cumulative divestments
ALLIANZ	70	yes	Coal > 30% of sales	yes	Coal > 30% of sales	no	/
CREDIT MUTUEL-CIC	94	yes	Coal > 30% of sales	yes	Not specified	no	/
AG2R-LA MONDIALE	67	yes	Coal > 30% of sales or coal growth > 1%	no	/	yes	Not specified
AVIVA	74	yes	Coal > 30% of sales	yes	Not specified	yes	Not systematic
CARDIF (BNPP)	124	no	/	no	/	no	/
CNP	273	yes	Coal > 15% of sales	yes	Coal > 15% of sales	yes	Target of €300 million in divestments. Selection criteria: coal > 25% of sales
CREDIT AGRICOLE	248	no	/	yes	Coal > 30% of sales or production > 100 Mt/y	Non	/
GENERALI	85	yes	Coal > 30% of sales except coal-dependant countries	yes	Coal > 30% of sales or production > 20 Mt/y	yes/no	Very selective
GROUPAMA	49	Not specified	/	Not specified	/	yes	Gradual
NATIXIS (BPCE)	54	yes	Coal > 50% of sales	yes	Coal > 50% of sales	no	/
SOCIETE GENERALE	101	yes	Not specified	yes	Not specified	no	/

Summary table

About Observatory 173 Climate - Life Insurance	2
Why the Observatory 173 Climate - Life Insurance?	2
Main publications of the Observatory 173	2
Executive Summary : To coal !	4
A. Reports 173, Year II: French life insurance investment policies under the microscope	4
B. Why and how not to go to coal ?	4
C. "Stranded assets" : what if the "stranded assets" approach was stranded ?	4
State of play	7
A. Becoming aware of the "coal" issue, and willing to act.....	7
B. Coal and the 'Article 173'	8
C. Current coal policies of French life insurers	8
D. Summary table: Coal in the Reports-173 Panel.....	9
E. Key findings	10
F. Critical analysis.....	10
Excluding coal: quest for profitability or ethical choice?	13
A. Theories: the limitations of forecasts on future energy prices	13
B. Economic impacts of sectorial exclusion	14
C. Facing reality, after Mr. Carney's speeches on climate risk to the financial industry since 2016.....	15
Conclusions	17
Appendix.....	18
Appendix 1 – Excerpts from the 'Article 173' reports of the twelve Life Insurance company panel of OBSERVATOIRE 173.....	18
Appendix 2 – The twelve ones in the panel, in 2017 (report 'Art. 173' 2016).....	24
Appendix 3 – Asset Owners Disclosure Project	26
Appendix 4 – Reports 'Article 173' from the Observatoire 173 panel	27
Authors	29
The Shift Project.....	29

State of play

A. Becoming aware of the “coal” issue, and willing to act

On a global scale, the share of coal in energy-related CO₂ emissions is about 40%, with oil and gas coming next. For major institutional investors, the question of the appropriateness of investing in coal has been gaining importance since the beginning of the decade⁵ it may therefore also be instructive to analyse the dynamics observed between 2016 – the first year the ‘Article 173’ was implemented – and the following year.

A consensus seems to be emerging on considering that coal as an investment sector deserves specific attention⁶ :

- All the transition scenarios leading to a global decarbonization in line with the global +2°C target provide for a strong decarbonization of all the electricity generation, and thus a very strong reduction in the use of coal (so-called “thermal” coal).
- They anticipate stopping the implementation of new generation capacities, or even the existence of already “stranded” assets, which would potentially be depreciated, as their operating life span may be shorter than expected. Several NGOs have shed light on this issue of stranded assets⁷.
- It is usually considered that there are now lower-carbon alternatives to coal-fired electricity generation: renewables, nuclear or even gas...
- Beyond the climate, the negative image of coal as a pollutant (especially in urban areas) most likely plays against coal.
- It should be noted that the questionnaire⁸ sent by the French regulator (ACPR) to the life insurance sector by the summer of 2018 explicitly asks French insurance companies if they assess their exposure to fossil fuels, especially thermal coal.
- The shift observed in France to a selective coal exclusion policy by life insurers is part of a larger momentum from large institutional investors, which is well described in the latest AODP report (Asset Owners Disclosure Project, 2018), excerpts of which can be found in appendix of this document.
- Rating agencies themselves have shown interest in the subject⁹. While their methodologies for the analysis of the coal extraction sector still dedicate only little space to the climate risk¹⁰, the risk of coal as a sector is well identified. In a recent study on the environmental risk impacting the debt of 11 business sectors¹¹ Moody’s points to both the coal mining and coal-fired power generation sectors as being highly exposed to this risk:

⁵ See especially the Portfolio Decarbonization Coalition created in 2014: <http://uneepfi.org/pdc/>

⁶ See for example: Novethic: [Divest-Invest, how to use – How to disinvest from fossil fuels and invest in the green economy, December 2017](#)

⁷ See: Oxford Smith School “[Stranded Assets and Thermal Coal: An Analysis of Environment-related Risk Exposure](#)” – Jan 2016, which clearly defines this climate risk analysis approach: *“Our approach is a departure from how the vast majority of analysis concerning environment-related risks is usually undertaken. Researchers and analysts typically take a ‘top down’ approach. They look at company-level reporting and focus on measures of carbon emissions and intensity. Even if company-level reporting is accurate and up-to-date (in many cases it is not), this is an overly simplistic approach that attempts to measure a wide range of environment-related risk factors (often with widely varying degrees of correlation) through one proxy metric (carbon). While this might be a useful exercise, we believe that more sophisticated ‘bottom up’ approaches can yield improved insights for asset performance and if appropriately aggregated, company performance. In this report, we conduct a bottom up, asset-specific analysis of the thermal coal value chain and we look well beyond the relative carbon performance of different assets.”*

⁸ See: [Measurement and management of risks related to climate change](#) – The ACPR launches an on-line survey open to insurance organizations – In order to assess how French insurance and reinsurance market considers climate change risks, the ACPR sends a question paper to all the insurance and reinsurance institutions under its supervision (in French)

⁹ See The Shift Project study: [Climate risk analysis: actors, methodology, perspectives](#)

¹⁰ For example: [Moody’s Rating methodology: Mining](#) (04/09/2018) does not mention the divestment issue

¹¹ Moody’s: [Eleven sectors with \\$2.2 trillion of debt have elevated credit exposure to environmental risk](#) – September 2018. Moody’s especially writes: *“Such pressures are incorporated into our present and future view of coal producers’ revenues and margins, although the degree of impact varies by region and type of coal. For example, metallurgical coal producers are not facing the same demand pressures as thermal coal producers. Notably, the US coal industry has undergone a significant ratings migration due, in part, to the impact of rising environmental concerns related to the use of coal and eroding cost competitiveness compared with gas and renewables (...)”*

*"Coal mining and coal terminals, and unregulated utilities and power companies (with total outstanding rated debt of \$517 billion) have already experienced material credit pressure as a result of environmental risks. **Indeed, environmental considerations have constrained credit quality and contributed to downward pressure on the ratings of coal companies, primarily through reducing demand for the commodity.**"*

B. Coal and the 'Article 173'

The decree implementing the 'Article 173'¹² mentions fossil fuels without specifically addressing coal:

« b) Regarding methodologies implemented in relation to criteria related to environmental goals mentioned in paragraph 1 of section III, details, according to the approach selected based on relevance with regard to the activity of each entity and the nature of the considered assets, on: (...)

- **changes in the availability and price of natural resources and their use in line with climatic and ecological goals;**
- **the consistency of investment spending of emitters with a low-carbon strategy, and especially, in the case of those involved in exploiting fossil reserves, the assumptions, on which investment expenditure intended to developing these reserves are based."**

C. Current coal policies of French life insurers

The topic of coal investment has been taken up by French life insurers, and includes two sides of the coal-fired electricity production¹³ :

- coal mining
- coal-fired power plants

Criteria based on sales share (electricity generation), or even on the total amounts in tons (mining) are typically used in order to avoid undiscerningly putting all the involved companies at a disadvantage.

The French Insurance Federation (FFA or Fédération française de l'assurance) issued a statement on this subject in 2018¹⁴. A whole chapter ("How to define a coal strategy?" [Comment définir une stratégie charbon ?] pages 30-34) is dedicated to it :

*« In December 2017, FFA took note of **its members' desire to no longer invest in companies that would not give up their plans for developing new coal-fired power plants.***

In addition, the Syndicate called on its members to define an investment strategy based on the assessment of their portfolios' exposure to coal and the definition of investment thresholds according to criteria based on sales and coal energy mix.»

