Greenpeace Switzerland January 2019

Swiss banks and their financed emissions

"If we don't make the minimum global effort, which will be hopefully upped next year, to curb emissions, rising temperatures will wipe out whole segments of economies, not to mention the dramatic human damage it will cause."

– Christine Lagarde Chief of International Monetary Fund (IMF) speaking at the World Economic Forum 2019[1]

Introduction

Our planet and the global economy is at risk from catastrophic damage, with large sections at threat of being wiped out from climate change. In order for civilization to achieve a globally agreed goal of keeping global warming to "well below 2°C and possibly 1.5°C", emissions must be reduced sharply within the next eleven years, and finally reach net zero by 2050. Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development is one of the three main objectives set by the international community in the 2015 Paris Agreement. As a signatory to the Paris Agreement, Switzerland has committed to this objective.

However, the Swiss financial industry is still a long way from taking this reality and task seriously. On the contrary, according to Swiss Office of Environment (FOEN), investment portfolios managed in Switzerland support a catastrophic global warming of 4-6°C degrees. What has however been less researched and discussed are climate impacts, contributions, and risks stemming from Swiss banks' corporate lending activities. Greenpeace Switzerland has examined the financed emissions and climate contributions of the two most systemically important Swiss banks, Credit Suisse and UBS, on the basis of their lending to 47 companies.[2] In this factsheet we present the most important findings.

Swiss financial institutions could either play a decisive role in supporting the global economy to transition to a low carbon future, or continue with "business as usual," ultimately losing their relevance and trust of society and shareholders, and pushing the planet closer to the brink.

1 Christine Lagarde speaking at the World Economic Forum, 2019 https://www.express.co.uk/finance/city/1077843/Christine-Lagarde-Davos-2019-financial-crisis-warning-climate-change

2 https://www.bafu.admin.ch/bafu/en/home/topics/climate/info-specialists/climate-and-financial-markets.html

GREENPEACE

Financing of extreme fossil fuels companies …

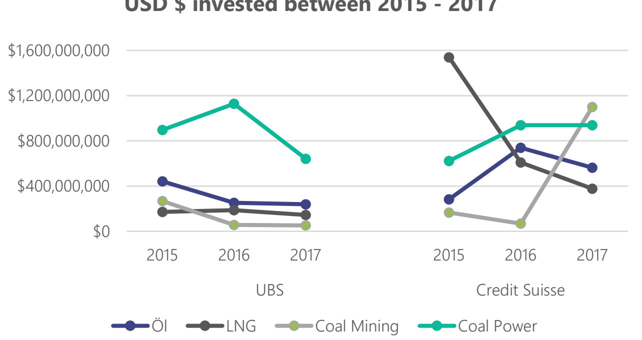
"An analysis of extreme fossil fuel emissions financed Credit Suisse and UBS" report (November, 2018)[3] provides a quantitative analysis of the emissions financed by the Swiss banks Credit Suisse and UBS resulting from lending money to companies engaged in extreme fossil fuel activities.

The analysis of the financing of just 47 companies active in the field of extreme fossil fuels (coal, oil from tar sands, from the Arctic and from deep water drilling, and liquefied natural gas (LNG)) shows that both major Swiss banks, Credit Suisse and UBS, are providing billions to some of the most carbon intensive companies and projects in the world.

In sum, between 2015 and 2017, Credit Suisse and UBS have committed approximately $12.3 billion to 47 companies that operate in extreme fossil fuels – UBS with $ 4.5 billion than Credit Suisse with $ 7.8 billion.

Whereas UBS decreased financing to such companies between 2015 and 2017 in absolute terms, CS increased absolute financing between 2015 and 2017. The decline at UBS is the consequence of reduced financing of oil, coal power and coal mining. The increase at CS mainly results from a steep increase of financing provided to coal mining industry from 2016 to 2017 (see chart 1).

Chart 1



3 "An analysis of extreme fossil fuel emissions financed by Credit Suisse and UBS", right.based on science, Frankfurt, 19 November, 2018.

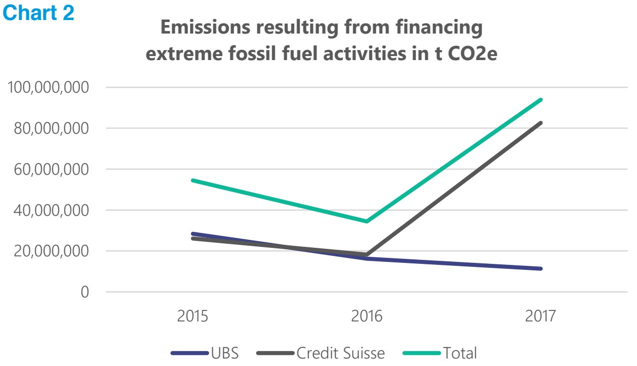
… causes harmful emissions and climate change

In 2017, two years after the adoption of the Paris Agreement, **the emissions financed by the two banks reached a peak of 93.9 million tonnes of CO_2e** (see chart 2). By financing just the 47 companies that are the focus of this study, the two banks were responsible for around **twice as many** greenhouse gas emissions in 2017 as the **entire population and all industries in Switzerland** combined.

