



CANADIAN COAL INVESTMENT

Powering Past the Coal Alliance

ABSTRACT

This report is a compilation of Friends of the Earth Canada's on-going analysis of CPPIB's involvement in coal and other fossil fuels with information from a new report by Urgewald, [Investors vs. the Paris Agreement](#). Together they present a compelling picture of entrenched investors holding onto the old dirty economy and its growing risks at a time when politicians are committing to the phase out of coal. CPPIB's total investment in coal stands at \$12.2 billion CDN. This number is based on:

- CPPIB Direct Investment of [\\$339 million in Urgewald's 120 Coal New Developers](#);
- CPPIB Investments of \$6,939 million in [Urgewald's 100 Top Investors in New Coal](#);
- and [other CPPIB Coal Investments of \\$4,969, identified via a search of CPPIB's website](#)

Friends of the Earth Canada is concerned – will the Canada Pension Plan be there for Canadians if it continues ignoring climate change and making risky investments with our money. We believe it is time for regulation – a signal that can't be confused – requiring financial institutions to recognize the financial risks associated with climate change and ending investment in fossil fuels starting with new coal plants.

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One of the most positive outcomes of the 2017 Climate Summit in Bonn was the launch of the “Powering Past Coal Alliance,” led by Canada and the UK. The Alliance’s 20 some member countries have committed themselves to a moratorium for new coal plants and a rapid national phase-out of existing coal plants. The announcement gained Canada’s Environment and Climate Change Minister McKenna global attention and praise. [In a press release](#), civil society organizations from throughout Southeast Asia applauded this move, but urged members of the Alliance to also curb public and private financial flows from their countries to the global coal plant pipeline.

Canadian domestic coal fired power plants produce only about 10% of the electricity produced in the country. However, Canada’s role in global coal phase out goes far beyond shutting down the handful of plants in Canada by 2030.

Undermining Canada’s leadership is the fact that 5 of the “Powering Past Coal” member countries (Canada, France, the Netherlands, Switzerland and the UK) are among the 14 nations, whose institutional investors hold the largest stakes in coal plant developers. Insert chart

[In a new report](#), the German organization Urgewald has reported on the sources of funding for new coal development and produced a list of the top 100 investors. Canadian institutions on the list include:

- SunLife at #31 with \$895 million invested;
- Power Financial Corporation at #53 with \$631 million invested;
- Caisse de dépôt et placement du Québec at #71 with \$433 million invested;
- Royal Bank at #86 with \$356 million invested;
- Manulife Financial at #98 with \$282 million invested; and
- the Canada Pension Plan Investment Board just missed making the list with \$267 million invested.

The full list is available [here](#).¹

Urgewald’s numbers reflect only the direct investment in new coal developers and the top 100 investors. Friends of the Earth has taken a closer look at Canada’s largest institutional investor – the Canada Pension Plan Investment Board.

In comparing the list in the 100 Top Investors in New Coal to CPPIB’s investment portfolio, Friends of the Earth found that the CPPIB has invested in more than thirty of these companies.

“We know that coal is not the energy source of the future. People can see there are very tangible things we are doing, and I think it’s also important to show Canada’s leadership.”

Catherine McKenna told Toronto Star

¹ Coal Plant developers are companies actively investing, building or promoting new coal plants.

Comparing Commitments: The Canada Pension Plan and Powering Past the Coal Alliance

Environment and Climate Change Canada says:

“Scientific evidence shows that health effects of air pollution from burning coal, including respiratory diseases and premature deaths, impose massive costs in both human and economic terms. In addition to health considerations, phasing out traditional coal power is one of the most important steps governments can take to tackle climate change and meet our commitment to keep global temperature increase well below 2° C and pursue efforts to limit it to 1.5° C.”

[The Powering Past Coal Alliance Declaration](#) states that:

*“Government partners commit to **phasing out existing traditional coal power and placing a moratorium on any new traditional coal power stations** without operational carbon capture and storage, within their jurisdictions.*

Business and other non-government partners commit to powering their operations without coal.