It should be noted that the FFA focused on coal-fired electricity rather than mining.

¹² [Decree No. 20151850](#) of 29 December 2015 in application of Article L. 533221 of the Monetary and Financial Code

¹³ Current focus is therefore mostly on thermal coal and not metallurgical coal (see below).

¹⁴ [FFA – ESG commitment and ruling-out policies – Guide of insurers' good practices](#) – October 2018 [FFA – Politiques d'engagement et d'exclusion ESG – Guide de bonnes pratiques des assureurs – Octobre 2018] in French.

D. Summary table: Coal in the Reports-173 Panel

The Observatory 173 has analysed the policies of the 12 life companies in its panel (see extracts from the reports in Annex 1), and offers a summary of these elements in the following table.

Observatory 173 Climate - Life Insurance 		2017						2016
		COAL						OTHER FOSSILES
		New investments				Existing investments		All investments
		<i>Is there a policy of excluding new coal investments? If so, on the basis of which criteria?</i>				<i>Is there a policy of coal divestment? If so, on the basis of which criteria?</i>		All investments
		Power generation coal-based		Coal Mines		Power generation coal-based and coal mines		<i>Are there any other sectors excluded? related to fossil fuels?</i>
Life insurance company	Life provisions end 2017 (Bn €)	Policy	Exclusion criteria	Policy	Exclusion criteria	Policy	Target (amount) and method chosen	<i>Policies mentioned in the ART. 173 report of 2016</i>
AXA	132	yes	Coal > 30% of sales or exp. plan > 3 GW	yes	Coal > 30% of sales or production > 20 Mt/y	yes	Target of €3,000 million in cumulative divestments	Oil sands and associated pipelines, €700 million divestments
ALLIANZ	70	yes	Coal > 30% of sales	yes	Coal > 30% of sales	no	/	No
CREDIT MUTUEL-CIC	94	yes	Coal > 30% of sales	yes	Not specified	no	/	No
AG2R-LA MONDIALE	67	yes	Coal > 30% of sales or coal growth > 1%	no	/	yes	Not specified	No
AVIVA	74	yes	Coal > 30% of sales	yes	Not specified	yes	Not systematic	Same as 2017
CARDIF (BNPP)	124	no	/	no	/	no	/	Same as 2017
CNP	273	yes	Coal > 15% of sales	yes	Coal > 15% of sales	yes	Target of €300 million in divestments. Selection criteria: coal > 25% of sales	Same as 2017
CREDIT AGRICOLE	248	no	/	yes	Coal > 30% of sales or production > 100 Mt/y	Non	/	Criteria at 50% of sales
GENERALI	85	yes	Coal > 30% of sales except coal-dependant countries	yes	Coal > 30% of sales or production > 20 Mt/y	yes/no	Very selective	Companies involved in the construction of coal plants and facilities
GROUPAMA	49	Not specified	/	Not specified	/	yes	Gradual	No
NATIXIS (BPCE)	54	yes	Coal > 50% of sales	yes	Coal > 50% of sales	no	/	Same as 2017
SOCIETE GENERALE	101	yes	Not specified	yes	Not specified	no	/	Oil Sands and Arctic Oil divestment

E. Key findings

Exclusion of new investments in both coal-fired power generation facilities and coal mines (for 11 life insurance companies out of 12, although not always the same companies for both sub-themes).

A remarkable development of the trend over the last year in most of the companies, by either implementing an exclusion principle which they didn't have in 2016 (6 companies), by strengthening their criteria (3 companies), or by retaining their 2016 exclusion policy (see details in Appendix 1).

The creation within the French Insurance Federation (FFA) of the "exclusion and disinvestment" taskforce, author of the aforementioned report¹⁵ ; indicates a willingness for a collective action; the references of AXA and Crédit Agricole to the Global Coal Exit List ¹⁶ published by the NGO Urgewald can also be noted.

F. Critical analysis

1. Despite the efforts of FFA, not all companies are aligned on the same coal-exclusion policy, even though a near-consensus seems to emerge from our panel. Is a complete consensus on this topic possible in France? A collective commitment of this kind, properly explained and justified (see below), expandable beyond coal alone, is desirable as it would significantly impact both the companies and the industries concerned, as well as other institutional investors in Europe and around the world.
2. The automatic nature of selective sectoral exclusion¹⁷ is criticised by some investors¹⁸ for (1) its rationale and (2) its effects. According to them, the exclusion policy is:
 - a. an overly "simplistic" approach to transition, lacking in particular a dynamic vision of the individual trajectories of the businesses (see Observatoire 173 Report of 2017), some of which – while being automatically excluded – might nevertheless be adopting a real decarbonization strategy. These investors that are critical of exclusion advocate a policy of shareholder engagement instead, in a strong and long-term interaction with the companies in the "coal" sector;
 - b. a sign revealing the inadequacy of the resources that institutional investors dedicate to strengthening shareholder dialogue ¹⁹ ;
 - c. a limited approach that does not preclude the need to carry out a fundamental reflection on the entire investment portfolio, where the issues related to direct and indirect carbon emissions are much less obvious than for the coal sector;
 - d. carrying the risk that these activities will be refinanced outside the regulated and listed markets²⁰.
3. Some critics may point to a risk of greenwashing, noting that there are neither coal mines nor coal-fired power plant projects in France, which makes the implementation of an exclusion policy easy, at least for new investments.
4. Many stakeholders are now mobilized on this highly visible topic, with NGOs regularly monitoring the coal investment policies of the financial sector²¹. For example, BNP Paribas (which includes the insurer Cardif, which according to its Article 173 report, has a very selective coal-exclusion policy; see table and appendix) is monitored and criticized by the NGO Les Amis de la Terre even though it boasts²² a voluntarist coal policy.

¹⁵ Ibid.

¹⁶ <https://coalexit.org>

¹⁷ These investment policies are typically mentioned by companies as part of their sectoral investment policies, which concern, for example, the arms industry, or even tobacco... This is called normative exclusion because it concerns sectors that do not comply with certain principles (international standards; treaties or conventions signed by States).

¹⁸ See for example: FT- [Keep fossil fuel companies inside climate change tent. Selling extractive industry stocks is a blunt instrument that can backfire badly](#) – 24/04/2018

¹⁹ In particular, one should read AVIVA's position and its active shareholding on the subject.

²⁰ See the opinion column: Les Echos – 28/09/18 – D. Litvin - [Climat : avis de tempête sur les entreprises pétrolières](#) [in French]. "In light of these realities, the growing political hostility towards fossil fuel companies runs the risk of pushing this sector into the shadows. Rather than reducing their size or focusing their efforts on the transition to renewable energy, these activities could shift their production from companies trading on stock markets to unlisted, or even less transparent, companies outside OECD countries."

²¹ <http://www.amisdelaterre.org/One-Planet-Summit-on-fait-le-point-sur-la-politique-charbon-de-BNP-Paribas.html> [in French].

²² BNP PARIBAS - [Responsabilité sociale et environnementale politique sectorielle – Production d'énergie à partir du charbon](#) [in French]

The bank explains “*In particular, the Group has put an end to the financing of coal-fired power plant projects*”; and describes the selectivity of its coal policy as follows:

“BNP Paribas will only provide financial products and services to, or invest in, companies in the coal-fired power generation sector that meet the following requirements:

- *The company has a diversification strategy resulting in **the reduction of the share of coal in its electricity production mix**. This diversification strategy should be at least as ambitious as the national commitment to limit GHG emissions in the country in which it operates.”*
5. The extension of the subject to other fossil fuel assets in the coming years ²³ (see the AXA, Generali and Société Générale reports, and the table above) could be instructive. Oil extracted from tar sands, or even hydrocarbons extracted in the Arctic zone, seem to be the first at stake²⁴.
 6. OBSERVATOIRE 173 would like to obtain more detailed information from certain life-insurance companies regarding the implementation of their coal policy, and especially the – potential – extension of exclusion to “indirect” investments in the sector:
 - a. through funds or holding companies²⁵
 - b. through the financing of banks that would in turn finance projects in the coal sector. This point seems to be rarely mentioned or even taken into account ²⁶, even though the proportion of bond assets issued by the financial and banking sectors is often significant in a life company’s portfolio.
 - c. via passive or semi-passive index management (non-climate oriented²⁷) which by construction of the index overwhelmingly includes a high proportion of carbon energy.
 7. OBSERVATOIRE 173 would like the current exposures (e.g. end of 2016) in coal assets to be explained by each company, in order to better measure the impact of the policies advertised.
 8. The topic of coal obviously has an international and geopolitical dimension that extends beyond private and listed companies alone. Regarding the world coal market, one can read the recent study published by IFRI: “*Coal Exit or Coal Expansion ?*”²⁸ or the study by the NGO *Coalswarm* on coal in China²⁹. One should also read the Banktrack report mentioned above³⁰, which highlights in particular the essential role of Chinese banks in financing fossil fuels.
As regards the financing of coal by international development banks, reference should be made to the report “*Swept under the rug: How G7 Nations Conceal Public Financing for Coal Around the World*”³¹. Western countries’ export financing agencies³² are also being mobilized to stop financing coal (export of power plants, etc.).