Credit Suisse was responsible for the lion's share of financed emissions in 2017, with 82.6 million tonnes CO_2e (see table 1). Approximately 67.2 million tonnes of CO_2e came from the bank's financing of coal, which saw a **16 times increase from 2016.** Thus, in 2017 Credit Suisse alone has contributed to more than twice as many climate-damaging emissions as Switzerland emits annually through total energy use[4]. Total amount of financed emissions to these 47 companies by Credit Suisse and UBS between 2015 and 2017 would lead to an increase of global temperatures by 0.0001293345°C.

Despite the very green-sounding public relations campaigns of these banks, that is not what climate action looks like.

Chart 2

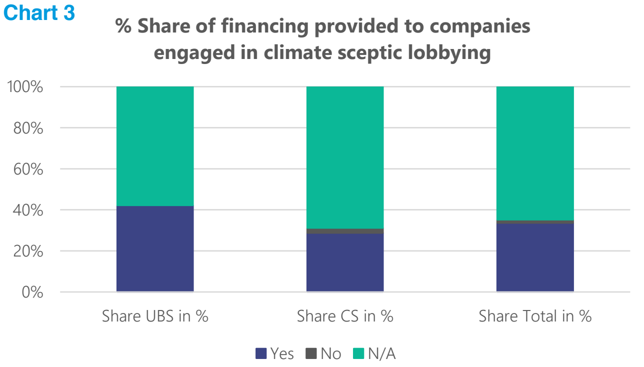


4 According to Switzerland's greenhouse gas inventory, Switzerland's emissions from energy use amounted to around 37.5 million tonnes in 2016. In total, 48.3 million tonnes of GHG were emitted.

Table 1 - Emissions resulting from financing such activities in t CO_2e:

	2015	2016	2017	2015-2017
UBS	28,105,305	16,210,013	11,329,433	55,947,752
CS	26,129,652	18,220964	82,628,263	126,978,880
Total	54,537,957	34,430,978	93,957,697	182,926,633

Chart 3



…and many of these companies lobby against climate action

Of the 47 companies surveyed, eleven are actively supporting climate denial lobbying efforts which seek to prevent or water down climate action and regulation. Only the company Enel is known to have distanced itself from such lobbying activities. Little or no reliable information was available regarding the lobbying activities of many of the companies analysed in this report, but at least 42.2 % of the total extreme fossil fuel financing by UBS and 28.7 % by CS was provided to companies which are known to engage in climate denial lobbying.

Unsurprisingly, only two of the funded companies have a Science Based Target (SBT)[5] – Enel and NRG Energy.

If burned, the fossil fuels reserves of just half of these companies would emit 3 × the world's yearly emissions

Looking at the fossil reserves of just 19 of the investigated companies shows how much Swiss banks are still betting on the fossil fuel age. If all of the reserves of those 19 countries were burned, they would emit **144.5 billion tCO_2e** – around three times what the whole world emits per year.

Many companies are exposed to short and long-term physical risks due to climate change

Some financial regulators have been warning that physical and transition (regulatory) impacts of climate change may pose material risk to banks' loan portfolios.

There is no hiding from the fact that we are already experiencing increasing impacts of climate change. The more time we waste on stalling to get the greenhouse gas emissions and run away climate change under control, the more irrevocable changes will get locked in.

Physical risk is the risk resulting from climate variability, extreme events, and longer-term shifts in climate patterns which are already underway. Whilst in many cases climate physical risk of a company or project might be covered by insurance, **many insurance companies have already warned that a 3 or 4°C world becomes uninsurable.**[6] In the meantime, after a row of bad hurricane, flooding and wildfires seasons,

5 Science-based targets provide companies with a clearly defined pathway to future-proof growth by specifying how much and how quickly they need to reduce their greenhouse gas emissions. Learn more here: https://sciencebasedtargets.org/what-is-a-science-based-target/

6 Climate change on track to make world "uninsurable": IAG, Financial Review, 15 November, 2018 https://www.afr.com/business/insurance/climate-change-on-track-to-make-world-uninsurable-iag-20181115-h17xu5 and AXA Insurance Chief Warns of "Uninsurable Basements" from New York to Mumbai, Insurance Journal, 15 January, 2018