All partners commit to supporting clean power through their policies (whether public or corporate, as appropriate) and investments, as well as restricting financing for traditional coal power stations without operational carbon capture and storage.”

It goes on to say it welcomes business partners to join the Alliance and urges them to:

“Support the use of clean power and renewable energy through their operations, policies and investments.

Develop corporate clean energy plans, targets and commitments.

Develop corporate policies that are supportive of the objectives of the Alliance, and communicate publicly the benefits of these policies.”

CPPIB has a “a cross-departmental Climate Change Working Group (CCWG) that actively reviews climate change risks and opportunities in light of global developments.” Neither the CPPIB or this CCWG has made comments on the Powering Past Coal Alliance, but it does address [climate change](#) on its website:

“At CPPIB, climate change has been a focus area for our Sustainable Investing team for the last decade. We believe that it is our responsibility to take climate change into account to ensure that we are making sound investments over the long term. We are undertaking an ongoing project to thoughtfully ensure that we are positioning our portfolio to perform well through the transition to a low-carbon economy.”

² [Powering Past Coal alliance: private sector participation](#)

³ Friends of the Earth requested a copy of the review of [the Creastone Peak Resources/Ecana purchase](#) and was told the public is not entitled to see it.

What's the truth? A reality check.

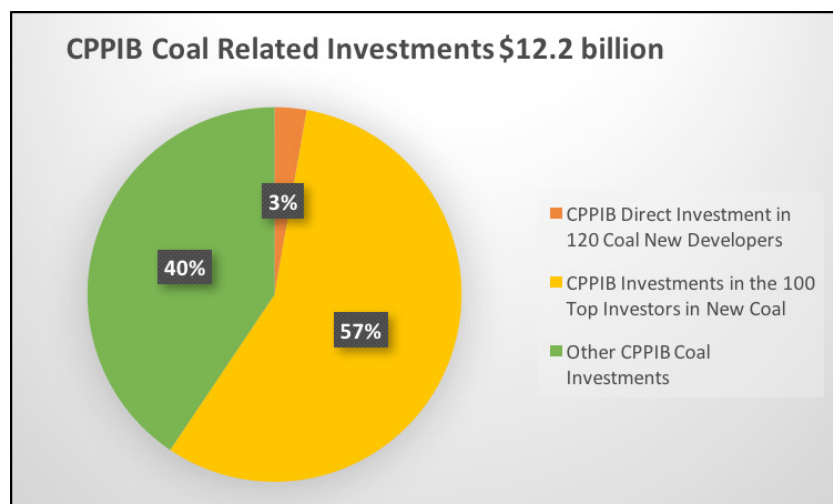
The wording of CPPIB's Climate Change statement is encouraging and suggests Canada's pensioners will be protected from the financial implications of climate change and that the CPPIB is looking to the transition to a low carbon economy, but is that the case? **Are our pensions being protected?**

The numbers tell a very different story than the pronouncements of the Canada Pension Plan Investment Board. Even as the Minister was announcing the formation of the Powering Past Coal Alliance, CPPIB was reported to be preparing a [bid to purchase the coal mines owned by Rio Tinto](#).

Using the CPPIB's own [published figures](#) and the new Urgewald report, Friends of the Earth Canada identified extensive coal holdings in CPPIB's portfolio. For the purpose of this paper, FOE defines a coal holding as "an investment in any company or fund that has any involvement in the coal industry." This expansive definition is adopted because a global phase out of coal will have a negative economic impact on these corporations' profitability. Since a company's involvement in coal is not always apparent, it very likely that the total CPPIB investment is far higher than our estimates.

CPPIB's total investment in coal stands at \$12.2 billion CDN. This number is based on CPPIB Direct Investment of \$339 million in Urgewald's 120 Coal New Developers, CPPIB Investments of \$6,939 million in Urgewald's 100 Top Investors in New Coal and other CPPIB Coal Investments of \$4,969, identified via a search of CPPIB's website.