²³ See for example: [The top 200 fossil fuel companies](#) [in French]

²⁴ See for example: FT – 6/08/2018 : [Call for big oil groups to reveal crude-peak risk Asset manager warns of long-term threat to viability of the industry](#). See also the position of major financial management companies with respect to the oil sector: FT- 18-05-2018 [Oil and gas groups must do more to support climate accord](#)

²⁵ See the precisions given by CNP and Natixis, in appendix

²⁶ For a vision of the banking sector’s investments in the coal and coal-fired electricity sectors, see : [Banking on Climate Change - 2017 Fossil Fuel Finance Report Card and the Banktrack campaign](#)

²⁷ For example indices excluding coal: MSCI Global ex Coal Index (« [Excluding companies that own coal reserves](#) »); or FTSE All-World ex Coal (“[Exclusion of companies that have certain exposure to coal mining or general mining](#)”)

²⁸ IFRI - [Coal Exit or Coal Expansion? A Review of Coal Market Trends and Policies in 2017](#) – page 27 : Financing of coal power plants and coal mines

²⁹ See: Tsunami Warning - [Can China’s central authorities stop a massive surge in new coal plants caused by provincial overpermitting?](#) Also the online database: [New Coal Plants by Country, 2006-2018 \(MW\) - July 2018](#) - Includes units 30 MW and larger (Source: CoalSwarm, Global Coal Plant Tracker)

³⁰ Banking on Climate Change - 2017 Fossil Fuel Finance Report Card, op. cit.

³¹ Mai 2016 - https://www.wwf.fr/sites/default/files/doc-2017-09/1605_rapport_swept_under_the_rug.pdf

³² See A. Grandjean’s report : « [Mobiliser les financements pour le climat une feuille de route pour financer une économie décarbonée](#) », [Mobilizing climate finance: a roadmap for financing a low-carbon economy], June 2015. “EXPORT CREDIT AGENCIES AND THE CLIMATE : Following the initiative taken by the United States, a trend has begun to strengthen the climate dimension of ECA financing. The American agency Exim has decided to abolish, except in exceptional cases, its coal subsidies. The United Kingdom and then France also supported a ban

9. The stakeholders' attention is mainly focused on thermal coal, used in particular to produce electricity. Nothing is said about the so-called "metallurgical" coal used for the production of iron and steel, even though, according to the NGO Energy Transition Commission³³ which releases a report on the topic:

"Global carbon emissions from iron and steel production are currently around 2.8 Gt per annum, about 8% of global energy system emissions. Business as usual scenarios suggest that this could rise to 3.1 Gt per annum by 2050, with the growth in global steel demand driven by regions that are more unlikely to make significant progress on the decarbonization front."

10. As mentioned above, this issue of coal investment policies is an international one (see Annex 3 for the analyses of the institutional investors' association AODP: Asset Owner Disclosure Project). The dilemma on the justification for coal disinvestment can be linked to the debate in the Anglo-Saxon world on the "fiduciary duty" of institutional investors responsible for their clients' savings.

In a note on the subject³⁴, the CIEL – a pro-climate think tank – takes a stance on the short-term/long-term arbitration for an institutional investor :

"Public pension fund fiduciaries have the obligation to act prudently and in the interest of all beneficiaries, including current retirees and future beneficiaries. This standard of prudence requires a fiduciary to act with reasonable care, skill, and caution when making investment and allocation decisions on behalf of their fund. This obligation manifests as a number of distinct fiduciary duties.

*(...) This possibility of a breach of the duty of loyalty is inherent in the issues related to climate change and climate-related risks. **If a fiduciary invests in fossil fuel or climate-vulnerable assets to seek higher returns in the near-term then they may be exposing their fund to a higher degree of risk than is appropriate for a pension with long-term liabilities. Subjugating the needs of the fund (and, therefore, the beneficiaries of the fund) for personal gain in this way would be a breach of the fiduciary duty of loyalty.**"*

on public support for the export of coal-fired power plants, as part of a multilateral agreement at the OECD. This is not yet the case in the other G7 countries and discussions are intense within the OECD to define a new common standard."

³³ ["Reaching zero carbon emissions from steel"](#) – Energy Transition Commission – 2018 which redirects to: McKinsey & Company, 2018, "Decarbonization of industrial sectors: the next frontier"

³⁴ ["Trillion dollar transformation : Fiduciary Duty, Divestment, and Fossil Fuels in an Era of Climate Risk fiduciary duties"](#), Center for International Environmental Law – 2016

Excluding coal: quest for profitability or ethical choice?

The French Insurance Federation (FFA) outlines the various justifications for exclusion policies in its Guide to Insurers' Good Practice:

« *Sector exclusions*

*They aim to exclude all or part of the emitters of a business sector from portfolios. In practice, companies whose turnover comes to a significant share come from the sector concerned, are excluded. **These exclusions may be justified by financial, ethical or extra-financial considerations. This approach requires a particular commitment because, in excluding all or part of the actors of a specific sector for non-financial reasons, the investor forgoes the potential return on investment associated with this sector.** As such, portfolios may fall short of the performance of their benchmarks, as excluded sectors are included in them. For example, some insurers chose to exclude the tobacco industry or **coal mining activities** from their investment portfolios. »*

OBSERVATOIRE 173 would like stakeholders to take better responsibilities for their choices by justifying them, and to better assess the macroeconomic impacts of their coal investment policies. Is it an ethical choice? Or is it a quest for profitability by optimizing the famous risk / return ratio?

In order to try and shed light on this crucial question, we will successively analyse:

- The theory of "stranded assets" that underlies the exclusion principle; and the forecasts of climate scenario modellers on coal prices that justify this theory;
- The possible economic impacts of sectoral exclusions;
- The actual facts, following Mark Carney's speeches on climate risk addressed to the financial industry since 2016.

A. Theories: the limitations of forecasts on future energy prices

This section gives a quick analysis based on the currently dominant view regarding "stranded assets" and the risk of depreciation of these very-high-carbon assets in transition scenarios.

Note that the "stranded assets" theory is endorsed by the European finance supervising agencies³⁵.

- 1) The institution that pioneered the "stranded assets" topic is the NGO Carbon Tracker Initiative, whose analysis highlights the part played by the assumed peak in the global demand for fossil fuels :

"The peak in fossil fuel demand will have a dramatic impact on financial markets in the 2020s. The most important phase for financial markets is the peaking phase, the point at which demand for the old energy source peaks.(...)"

*The global energy system is transitioning from a system mainly based on fossil fuels to one mainly based on renewable energy sources. **The shift will involve near-term peaking of fossil fuel demand**, an S curve of renewable growth, and the endgame for fossil fuel demand."*

- 2) The socio-economic models used by the community of modellers who provide the IPCC with scenarios³⁶ are usually based on the same assumption: on a global scale, the main driver of energy supply is the global demand (linked to the anticipated GDP growth).

Unlike the IEA outlooks (see below), these projections do not show any pathways for energy prices (although they do show pathways for CO2 prices). The fact that some IPCC modelers recently started working at better reflecting the financial risk on specific assets in order to meet the post-TCFD expectations

³⁵ Changes in the regulatory environment of life insurance, a document of OBSERVATOIRE 173: Climate & Life Insurance [Mutation de l'environnement réglementaire de l'assurance vie, une documentation de l'Observatoire 173 Climat – Assurance Vie, October 2018, in French]

³⁶ Global Environmental Change (01/2017) - Special Section Articles Featuring "[Quantification of the Shared Socio-economic Pathways](#)" Guest Edited by Keywan Riahi and Detlef P. van Vuuren

of the financial industry, is quite meaningful. These modellers were thus able to adapt models to build stress tests for the banking sector³⁷.

