

# Mark Lewis

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Head of Climate Change Investment Research,  
BNP Paribas Asset Management

Zerokonferansen 2019

# COAL: AN INVESTOR'S PERSPECTIVE



MARK LEWIS

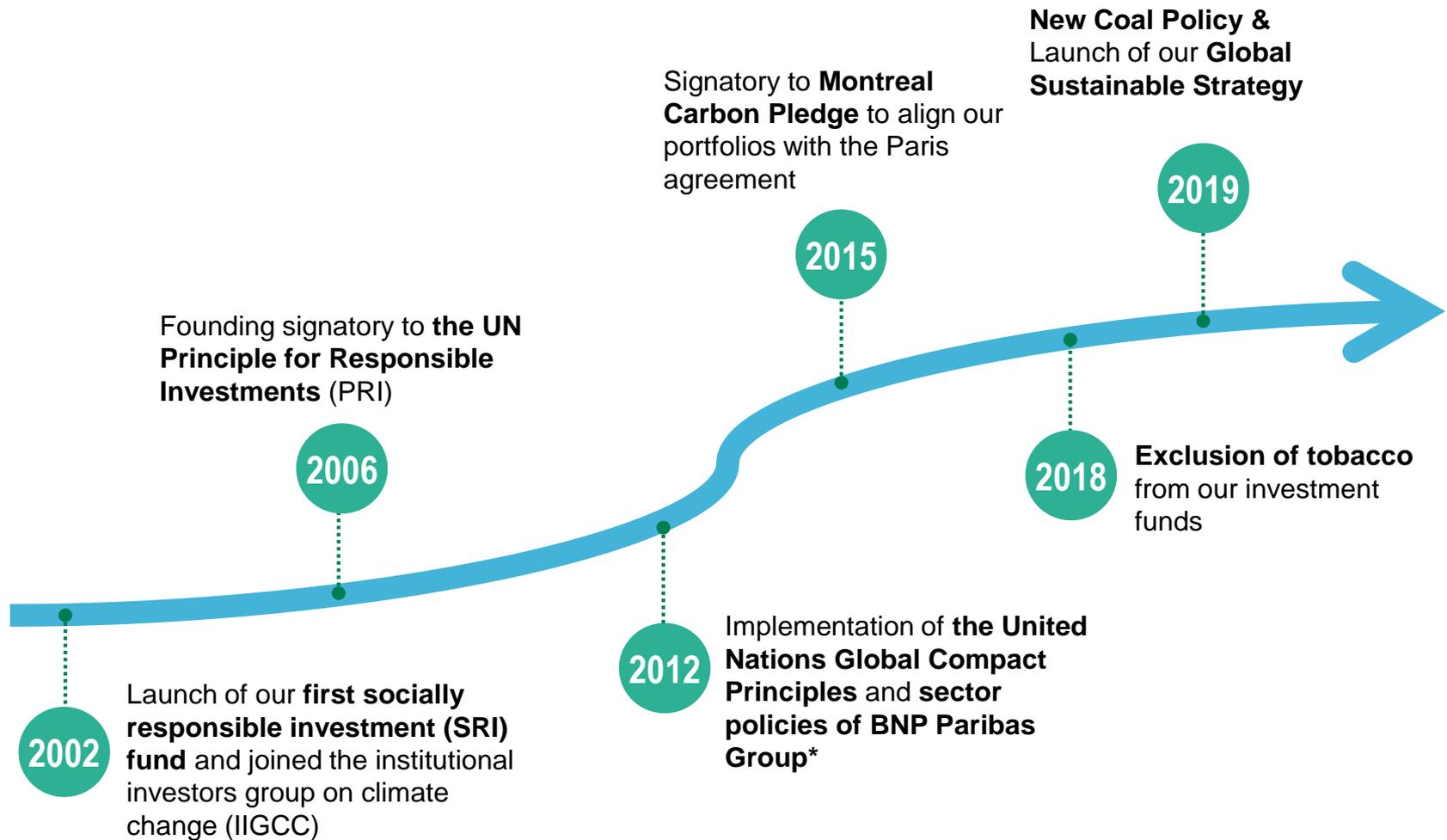
ZERO CONFERENCE, OSLO, 6 NOVEMBER 2019



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# A long term commitment toward sustainability since 2002