Chart 4

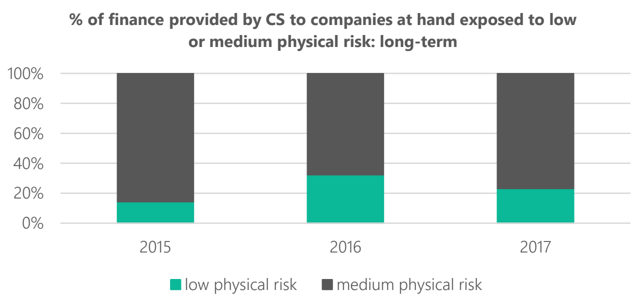


Chart 5

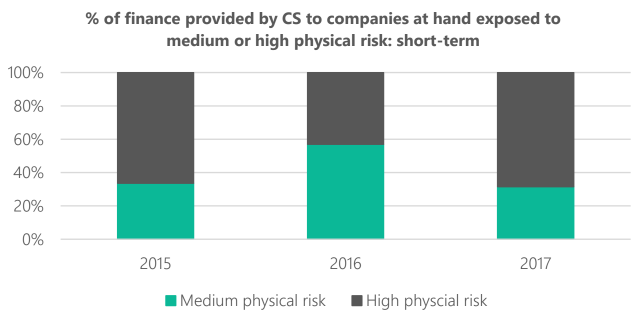


Chart 6

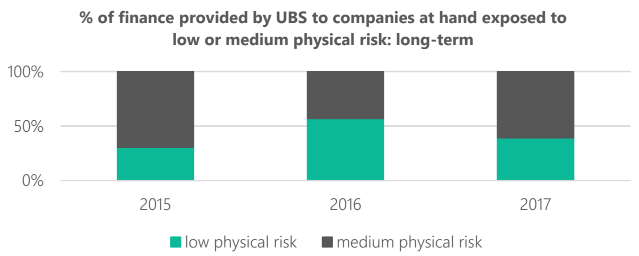
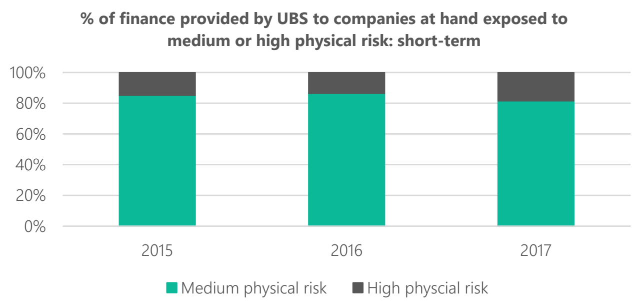


Chart 7



insurance premiums are already on the rise. If left unchecked, physical risk could manifest in material degradation of financial health of the impacted companies, thus causing **potential defaults on their loans to the banks.**

34 companies analyzed are exposed to climate-related physical risks, with different time horizons. Depending on their sector and region, these companies have been prescribed characteristic physical risk levels relating to their exposure to long term climate change and catastrophic events.[7]

[7] The following description of the different classifications of low, medium and high risk has been provided by ISS Ethix: Low classified physical risk is described as: No or potentially emerging risks in the medium to long term (5 years and beyond) with uncertainty as to which extent they might materialise. Medium classified physical risk is described as: Emerging risks that in aggregate have the potential to have material impacts in the medium term. High classified physical risk is described as: More immediate risks that can have a material impact.

The analysis shows that between 2015 and 2017, the financing of both banks increased to companies with high short-term physical risk. Overall, Credit Suisse funded more companies exposed to high short-term physical risks, whilst UBS funded more companies with medium physical risks.

The chart 4-7 illustrate the % share of financing of both banks to companies with short-term and long-term risks.

Tip of the iceberg

Looking at Credit Suisse and UBS' financing of just 47 companies in the field of extreme fossil energy makes it clear that their financing has enormous climate impacts. If the analysis included the funding of conventional fossil fuels as well as other carbon intensive clients,the overall climate impact of these two banks would be much higher.

Due to the absence of mandatory climate risk reporting rules, only a few progressive financial institutions in Europe have started analyzing and reporting how their business activities are both contributing to and exposing the bank to climate change – and are adjusting their business model to impeding climate reality.

What needs to happen

Credit Suisse and UBS need to:

- Urgently come up with clear and time-bound plans to make all of their finance flows consistent with the pathway of the Paris Agreement.
- End dedicated financing to new coal power plants worldwide.
- End all financing to coal plant developers.
- End all financing to companies with more than 30 % of power production deriving from coal.
- End all financing to companies with more than 10 GW of installed coal power capacity.
- End all financing to mining companies with more than 20 MT of coal mined annually and/or 30 % of revenues attributed to thermal coal mining.
- End all financing to companies and projects which violate FPIC and international indigenous rights conventions.
- Phase out and exclude financing for companies with tar sands expansion plans or more than 30 % of their business in tar sands (production, exploration, transportation), as well as finance for tar sands directly.
- Phase out and exclude new financing for companies expanding in extreme fossil fuels, like arctic oil, ultra-deepwater oil, LNG export.

For more information:

Katya Nikitenko
Finance Campaign
katya.nikitenko@greenpeace.org

GREENPEACE

Greenpeace Switzerland
Badenerstrasse 171
8036 Zürich