- 3) The leading organisation for energy transition scenarios is IEA³⁸. This international agency is an expert in both energy and energy forecasting and has developed a World Energy Model ('WEM') to generate such scenarios³⁹. Here too, the model documentation reveals the critical part of energy demand⁴⁰ :

*"International prices for coal, natural gas and oil in the WEM reflect the price levels that would be needed to stimulate sufficient investment in supply **to meet projected demand**. They are one of the fundamental drivers for determining fossil-fuel demand projections in all sectors and are derived through iterative modelling. The supply modules calculate the output of coal, gas and oil that is stimulated under the given price trajectory taking account of the costs of various supply options and the constraints on production rates. (...) **The resulting fossil fuel price trajectories appear smooth, but in reality prices are likely to be more volatile and cyclic.** Fossil fuel price paths vary across the scenarios. For example, in the Current Policies Scenario, policies adopted to reduce the use of fossil fuels are limited. This leads to higher demand and, consequently, higher prices, although prices are not high enough to trigger widespread substitution of fossil fuels by renewable energy sources. Lower energy demand in the Sustainable Development Scenario means that limitations on the production of various types of resources are less significant and there is less need to produce fossil fuels from resources higher up the supply cost curve. **As a result, international fossil fuel prices are lower than in the Current Policies (...) scenarios.**"*

IEA considers too that demand drives the future prices⁴¹. The price of CO₂ only comes second, counteracting the rebound effects⁴².

Especially, IEA's comment on its price expectations for each scenario is revealing of its coal-price anticipations. While they will inevitably be falling in the long term, the IEA is cautious regarding the medium-term trend: *"The resulting fossil fuel price trajectories appear smooth, but in reality prices are likely to be more volatile and cyclic."* None of the stranded-assets supporters use such caution.

B. Economic impacts of sectorial exclusion

According to a recent Financial Times study, it is possible that by constraining the coal supply, these investment policies could have the - paradoxical – effect of increasing coal assets prices, due to the price increase of coal as raw material. This phenomenon would thus be contrary to the forecasted price decrease of coal assets triggered by an expected fall in demand for fossil energy in both the medium and long terms⁴³ :

*"A push to reduce the development of coal mines **along with increasing pressure from investors to divest from fossil fuels** is creating a split in the mining industry between companies exiting the sector and those vowing to remain. (...). This trend, plus a government-led campaign in China to cut domestic coal supply to reduce pollution, **has caused the coal price to almost double over the past three years to trade at \$113 a tonne.**"*

A comment in the latest World Energy Investment Outlook 2017⁴⁴ of the IEA illustrates the same phenomenon :

"Despite two years of higher prices, global investment in the coal industry sector remains depressed. Global investment in coal mining and infrastructure in 2017 was USD 79 billion — 13% less than in 2016. (...) The continuing reluctance on the part of coal investors is partly because of the risks of oversupply as a natural part of the "boom and bust" cycles.

³⁷ UNEP: ["Extending our horizons: assessing credit risk and opportunity in a changing climate"](#)

³⁸ See for example the [TCFD report \(2017\) and its appendix on scenarios](#)

³⁹ http://www.iea.org/media/weowebiste/2017/WEM_Documentation_WEO2017.pdf

⁴⁰ In chapter: International fossil fuel prices (page 13)

⁴¹ Michel Lepetit, Chaire Énergie et Prospérité, [Analysis Methodology on Scenarios used for Climate Risk Assessment Using a Paradigmatic GDP-Oil Approach](#) [Méthodologie d'analyse des scénarios utilisés pour l'évaluation des risques liés au climat par une approche paradigmatique PIB-Pétrole, June 2018; in French]

⁴² See page 15: "CO₂ prices – CO₂ price assumptions are one of the inputs into WEM as the pricing of CO₂ emissions affects demand for energy by altering the relative costs of using different fuels . . . In the Sustainable Development Scenario, the oil price drops in comparison to the New Policies Scenario due to lower demand for oil products. In order to counteract a rebound effect in the transport sector from lower gasoline and diesel prices, a CO₂ tax is introduced in the form of an increase of fuel duty to keep end-user prices at the same level as in the New Policies Scenario."

⁴³ FT 29/08/18 : ["Coal industry between a rock and a hard place - Mining companies divided as investor pressure mounts while short-term gains entice"](#)

⁴⁴ [WEI](#) - p 111 et suivantes

*But the main threat for the coal industry comes from risks associated with technological development, including falling costs of renewables, and the potential policy and regulatory changes that could put a brake on coal demand. Due to its high carbon intensity and competition with other electricity-generating technologies, thermal coal is exceptionally exposed to climate policy (...) **Moreover, major banks especially from Europe are increasingly reluctant to lend to coal projects, and a broadening group of equity investors refuse to hold shares in mining companies whose business is dominated by coal.***"

In the sector study mentioned above, Moody's forecasts an upcoming decline for coal demand, while acknowledging the current price increase :

*"Environmental risks limit and contribute to downward pressure on the ratings of coal companies. **While thermal coal prices have increased in some basins over the past two years due to a significant reduction in supply and metallurgical coal prices have also increased, environmental concerns are reducing the demand for coal overall.** The pressures are incorporated into our forward view of coal producers' revenues and margins; however, the specifics vary by region and type of coal. Global demand and policy support for clean energy is detrimental to the coal industry. Challenges are global, but the US coal industry remains especially pressured. Natural gas pricing remains low compared with historical levels, leading to most new electrical generation being gas-fired. Coal-fired electrical generation fell from about 50% of electrical generation earlier in the decade to about 30% in 2017, and will continue to fall as roughly 10% of remaining coal-fired generation is retired between 2017 and 2023. Extensive regulations are aimed at curbing air pollution by coal-burning plants."*

The stakeholders' strategy in term of investment choices, asset portfolio arbitrage and impact on demand may be even more complex than imagined. Indeed, the Wall Street Journal wrote in the fall of 2018⁴⁵ :

*"For companies still interested in the sector, like Glencore, it can be cheaper to acquire unwanted mines from other parties than invest in new mines or expand existing operations. **That further slows the pace of supply growth.**"*

C. Facing reality, after Mr. Carney's speeches on climate risk to the financial industry since 2016

The Governor of the Bank of England is at the forefront of the effort to bring the financial sector to act against climate change. In September 2015, he introduced the theme of "stranded asset" in his most famous speech⁴⁶ aiming at mobilising the financial industry on climate risk.

In one of his speeches on climate-related risk (Resolving the climate paradox – Mark Carney – 9/22/2016)⁴⁷, he explicitly mentioned the coal sector and the changes in price of these assets:

"We have already seen cases where there have been sharp changes in valuations. The combined market capitalisation of the top four US coal producers has fallen by over 99% since the end of 2010, and three have recently filed for bankruptcy (Chart 6)."

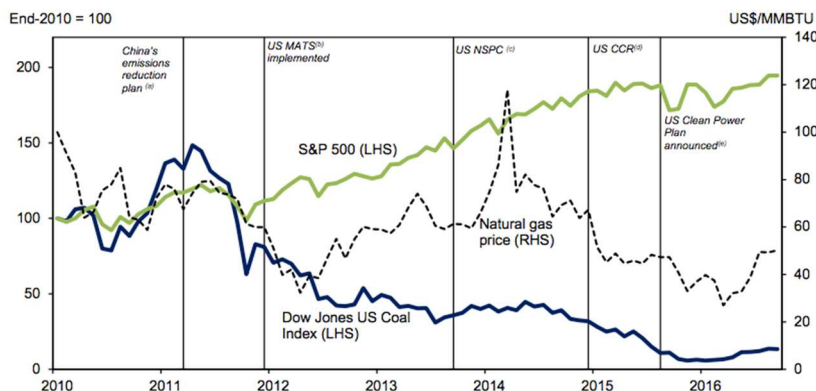
⁴⁵ WSJ -17/09/2018: [Fans of Coal Are Reaping the Rewards Bets on coal by global mining firms are paying off as Asian demand boosts prices for the fuel](#). The paper also tells: *Mark Cutifani, the chief executive of Anglo American, told The Wall Street Journal that thermal coal—the type of coal used in heating and power generation – will be strong for the next "five to seven years." But "beyond that it gets a lot harder to forecast because of the climate-change issues," he said. "We think switching will occur quicker than most people think."*

⁴⁶ Carney, M. (2015). [Breaking the tragedy of the horizon – climate change and financial stability](#). Lloyds of London, 29 September 2015

⁴⁷ [Speech given by Marc Carney at the Financial Stability Board, Resolving the climate paradox \(IV. Building a market in transition to a low-carbon economy\)](#)

Chart 6

US coal sector index and S&P 500 against regulatory announcements and other demand factors



Source: Thomson Reuters DataStream, Bank calculations. (a) The Chinese government announced emissions reductions targets in March 2011, which may have contributed to slowing of coal consumption, including a marked slowdown in coal imports from the US. (b) Mercury and Air Toxic Standards (MATS) required installation control technology which a large share of coal plants did not have. (c) New Source Performance Standards: raised efficiency requirements for new coal units. (d) The Coal Combustion Residuals (CCR) Rule introduced a set of requirements for the safe disposal of CCRs, commonly known as coal ash, from coal-fired power plants. (e) Proposed to reduce CO₂ emissions by about 30% by 2030.