\*to our open-end

# Stewardship – case study: CA 100+



## What is *Climate Action 100+* ?

A five-year initiative led by investors to systemically engage with the top greenhouse gas emitters across the global economy that have significant opportunities to drive the low carbon energy transition and help achieve the goals of the Paris Agreement

## IN A NUTSHELL

**320 investors** with  
**USD 33 trillion** in AUM collectively

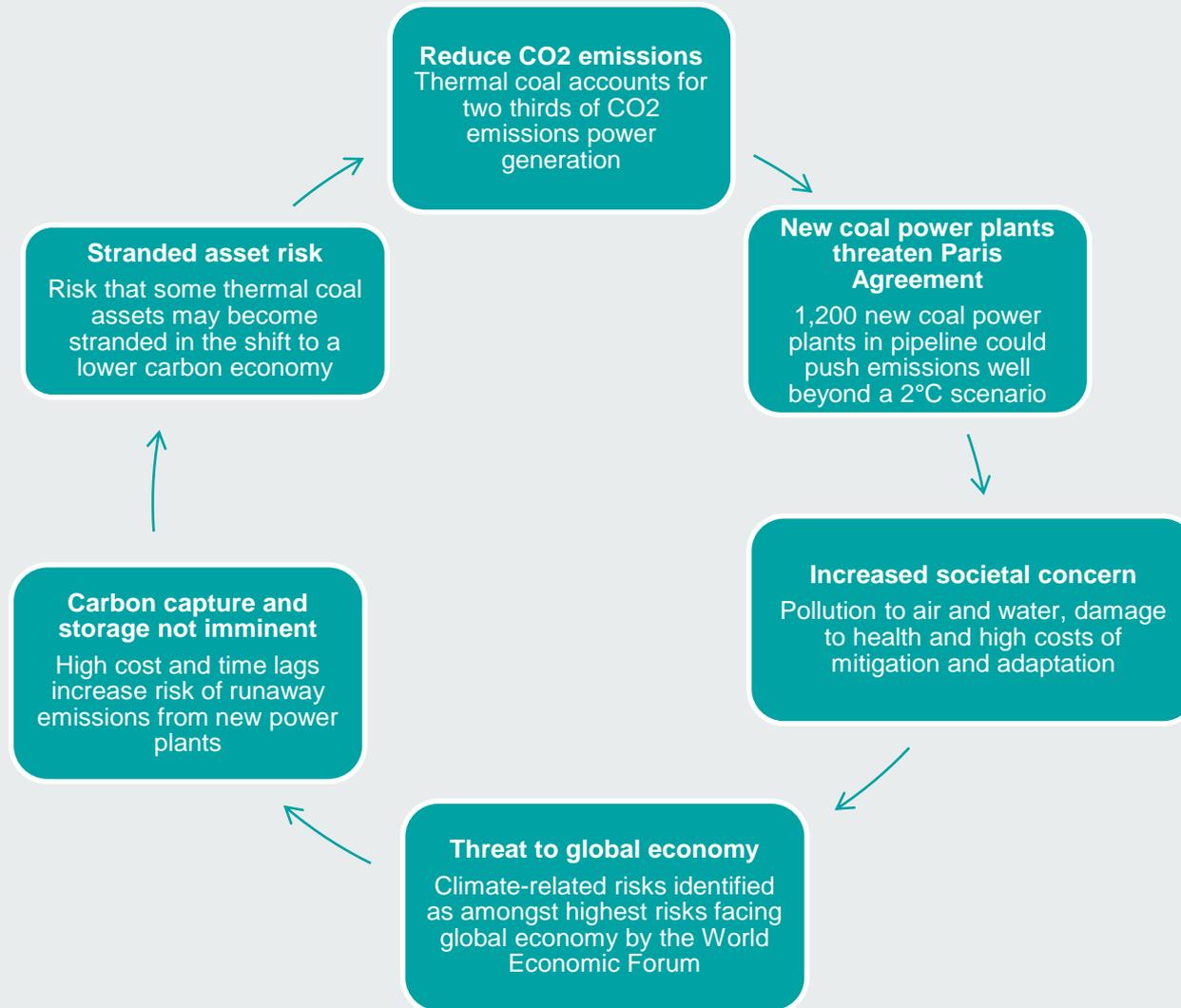
**ENGAGING WITH 161 ISSUERS**

## What are we doing?

- We are currently the **lead** or co-lead on **7 of the world's top greenhouse gas emitters**
- We will be adding new US and Asian companies, with our **recent appointments** of Heads of Stewardship in **New York and HK**

Source: Climate Action 100+, mars 2019.