Coal investments of \$12.2 billion is a great deal of money but it is only 3.7% of the CPPIB's \$325 billion fund. Even if all the coal investments were wildly profitable, divestment of them would have only minor impact on returns.



Importantly, of the 20 countries that have signed onto Minister McKenna's coal phase out, the CPPIB has invested in coal companies in the United Kingdom and Switzerland – \$169 million and \$107 million, respectively. CPPIB risks pensions funds by continuing to invest in coal companies in jurisdictions requiring phase out by 2030.

According to [Corporate Knights](#), the Canada Pension Plan likely missed out on US\$6.5 billion in profits by sticking with climate polluting industries. The [Canadian Centre for Policy Alternatives](#) has also investigated pension funds and found that the CPP is more heavily invested in fossil fuels than other funds. This means the CPP is more exposed to climate risk than other funds.

How Urgewald Calculated Investments in the 120 Coal Developers

Investors tend to assume that the key drivers of new coal projects are always the “old” coal-based utilities. But the top 120 coal plant developers are, in fact, a diverse group.

These coal plant developers include companies like China's Harbin Electric and Dongfang Electric, whose major business is manufacturing boilers and turbines for new coal plants. In some cases, these equipment providers plan to own and operate coal plants, especially in countries like Egypt or Pakistan that have little or no coal-fired capacity up to now. Some coal plant developers are power companies, but have only recently begun moving into coal. An example is [ACWA Power from Saudi Arabia](#), which has a history of developing gas and renewables projects, but has now become the world's 25th largest coal plant developer with plans to build coal power stations in Egypt, Mozambique, South Africa, Turkey, the United Arab Emirates and Vietnam. Some coal plant developers are huge diversified companies like the Japanese Trading House Marubeni, others are oil companies like PetroVietnam or steel companies like China's Jiuquan Iron & Steel Group, which wants to build [Jamaica's first coal-fired power plant](#), thus increasing the country's CO₂ emissions by 80%.

The 30% criteria adopted by Allianz and the Norwegian GPFG do not prevent these institutions from investing in coal plant developers. The same is true for the decarbonization approach taken by investors such as the Dutch pension fund ABP. ABP has committed to reduce the CO₂ footprint of its portfolio by 25%, and to massively increase its investments in renewable energy, but it is still the world's 31st largest investor in coal plant developers.

Urgewald focused on the new coal plant developers because a focus on current coal holdings do not address the effects of new coal projects companies have in their pipeline. Therefore, Urgewald and partners launched the [Global Coal Exit List](#) in November 2017. This list is a forward-looking database that reveals the names of 282 companies planning new coal projects.

⁴ ABP has investments of US\$ 891million in 33 coal plant developers.

CONCLUSION

From Friends of the Earth's analysis, it seems in the midst of growing evidence of [the risks of investing in fossil fuels](#) caused by government pronouncements [on phasing out coal plants](#), [carbon pricing](#) and [climatic events](#), Canadian pension funds and financial institution are helping to bankroll the expansion of coal fired power plants in China, India, South African and other countries around the world.

The Canada Pension Plan Investment Board has invested \$267 million in companies developing new coal fired power plants but its investment in coal is much greater.

Friends of the Earth Canada is concerned – will the Canada Pension Plan be there for Canadians if it continues ignoring climate change and making risky investments with our money. We believe it is time for regulations – a signal that can't be confused – requiring financial institutions to recognize the financial risks associated with climate change and ending investment in fossil fuels starting with new coal plants.

APPENDIX

1. [CPPIB Direct Investments in Urgewald's 120 Coal New Developers](#)
2. [CPPIB Investments in Urgewald's 100 Top Investors in Coal](#)
3. [CPPIB Coal Investments Not Listed in Urgewald Data](#)
4. [Investor Parent Countries – Ranked](#)
5. [Top 100 Institutional Investors](#)