His analysis was based on the Dow Jones US Coal Index⁴⁸. If this index has indeed collapsed since 2010, there has been a real upsurge of this index since Mr. Carney's speech.

Dow Jones US COAL – 2008-2018 (as of 9/14/2018):



The graph below shows the historical changes in coal and oil prices since 1965 and highlights (in a box) the sharp rise in prices since 2016.



Should coal be divested for reasons of risk and therefore profitability (the return/risk ratio) in 2016?

⁴⁸ Dow Jones US Coal Index : <https://us.spindices.com/indices/equity/dow-jones-us-coal-index-usd>

Conclusions

How should life insurers justify their coal-exclusion policies: by a rational quest for profitability or as a choice strictly driven by ethics?

Oil prices – which are strongly tied to coal prices, see the chart above – seem to be on a structurally rising trend for almost two years, and they are becoming a burden to the global economy. Statements on the “peak demand” in fossil fuels that were made in recent years cannot be pushed aside⁴⁹. Often dismissed as naïve at the time, they now seem to be at odds with the economic situation.

Our economies are addicted to energy, and to fossil fuels in the first place. While 80% of the world’s total energy was produced from fossil fuels when the IPCC was created 30 years ago, fossil fuels currently account for... 80% of the total energy. From a historical point of view, our societies have always been completely dependent on energy. For more than two centuries, they have become strongly and entirely addicted to fossil fuels⁵⁰ : fossil fuels are the blood that feeds the many dozens of “energy slaves” continuously serving each of us.

OBSERVATOIRE 173 invites stakeholders to draw inspiration from history by considering the many discussions and arguments (ethics, economic rationality) that preceded the abolition of slavery⁵¹.

⁴⁹ See FT (10/04/2018) – [IEA chief warns big producers are failing to rein in oil prices – Call comes as Brent crude benchmark surges to four-year high](#) “The head of the International Energy Agency is calling on oil-producing countries to ramp up output further, saying increases in recent months had failed to rein in crude prices.”

⁵⁰ Michel Lepetit, Chaire Énergie et Prospérité, [Analysis Methodology on Scenarios used for Climate Risk Assessment Using a Paradigmatic GDP-Oil Approach](#) [Méthodologie d’analyse des scénarios utilisés pour l’évaluation des risques liés au climat par une approche paradigmatique PIB-Pétrole; June 2018; in French]

⁵¹ See: Calculation and Moral Standards: The Costs of Slavery and the Value of Emancipation (18th & 19th centuries) [Calcul et morale – Coûts de l’esclavage et valeur de l’émancipation (XVIII^e – XIX^e siècle)], C. Oudin-Bastide & P. Steiner, ed. Albin Michel; collection directed by M. Arnoux

Appendix

Appendix 1 – Excerpts from the 'Article 173' reports of the twelve Life Insurance company panel of OBSERVATOIRE 173

AXA

On 12 December 2017, AXA's CEO Thomas Buberl, during the One Planet Summit, announced new ambitious climate commitments, reiterating that "unsustainable business is un-investable and uninsurable". AXA divested €3.7Bn in assets related to coal and oil sands, and no longer insures any coal-fired power plant construction or oil sands extraction activities and associated pipelines.

Excluding sectors or companies that face acute social, human rights, ethical or environmental challenges. These sector restrictions (which apply both to investments and insurance) currently include: (...) coal mining / coal-based power generation, oil sands and associated pipelines, (...)

Expanded coal divestment

Carbon emissions will require significant curbing in order to reduce the risk of climate change, which may place business constraints on carbon-intensive industries, leaving some assets "stranded", which in turn may lead to reduced valuations. Current valuation models may not account for such risks adequately. This is why AXA had decided in 2015 to divest €500m from the coal industry, by targeting coal mining and coal-based electric utilities which derive over 50% of their revenues from coal.

In 2017, AXA decided to increase its divestment to reach €3bn, by expanding our coal exclusion criteria. This new divestment is based on the Global Coal Exit List, an NGO tool using 3 criteria. AXA will now divest from the following company types:

- Electric utilities with coal share of power production (energy mix) over 30%; mining companies with coal share of revenues over 30%. This captures long term financial risks related to "stranded assets".
- Energy mix and revenue mix criteria do not enable to address companies that are actively developing new coal-based power capacity. Hence, we now also divest from companies with coal-based power "expansion plans" exceeding 3 Gigawatts (GW). Such companies are building new coal plants that are locking economies into coal power for decades, which clearly contradicts the COP21 "Paris Agreement". This new approach captures "real" climate impact, beyond pure financial risks. It is also more forward-looking.
- Mining companies with annual coal production over 20 Million Tons.

Oil sands divestment

Because oil sands are also an extremely carbon-intensive form of energy and a serious cause of local environmental pollution, AXA also decided to end its investments from the main oil sands producers, defined as producers with at least 30% of their reserves based on oil sands. The production volumes of oil sands are largely influenced by the development of certain pipelines. As a result, AXA also divests from the main associated pipelines players. This represents an extra divestment of over €700m.

Allianz

We generally do not invest in coal-based business models and banned or controversial weapons. The Allianz Group defines coal based business models as :

- mining companies deriving 30% or more of their revenues from mining thermal coal.
- electric utilities deriving 30% or more of their generated electricity from thermal coal.

We stopped financing coal-based business models by the end of March 2016 ; and new/re-investments of fixed-income in coal are prohibited. More importantly, the threshold of coal-based business models will be progressively reduced from currently 30% to 0% in 2040.

ACM (Crédit Mutuel)

Liste des politiques sectorielles

Les industries extractives (mines)

(...). Fin 2017, le Groupe a décidé de ne plus intervenir dans le financement d'exploitation minière de charbon quel que soit le pays d'implantation.

(...)

Charbon

La politique encadre les opérations proposées à des entreprises productrices d'électricité à partir de centrales thermiques au charbon ou actives sur le secteur du fait de leurs activités de développement, construction, exploitation et/ou démantèlement de centrales thermiques au charbon. Le Groupe Crédit Mutuel-CM11 s'est doté d'un cadre strict vérifiant notamment que les opérations financées respectent les lois relatives aux émissions de gaz à effet de serre (y compris captage et stockage de CO2).

Dans le même esprit, fin 2017, le Groupe a décidé de ne plus intervenir dans le financement de nouvelle centrale thermique au charbon quel que soit le pays d'implantation. Les ACM sont attentives au sujet lié à la production d'électricité provenant du charbon et font partie du groupe de travail « exclusion et désinvestissement » à la FFA. C'est ainsi, que les ACM s'interdisent également tout investissement dans les sociétés dont la production d'électricité provient à plus de 30 % du charbon.

AG2R La Mondiale

Dans le cadre de la politique d'investissement du groupe, certaines entreprises sont interdites à l'achat ou à la détention :

(...)

- et les producteurs d'électricité dont plus de 30 % est généré à partir du charbon ou augmentant de plus de 1 % les capacités de production à partir de cette énergie.

Aviva

Une politique d'exclusion exigeante et équilibrée

(...)

Toutefois, l'exclusion n'a pas vocation à être systématique, le dialogue étant privilégié avant toute décision de désinvestissement. Cela est notamment le cas pour les sociétés fortement émettrices de CO2 appartenant au secteur du charbon.

L'objectif de limitation du réchauffement climatique à des niveaux inférieurs 2°C contenu dans l'Accord de Paris implique des mutations profondes du mix énergétique mondial destinées à faire passer la part des combustibles fossiles dans la production d'énergie, actuellement de 80 %, à un niveau inférieur à 60 %, dans les prochaines décennies, notamment par la réduction drastique de l'utilisation du charbon dans la génération d'électricité.