# Drivers of phasing out thermal coal



# Coal number one cause of climate change

Coal is the most anti-climate and least environment-friendly way of producing electricity from:

## Climate point of view



**45%**

Of fuel combustion-related CO<sub>2</sub> emissions are produced by coal combustion, even though it only represents **28%** of Total Primary Energy Supply



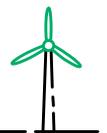
**73%**

of power generation CO<sub>2</sub> emissions are produced by coal combustion



**2x**

More GHG emissions are produced for each electricity unit produced by coal rather than Natural Gas\*



**26-38x**

More emissions are produced for each electricity unit from coal rather than from wind\*

## Air quality point of view



**6.5M**

People die prematurely every year from air pollution



**1/3**

of global SO<sub>2</sub> emissions, **14%** of global NO<sub>x</sub> emissions and **5%** of global total particulate matter is produced by power generation



**3/4**

of the SO<sub>2</sub> emissions that have been linked to power generation are due to coal



**70%**

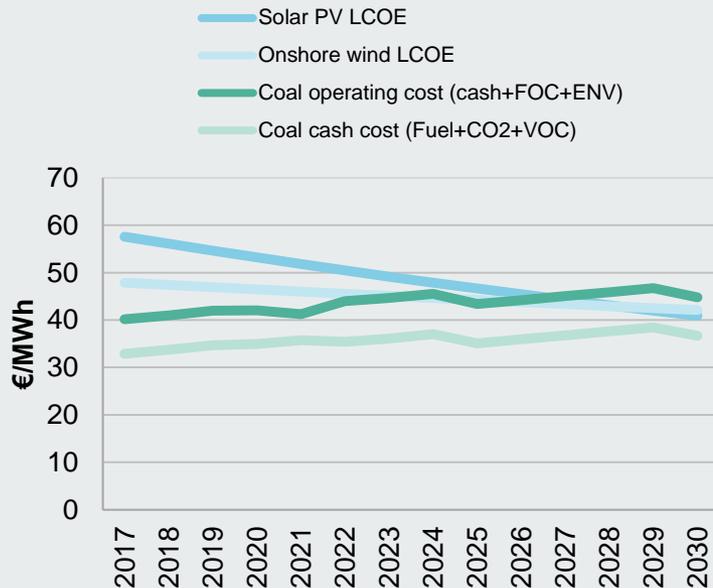
of NO<sub>x</sub> emissions and over **90%** of PM 2.5 of the power sector is due to coal combustion

\* Source: Ecofys - <https://www.ecofys.com/files/files/ecofys-2016-incompatibility-of-hele-coal-w-2c-scenarios.pdf>