Au 31 Décembre 2017, Aviva France n'est ainsi seulement exposé qu'à hauteur de 6,4% de ses actifs financiers aux secteurs hautement émissifs en gaz à effet de serre. L'exposition au charbon, quant à elle, est proche de 0%.

Désinvestir si nécessaire des entreprises et des secteurs carbo-intensifs

Si l'implication du Groupe Aviva dans la gouvernance des entreprises est une part importante de son rôle d'investisseur, force est de constater que celui-ci doit parfois brandir la menace d'un désinvestissement pour se faire entendre. En juillet 2015, le Groupe Aviva a identifié un groupe de 40 sociétés, parmi ses investissements, dont plus de 30% du chiffre d'affaires était associé à l'extraction minière du charbon thermique ou à la production d'énergie via ce combustible. Le Groupe a donc poussé ces sociétés à adopter des engagements spécifiques en termes de gouvernance, de modèle stratégique, d'efficacité opérationnelle et de politique climatique et énergétique, notamment concernant l'abandon de plans d'investissement dans des installations de production électrique utilisant du charbon thermique. Durant la première année d'application de ces mesures pluriannuelles, le Groupe Aviva a renforcé son accompagnement vis-à-vis de ces entreprises en organisant de nombreuses réunions. Le Groupe avait ainsi identifié en novembre 2016 deux entreprises dans lesquelles il souhaiterait désinvestir et 8 sociétés dans lesquelles il pourrait désinvestir si le travail d'engagement actionnarial ne se révèle pas fructueux.

Au cours de l'année 2017, suite à un dialogue infructueux sur plusieurs années, la décision a été prise de désinvestir des deux sociétés identifiées en 2016 dont plus de 30% des activités étaient associées à l'extraction minière du charbon ou à la production d'énergie via ce combustible. En 2018, le désinvestissement de quinze sociétés supplémentaires fortement exposées au charbon est envisagé pour les mêmes motifs. La décision de désinvestir n'est jamais prise à la légère, intervient seulement en dernier recours, et doit être une réponse équilibrée et proportionnée.

Cardif (BNP Paribas)

Le Groupe BNP Paribas s'est aussi engagé à ne plus financer de projets de centrales électriques à base de charbon, ni les sociétés de ces secteurs sans stratégie de diversification. Cette démarche s'est poursuivie en 2017 avec une réduction de l'exposition au charbon thermique concernant le secteur minier et celui de la génération d'électricité (voir détail en annexe). Enfin, pas de relation avec les acteurs dont l'activité principale est liée au gaz et de pétrole de schiste et/ou de pétrole issu des sables bitumineux, ni de projet gazier ou pétrolier en arctique, etc.
(...)

Production d'énergie à partir du charbon

Le charbon peut contribuer au développement économique de certains pays en permettant un accès économique et fiable à l'électricité et en soutenant leur indépendance énergétique. Un équilibre doit donc être trouvé entre les besoins d'un accès accru à l'électricité et de développement économique, et la nécessité de réduire les émissions de CO2 résultant des activités humaines, qui est essentielle pour limiter le changement climatique.

Note OBS173 : Le rapport renvoie à un site internet (non daté non archivé) pour plus de précisions :

Politique de financement et d'investissement :

<https://group.bnpparibas/decouvrez-le-groupe/responsabilite-sociale-environnementale/politiques-financement-investissement>

POLITIQUE SECTORIELLE – PRODUCTION D'ENERGIE A PARTIR DU CHARBON

https://group.bnpparibas/uploads/file/rse_politique_sectorielle_charbon.pdf

(...)

Cette politique encadre :

Entreprises du secteur de la production d'électricité à partir du charbon : les entreprises impliquées dans le secteur de la production d'électricité et possédant ou exploitant des centrales électriques au charbon et pour lesquelles l'électricité produite à base de charbon représente au moins 30 % de la capacité totale de production d'électricité installée (en MW).

(...)

A compter de la date de publication de la présente politique, BNP Paribas n'entrera pas en relation avec les entreprises dont plus de 50 % du chiffre d'affaires est lié au charbon.

(...)

BNP Paribas ne fournira des produits et services financiers qu'à, ou investira seulement dans, des entreprises du secteur de la production d'électricité à partir de charbon respectant les exigences suivantes :

- *L'entreprise a une stratégie de diversification se traduisant par la réduction de la part de charbon dans son mix de production d'électricité³. Cette stratégie de diversification devra être au moins aussi ambitieuse que l'engagement national visant à limiter les émissions de GES du pays dans lequel elle exerce la majeure partie de ses activités. Ce critère sera revu annuellement ;*

INDUSTRIE MINIERE

https://group.bnpparibas/uploads/file/rse_politique_sectorielle_industrie_miniere.pdf

Le Groupe ne fournira aucun produit ou service financier aux sociétés minières qui :

(...)

Sont significativement impliquées dans l'extraction de Charbon thermique et n'ont pas de stratégie de diversification ;

(...)

Les entreprises significativement impliquées dans l'extraction de Charbon thermique seront revues chaque année. (...)

Note OBS173 : le retard de Cardif dans la publication de son rapport légal Article 173 en 2018, et l'absence de date de référence sur son rapport Article 173 publié en 2017, on conduit le responsable de l'OBSERVATOIRE 173 à éditer une nouvelle version V1 du rapport en novembre 2018.

CNP

C'est donc sur un socle solide du point de vue extra-financier que CNP Assurances a pu prendre des engagements ambitieux en 2015 en faveur du climat, renforcés en 2017 :

(...)

Exclure de ses portefeuilles les entreprises fortement engagées dans le charbon thermique (>1/4 de leur chiffre d'affaires pour le stock et >15% pour les flux)

Identification du risque le plus matériel en 2015 qui concerne le charbon, ce qui a amené CNP Assurance à céder tous les titres détenus dans les entreprises dont plus de 25% du chiffre d'affaires est lié au charbon thermique et à prendre l'engagement de ne plus investir dans les entreprises dont le chiffre d'affaires lié au charbon thermique représente plus de 15%.

Principaux critères de contribution à la TEE

A ce stade, CNP Assurances concentre ses exclusions aux activités liées au charbon thermique (mines et production d'électricité).

Résultats : CNP Assurances a défini deux limites

Exclusion à l'acquisition de nouveaux actifs financiers : sociétés extractrices de charbon et productrices d'énergie à base de charbon dont plus de 15% du chiffre d'affaires est lié au charbon thermique (63 titres exclus en 2017).

Exclusion du portefeuille d'actifs financiers : sociétés extractrices de charbon et productrices d'énergie à base de charbon dont plus de 25% du chiffre d'affaires est lié au charbon thermique (46 titres exclus en 2017).

Exclusion à l'acquisition : la liste des entreprises au-delà du seuil de 15% est communiquée aux sociétés de gestion mandatées pour la gestion des titres cotés ainsi qu'aux directions en charge des investissements non cotés. Les OPCVM dédiés sont assujettis aussi à cette interdiction.

Exclusion du portefeuille

Les détentions des entreprises au-delà de 25% ont été vendues. A ce titre, CNP Assurances a cédé en 2015 pour près de 300 M€ d'obligations de sociétés extractrices de charbon et productrices d'énergie à base de charbon.

Crédit Agricole

Renforcement de la politique charbon

Exclusion d'émetteurs tirant plus de 30 % de leurs chiffres d'affaires dans l'extraction du charbon. (vs 50 % du chiffre d'affaires) ou produisant 100 millions de tonnes et plus de charbon par an.

(...) En effet, Crédit Agricole Assurances ne souhaite pas pénaliser un secteur plus qu'un autre à long terme (sauf les producteurs de charbon). Chaque secteur étant utile à l'économie.

Exclusion des émetteurs fortement liés à l'extraction du charbon

Afin d'aider à lutter contre le réchauffement climatique, le groupe Crédit Agricole a renforcé sa politique charbon et a exclu en 2017 les entreprises réalisant plus de 30 % de leur chiffre d'affaires dans l'extraction de charbon et les entreprises produisant plus de 100 millions de tonnes et plus de charbon par an.

Une liste des 120 entreprises les plus actives au développement du secteur du charbon a été établie par la coalition Unfried coal.

Generali

Position concernant les activités liées au charbon

Generali ne fera aucun nouvel investissement dans les entreprises associées au secteur du charbon. Concernant son exposition actuelle dans ce secteur – environ 2 milliards d’euros – Generali cèdera des participations en capital et éliminera progressivement ses placements obligataires en les portant à échéance ou en envisageant la possibilité de les céder avant l’échéance.

Le Groupe n'autorisera d'exceptions à ce principe que dans les pays où la production d'électricité et de chauffage reste dépendante du charbon sans qu'il n'y ait d'alternative à moyen terme. Ces exceptions représentent actuellement une part marginale des investissements (équivalant à 0,02% du fonds général).

L'exposition actuelle de Generali aux activités liées au charbon est minime par rapport au total des primes d'assurance de dommages et concerne principalement des pays dans lesquels l'économie et l'emploi sont fortement dépendants du secteur charbonnier. Le Groupe poursuivra sa politique d'exposition assurantielle minimale.

Implication des parties prenantes

Dans les pays où l'économie et l'emploi sont fortement dépendants du secteur charbonnier, Generali entretiendra avec les émetteurs, les clients et les autres parties prenantes un dialogue constant, en suivant avec attention leurs plans de réduction des impacts environnementaux, leur stratégie de transition vers des activités à faible impact environnemental, et les mesures envisagées pour protéger les communautés et les citoyens. Les informations fournies seront évaluées pour définir ensuite des actions plus spécifiques.

Définition d'activités liées au charbon

Generali utilise les critères stricts énoncés ci-dessous pour définir les activités liées au charbon :

- Les entreprises dont plus de 30% des revenus proviennent du charbon ;
- Les entreprises pour lesquelles plus de 30% de l'énergie produite provient du charbon ;
- Les sociétés minières qui produisent plus de 20 millions de tonnes par an de charbon ;
- Les entreprises activement impliquées dans la construction de nouvelles installations ou usines de charbon.

Groupama

Politique charbon : un engagement pour le climat

En cohérence avec la politique de désinvestissement des émetteurs les plus pénalisants pour la transition énergétique, et malgré une exposition actuelle très faible, le Groupe Groupama choisit de se désengager de façon progressive des entreprises prévoyant la construction de nouvelles capacités charbon, reconnues par la communauté scientifique comme l'énergie la plus contributrice au dérèglement climatique.

Natixis

2016 : politique charbon

Intégration des critères ESG au sein du processus d'investissement

En suite de notre Politique Charbon, Natixis Assurances a décidé d'exclure à l'achat en 2017 les émetteurs notés négatifs par Mirova sur l'ensemble de ses portefeuilles sous mandat de gestion et fonds dédiés. Ce processus vise à exclure systématiquement les émetteurs en opposition à l'atteinte des Objectifs du Développement Durable des Nations Unies.

La Politique d'exclusion Charbon de Natixis appliquée chez Natixis Assurances

Champs d'application : Actifs sous mandat de gestion et fonds dédiés.

Critère d'application : Société concernée par l'exclusion lorsqu'elle réalise 50% ou plus de son activité de génération ou d'exploitation de mine, issue du charbon thermique (sur la base des derniers états financiers publiés). En fonction de la disponibilité des données, l'activité de génération sera mesurée sur la base des revenus de génération ou des volumes produits (GWh), et l'activité minière sur la base des revenus.

Société Générale

En 2017, le groupe Société Générale a pris de nouveaux engagements

(....)

Exclusion des investissements dans les activités liées au charbon, à son extraction (mines), et à son exploitation (centrales thermiques à charbon).

Désengagement du secteur des sables bitumineux dans le monde et du pétrole en arctique. (...)

Appendix 2 – The twelve ones in the panel, in 2017 (report 'Art. 173' 2016)

Allianz : nothing

Aviva

LE GROUPE AVIVA ET LE CHARBON

Si l'implication du Groupe Aviva dans la gouvernance des entreprises est une part importante de son rôle d'investisseur, force est de constater que celui-ci doit parfois brandir la menace d'un désinvestissement pour se faire entendre. En juillet 2015, le Groupe Aviva a identifié un groupe de 40 sociétés, parmi ses investissements, dont plus de 30% du chiffre d'affaires était associé à l'extraction minière du charbon thermique ou à la production d'énergie via ce combustible. Le Groupe a donc poussé ces sociétés à adopter des engagements spécifiques en termes de gouvernance, de modèle stratégique, d'efficacité opérationnelle et de politique climatique et énergétique, notamment concernant l'abandon de plans d'investissement dans des installations de production électrique utilisant du charbon thermique.

Durant la première année d'application de ces mesures pluriannuelles, le Groupe Aviva a renforcé son accompagnement vis-à-vis de ces entreprises en organisant de nombreuses réunions. Le Groupe a ainsi identifié en novembre 2016 deux entreprises dans lesquelles il souhaiterait désinvestir et 8 sociétés dans lesquelles il pourrait désinvestir si le travail d'engagement actionnarial ne se révèle pas fructueux. Parmi ces huit entreprises, le Groupe a entamé un dialogue avec 7 d'entre elles. Lorsque les informations nécessaires sur ces 7 entreprises auront été réunies, le Groupe Aviva prendra une décision quant à sa stratégie d'investissement dans ces dernières. Ces huit sociétés sont toutes basées en Asie, le plus souvent en Chine ou en Corée du Sud et ont leur première discussion sur le thème du changement climatique à l'occasion de leur échange avec le Groupe Aviva.

Nous publierons au cours du deuxième semestre 2017 la liste des entreprises dont nous avons désinvesti.

Aviva France n'a pas d'exposition directe sur le secteur du charbon.

AXA

désinvestissement du charbon – Les émissions de carbone devront être fortement limitées afin de lutter contre le changement climatique, ce qui peut poser des contraintes sur les industries à forte intensité de carbone, laissant certains actifs « échoués » (stranded assets). Les modèles d'évaluation actuels ne tiennent pas toujours compte de ces risques de manière adéquate. En mai 2015, après une analyse de l'hypothèse des stranded assets, AXA a décidé publiquement de céder ses investissements dans les sociétés les plus exposées aux activités liées au charbon. Cette annonce a contribué à placer le désinvestissement du charbon à l'ordre du jour de nombreux autres investisseurs, en amont de la COP21. Notre désinvestissement vise les énergéticiens et le secteur minier qui tirent plus de 50 % de leur chiffre d'affaires de la combustion ou de l'extraction du charbon. Le désinvestissement de 500 millions d'euros a couvert à la fois nos investissements en action et en dette et a été finalisé fin 2015. Le désinvestissement a réduit nos risques, mais il a également donné un signal positif aux marchés et aux régulateurs, il étend notre processus d'intégration ESG, il soutient la transition énergétique et il est également en ligne avec notre stratégie plus large de responsabilité d'entreprise ;

Cardif

PRODUCTION D'ÉNERGIE À PARTIR DU CHARBON : Le charbon peut contribuer au développement économique de certains pays en permettant un accès économique et fiable à l'électricité et en soutenant leur indépendance énergétique. Un équilibre doit donc être trouvé entre les besoins d'un accès accru à l'électricité et de développement économique, et la nécessité de réduire les émissions de CO2 résultant des activités humaines, qui est essentielle pour limiter le changement climatique.

Natixis

Afin de franchir une nouvelle étape, elle s'est engagée par ailleurs à ne plus financer de centrale électrique au charbon ni de mine de charbon thermique.

La Politique d'exclusion Charbon de Natixis appliquée chez Natixis Assurances

Champs d'application : Actifs détenus en direct ou fonds dédiés, ainsi que sur les fonds ouverts NAM.

Critère d'application : Société concernée par l'exclusion lorsqu'elle réalise 50% ou plus de son activité de génération ou d'exploitation de mine, issue du charbon thermique (sur la base des derniers états financiers publiés). En fonction

de la disponibilité des données, l'activité de génération sera mesurée sur la base des revenus de génération ou des volumes produits (GWh), et l'activité minière sur la base des revenus.

CNP

Actions cotées

La stratégie de CNP Assurances prévoit d'abord quelques exclusions : (...)et, depuis 2015, toutes les sociétés extractrices de charbon et productrices d'énergie à base de charbon dont plus de 15% du chiffre d'affaires est lié au charbon thermique.

Obligations

Depuis 2015, elle exclut également toutes les sociétés extractrices de charbon et productrices d'énergie à base de charbon dont plus de 15% du chiffre d'affaires est lié au charbon thermique. De plus, CNP Assurances a cédé pour près de 300 M€ d'obligations de sociétés extractrices de charbon et productrices d'énergie à base de charbon. Elle ne détient plus à la fin de l'année 2015 aucune position en direct dans les actions et obligations de sociétés dont plus de 25% du chiffre d'affaires est lié au charbon thermique.