# Power generation in Europe: A Warning

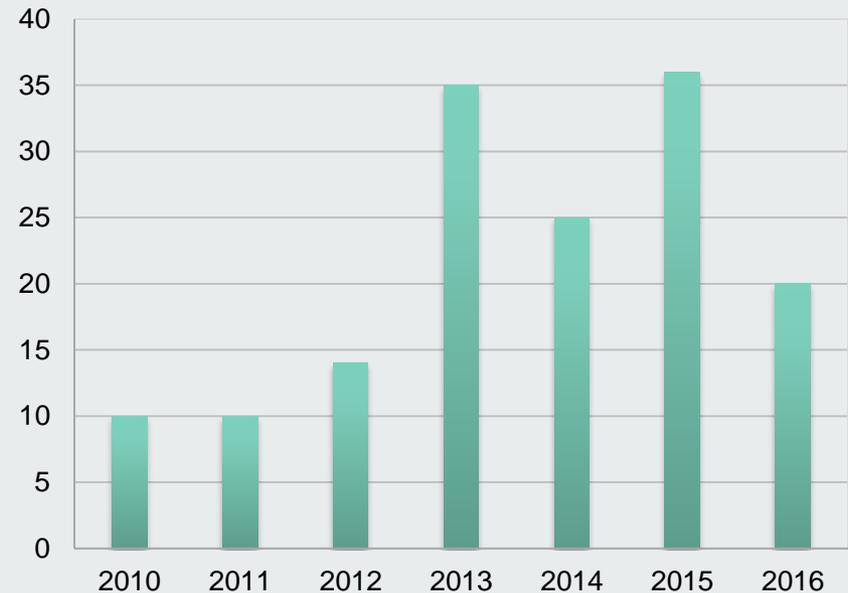
**SINCE 2010, EUROPEAN UTILITIES HAVE WRITTEN DOWN €150BN OF ASSETS, MOSTLY IN FOSSIL FUEL GENERATION. RENEWABLES COSTS IN EUROPE ARE ABOUT TO BREAK THROUGH THE OPERATING COST OF EXISTING PLANTS.**

### Electricity generation costs €/MWh



Source: Carbon Tracker

### Electricity sector write-downs in Europe €bn



Source: IEA

# BNP Paribas AM's Coal Policy

## Thermal Coal Mining

Exclusion of mining companies with 10% or more of their turnover coming from thermal coal extraction or representing more than 1% of global thermal coal production

## Power generation

Alignment of our power generation investments by 2025 with the IEA SDS trajectory, in line with BNPP AM overall commitment to 2°C.

Exclusion of electricity producers that exhibit a CO<sub>2</sub> emissions intensity above 491 gCO<sub>2</sub>/KWh (global average carbon intensity for 2017).

From 2020 onwards, we will progressively lower the threshold to 327 gCO<sub>2</sub>/KWh, the 2025 IEA SDS target for the world electricity generation.

We will thereafter follow the IEA SDS trajectory for power production.

# Key features of coal policy

The below 2°C target is incompatible with current coal use:

The policy covers

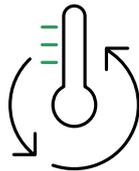
- coal mining, and
- coal thermal power.

Pure thermal **coal mining to be excluded:**

- Engagement = not sensible
- Only 1 coal mining co. out of 20 has a climate change public policy.

According to the IEA Sustainable Development Scenario, **coal use for power generation** should be reduced by **75%** by 2040 compared to 2016\*; global average carbon intensity of power generation was **491 gCO<sub>2</sub>/KWh in 2017**

**Alternatives to coal exist and are increasingly more competitive for electricity production**



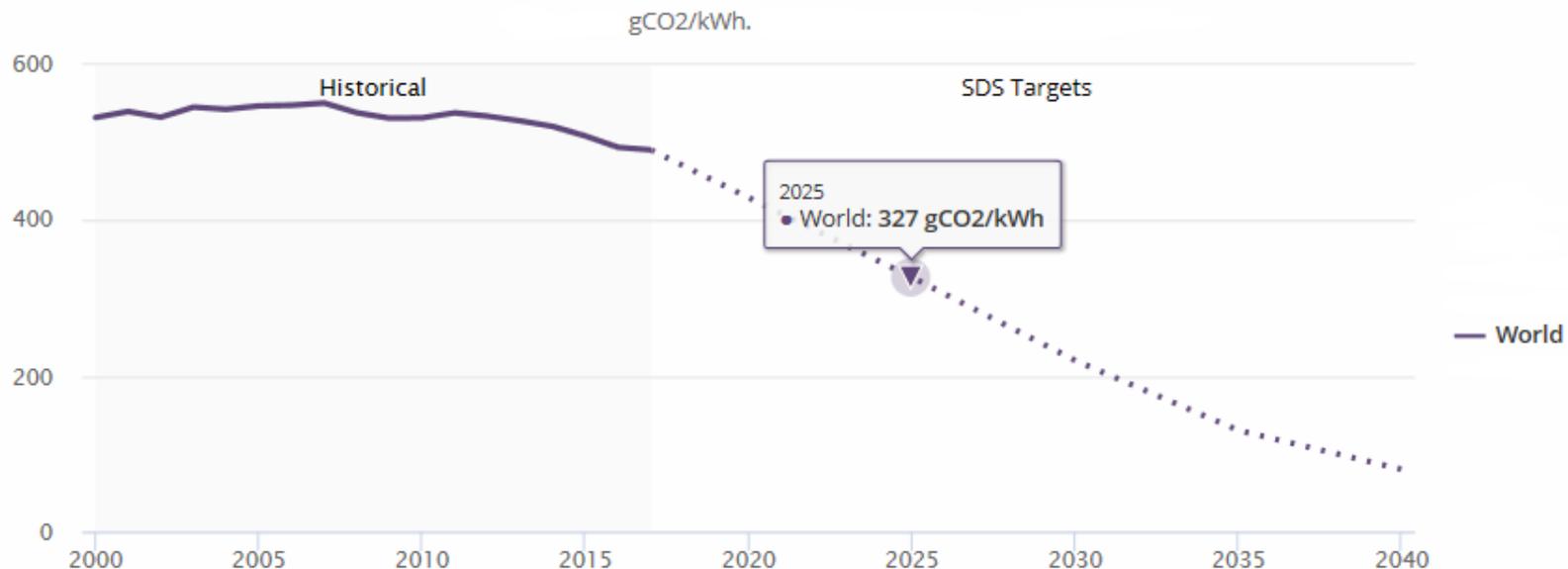
Electricity mix without coal is increasingly the goal of many governments.  
22 countries have announced they will ban coal by 2020-2030 including the Netherlands, France, UK

\* *Note:* possible only if Carbon Capture and Storage (CCS) is developed at a large scale. Without CCS, reaching the below 2°C target allows for even less coal use. Please be aware that CCS has not yet proven its economic feasibility.

# 2°C Sustainable Development Scenario

## Carbon intensity of electricity generation in selected regions

Low-carbon generation must become the preferred option in order to meet SDS targets.



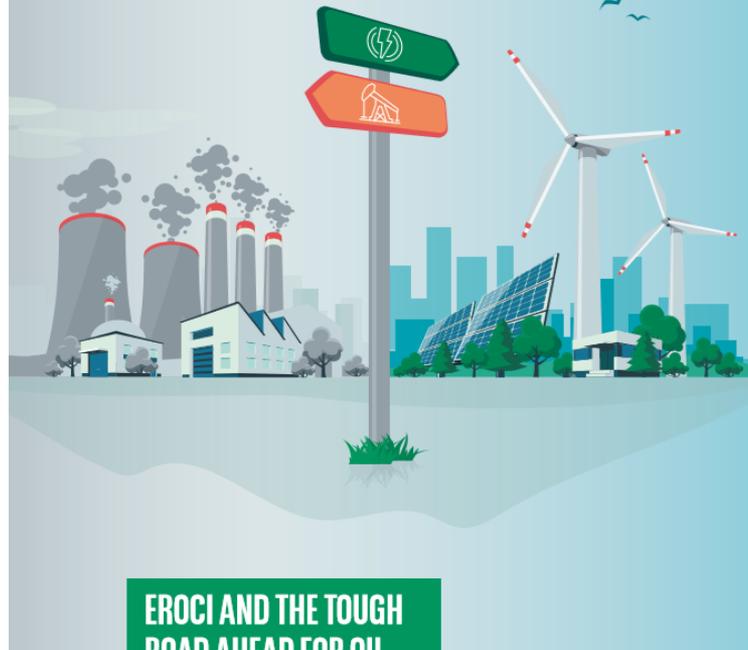
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Source: World Economic Outlook , International Energy Agency (IEA)

# THE DEATH TOLL FOR PETROL

For professional investors - August 2019

## WELLS, WIRES, AND WHEELS...



**EROCI AND THE TOUGH  
ROAD AHEAD FOR OIL**



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# BNP PARIBAS ASSET MANAGEMENT

14, rue Bergère

75009 Paris

bnpparibas-am.com



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