En outre depuis 2015, sur les OPCVM dédiés, les titres ciblés sur le non-respect des principes du Pacte Mondial et la problématique charbon définis dans le cadre de la démarche sur les obligations (cf. ci-dessus) sont aussi exclus.

Résultats : CNP Assurances a défini deux limites.

- Exclusion à l'acquisition de nouveaux actifs financiers : sociétés extractrices de charbon et productrices d'énergie à base de charbon dont plus de 15% du chiffre d'affaires est lié au charbon thermique (63 titres exclus fin 2016).
- Exclusion du portefeuille d'actifs financiers : sociétés extractrices de charbon et productrices d'énergie à base de charbon dont plus de 25% du chiffre d'affaires est lié au charbon thermique (46 titres exclus fin 2016).
- Exclusion du portefeuille: les détentions des entreprises au-delà de 25% ont été vendues. A ce titre, CNP Assurances a cédé en 2015 pour près de 300 M€ d'obligations de sociétés extractrices de charbon et productrices d'énergie à base de charbon.

Crédit Agricole

Exclusion des émetteurs fortement liés à l'extraction du charbon

Afin d'aider à lutter contre le réchauffement climatique le groupe Crédit Agricole a exclu dès le mois de mai 2016 les entreprises tirant au moins 50 % de leur chiffre d'affaires de l'extraction de charbon. La liste des émetteurs exclus est fournie et revue régulièrement par Amundi

ACM : nothing

Generali : nothing

Groupama : nothing

AG2R : nothing

Société Générale :

Pour les années 2017 et 2018, le groupe Sogécap se fixe comme objectifs :

- De ne pas investir dans des projets de développement de mines de charbon ;
- De ne pas investir dans des projets de centrales thermiques à charbon ;

Appendix 3 – Asset Owners Disclosure Project

AODP Global Climate Index 2018 - Insurance (may 2018)

<http://aodproject.net/insurance/>

This year, we have assessed the insurance sector response to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), which resulted in a report and an index of the world's 80 largest insurers rated on their approach to climate-related risks and opportunities.

Finding 10: Ceasing underwriting and investing in thermal coal is becoming a barometer of commitment to climate action

Due to recent high-profile campaigns and corporate failures in the coal sector, insuring, underwriting and investing in thermal coal assets has proved to be controversial for insurers. The survey results show that work needs to be undertaken on formalising approaches and creating a common set of guidelines related to exclusion of thermal coal assets.

FINDING 10

Due to recent high-profile campaigns and corporate failures in the coal sector, insuring, underwriting and investing in thermal coal assets has proved to be controversial for insurers and other asset owners. Insurers play a key role in underwriting industrial projects.

Our analysis shows that increasing numbers of insurers have introduced policies on divestment from thermal coal assets across investment portfolios, and have proposed restrictions on underwriting activities. However, the industry has adopted a range of criteria without first establishing an industry standard or agreement on taxonomy. Many criteria permit exclusions, focus on the percentage of revenue, exclude current clients (for underwriting) or do not apply to passive mandates. None of the assessed insurers fully adhere to the Global Coal criteria developed by Ugerwald, which are often cited as most comprehensive.

The assessment results show that work needs to be undertaken on formalising approaches and taxonomy related to exclusion of thermal coal assets.

Appendix 4 – Reports 'Article 173' from the Observatoire 173 panel

Allianz France

Reporting climat 2017

SUSTAINABLE INVESTMENT REPORT - In line with article 173 from the French Energy Transition for Green Growth Law

<https://www.allianz.fr/qui-est-allianz/allianz-s-engage/>

https://www.allianz.fr/v_1530778620207/qui-est-allianz/allianz-s-engage/media/ALLIANZ_RAPPORT_CLIMAT_VF.pdf

Groupama

RAPPORT ESG-CLIMAT

CONTRIBUER À LA TRANSITION ÉNERGÉTIQUE C'EST AUSSI CONSTRUIRE LA VIE EN CONFIANCE

<http://www.groupama.com/fr/nos-engagements/rapport-climat-esg-2/>

<http://www.groupama.com/wp-content/uploads/2018/06/GROUPAMA-RAPPORT-ESG-CLIMAT-2018.pdf>

CNP

RAPPORT SUR L'INVESTISSEMENT RESPONSABLE 2017

Prise en compte des facteurs extrafinanciers dans la gestion des actifs et contribution à la transition écologique et énergétique en conformité avec l'article 173-VI de la Loi TECV

<http://www.cnp.fr/Media/Files/2018/Nos-engagements/Rapport-sur-l-investissement-responsable-2017>

http://www.cnp.fr/content/download/4770/104203/version/1/file/Rapport-investissement-responsable-CNP-Assurances-2017_VF.pdf

ACM

ACM – Groupe des assurances du Crédit mutuel – Rapport relatif à la loi de transition énergétique 2017

<http://rapportannuelacm.fr/fr/informations-relatives-a-la-loi-de-transition-energetique.html>

<http://rapportannuelacm.fr/fr/documents/Rapport-ESG-ACM-2017.pdf>

BNP Paribas Cardif

STRATEGIE d'INVESTISSEMENT RESPONSABLE

Reporting Article 173 de la loi Transition énergétique et croissance verte

<https://www.bnpparibascardif.com/fr/un-assureur-engage>

https://www.bnpparibascardif.com/documents/583427/923987/RAPPORT-LTE-ART173_VF_PAGEPAGE.pdf/58ad6f7c-4f04-4683-9115-140b1a8ca728

Société Générale Insurance

RAPPORT RELATIF À LA TRANSITION ÉNERGÉTIQUE POUR LA CROISSANCE VERTE -2017– SOCIETE GENERALE Insurance

<https://www.assurances.societegenerale.com/fr/nos-engagements/transition-energetique/>

https://www.assurances.societegenerale.com/uploads/tx_bisgnews/SocieteGeneraleInsurance_Rapport_ESG_2017.pdf

Generali France

Intégration des critères ESG et climat dans la politique d'investissement 2017

Rapport établi pour Generali France en réponse à l'Article 173 de la Loi transition énergétique pour la croissance verte

<http://institutionnel.generali.fr/Publications-et-chiffres>

http://institutionnel.generali.fr/sites/default/files/rapport_art_173_2017.pdf

Crédit Agricole Assurance

POLITIQUE ESG-CLIMAT DU GROUPE CREDIT AGRICOLE ASSURANCES 2017

<https://www.ca-assurances.com/espace-investisseurs/rapports-extra-financiers-0>

https://www.ca-assurances.com/sites/ca-assurances.com/files/pdf/politique_esg-climat_2017_bd.pdf

AG2R La Mondiale

AG2R La Mondiale -

Rapport d'investissement responsable Au titre de l'exercice 2017

<https://www.ag2ramondiale.fr/investisseurs/publication-financieres/rapports-annuels-et-semestriels>

<https://www.ag2ramondiale.fr/files/live/sites/portail/files/pdf/Investisseurs/AG2R-LA-MONDIALE-investisseurs-rapport-173.pdf>

Natixis Assurances

L'ENVIRONNEMENT SOCIAL ET GOUVERNANCE chez Natixis Assurances

INTÉGRATION DES ENJEUX EXTRA-FINANCIERS DANS LES INVESTISSEMENTS 2017

https://www.assurances.natixis.com/jcms/dev1_5006/fr/nous-communiquons

https://www.assurances.natixis.com/upload/docs/application/pdf/2018-07/natixis_rapport-investissement_esg_mai_2018_web2vdef.pdf

AXA GROUP

Climate-related investment & insurance report

In line with France's Article 173 and Taskforce on Financial Climate-related Disclosure (TCFD) – April 2018

<https://www.axa.com/en/newsroom/news/combining-analysis-and-action-axa-publishes-its-first-tcfd-climate-risk-report>

https://www-axa-com.cdn.axa-contento-118412.eu/www-axa-com%2Fcf61ff6c-ee1d-4dcb-92ba-ed243ae7f2fb_2018+tcfd+full+report+-+final+-+b.pdf

Aviva France

Aviva France, investisseur responsable juin 2018

<https://www.aviva.fr/aviva-france/nous-connaître/rapports-annuels.html>

https://www.aviva.fr/documents/corporate/nous-connaître/Rapport_Climat_2018_VF_050718.pdf

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The Shift Project

The Shift Project is a think tank, which promotes a post-carbon economy. As a non-profit organization committed to serve the general interest through scientific objectivity, we are dedicated to informing and influencing the energy-transition debate in Europe. Our members are large companies willing to make the energy transition their priority.

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