



Bank of America and Citi: Climate Impact 2008

Can banks tout green credentials while bankrolling coal?

In the last year, Bank of America and Citi, the largest financial institutions in the country, have made headlines for their climate change commitments, which include their adoption of the recently announced Carbon Principles. Yet, even as they market their “climate progress,” Bank of America and Citi are directing the lion’s share of their energy financing resources into an out-dated energy infrastructure based on coal and other fossil fuels. Can the banks’ environmental claims be reconciled with their energy portfolio?

An examination of both Bank of America and Citi’s much-publicized climate initiatives reveal the dirty truth beneath their claims and commitments.

Bank of America and Citi’s Carbon Principles

THE COMMITMENT: Carbon Principles Address the Risks of Coal Investments

- In early 2008, Citi, Morgan Stanley and JPMorgan Chase released the Carbon Principles, which are a set of guidelines designed to ensure that any coal-fired power plants financed in the U.S. are submitted to due diligence about the future cost of carbon, opportunities for alternatives to coal power, and the technical viability of Carbon Capture and Storage. On April 1, 2008, Bank of America joined in signing the Carbon Principles.

The FACTS:

- The Carbon Principles are a process document. They do not lay out performance criteria for power companies nor lay out certain transactions that signatories will avoid.
- Despite signing the Carbon Principles, Bank of America and Citi continue to invest in coal-fired power plants. In March 2008, just one month after the release of the Carbon Principles, both banks were part of a lending syndicate that provided \$3.2 billion in financing to Duke Energy. Duke is moving forward with plans to build several controversial coal-fired power plants in North Carolina and Indiana.¹
- **Bank of America has outstanding financing relationships with 31 of the top utilities building new coal-fired power plants in the United States, and Citi has outstanding financing relationships with 30 of them.**

BANK OF AMERICA

THE COMMITMENT: REDUCING FINANCED EMISSIONS

In 2004, Bank of America made a groundbreaking commitment to reduce by 7 percent the greenhouse gas emissions associated with its utility and energy portfolios by 2008 (from a 2004

¹ “Duke Energy boosts bank line to \$3.2 billion”, Reuters, Fri Mar 14, 2008 5:32pm EDT <http://www.reuters.com/article/bondsNews/idUSN1443332820080314>
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baseline). RAN publicly applauded Bank of America for its initiative, just as we applaud the bank for its recent public report of its progress toward meeting these commitments.

The FACTS:

- According to the bank's most recent Environmental Report, it failed to meet its 7 percent carbon emissions reduction target. **Emissions declined by only 2 percent during this period, meaning Bank of America failed to meet even a third of its original commitment.**
- **In 2006, emissions by power companies in Bank of America's utility sector portfolio totaled 715 million tons of carbon dioxide (CO₂), constituting more than 10 percent of total U.S. greenhouse gas emissions.**
- Bank of America is now trumpeting reductions in the *carbon intensity* of its utility portfolio (tons of CO₂ per unit of electricity produced). But, by comparison to the U.S. utility sector benchmark, the carbon intensity of Bank of America's utility portfolio was 16 percent above the U.S. average in 2004, declining to 5 percent above the average in 2006. In other words, while the carbon intensity of Bank of America's utility portfolio is declining, the bank remains significantly more exposed to carbon risk than the utility sector as a whole in the United States.

THE COMMITMENT: BANK OF AMERICA'S CLIMATE INITIATIVE

In March 2007, Bank of America made headlines with an environmental initiative pledging support for environmentally sustainable business; this initiative included \$20 billion to "support the growth of environmentally sustainable business activity to address global climate change," spread over the next 10 years.

THE FACTS:

- **Bank of America's environmental initiative translates to roughly \$1.8 billion annually for financing, which is just 4 percent of Bank of America's total lending commitments for the utilities and energy sectors in 2007.²**
- Among the stated proceeds of this initiative are a "focus on financing and advisory services to clients participating in emissions offsets markets," and support for carbon emissions trading. As *Newsweek* reported in March 2007, "...[E]missions trading may have set back the battle against climate change by diverting investment from renewable-energy technology, which arguably is essential to any long-term solution. So far, the real winners in emissions trading have been polluting factory owners who can sell menial cuts for massive profits, and the brokers who pocket fees each time a company buys or sells the right to pollute."

² Bank of America Annual Report 2007, p 80



CITI

The COMMITMENT: Citi's \$50 Billion Climate Change Initiative

- In June 2007, Citi committed \$50 billion over 10 years to address the risks and rewards of climate change—the largest single commitment from any company to date.

The FACTS:

- Citi's \$50 billion commitment is not as ambitious as it appears. Subtracting the money committed to its operations side, Citi is committing just \$3.1 billion per year over 10 years for a wide range of “greener” energy sector financing, including coal-fired power plants that anticipate using unproven carbon capture and storage technology.
- By comparison, Citi reported \$61 billion in corporate loan commitments to the utility and oil and gas sectors in 2006. Citi's “commitment” is nearly indistinguishable from its business-as-usual expectations.
- **In 2006, assuming that the emissions intensity of Citi's utility portfolio is similar to that of Bank of America's, emissions by Citi's power company clients totaled an estimated 1,577 million tons of CO₂, constituting 25 percent of total U.S. greenhouse gas emissions.**

The CLAIM: Citi does not invest in Mountaintop Removal Mining

- Citi is reportedly telling investors and clients that it does not provide significant financing for mountaintop removal (MTR) mining.

The FACTS: Citi is a Top Investor in Mountaintop Removal Mining

- **Citi is a top banker for mountaintop removal mining companies, with connections to each of the top five producers of mountaintop removal coal.** These companies account for nearly half of the total MTR coal production of the top 20 most active MTR coal companies. The top five producers of MTR coal include: Magnum Coal (produces 41,102 tonnes of MTR coal annually); Alpha Natural Resources (produces 32,576 tonnes of MTR coal annually); AT Massey (produces 32,548 tonnes of MTR coal annually); Progress Fuels / Progress Energy (produces 24,800 tonnes of MTR coal annually); and TECO Energy (produces 20,944 of MTR coal annually).

CONCLUSION

Shareholders, politicians, and citizens around the world are demanding that businesses and financial institutions respond to the climate crisis with vision and leadership. Bank of America and Citi have an historic opportunity to capitalize on this momentum and spearhead practices that align the needs of people and the planet. To date, both have fallen short.

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Despite their climate commitments, both banks dedicate the vast majority of their energy financing to new coal-fired power plants, which are becoming an increasingly risky investment due to soaring construction and transportation costs, the suspension of government loan programs, and uncertainty about climate change. Meanwhile, the banks are missing an opportunity to gain a competitive advantage in the renewable energy and efficiency markets, which, a UK government study estimates, will be worth \$1.9 trillion by 2020.³

Combating global warming is not only an environmental necessity; it is a giant economic opportunity. It's time to fast-forward investment in the development of a clean energy industry. Unless they take significant, swift action, Bank of America and Citi will compromise their own long-term competitiveness and lock us into the devastating consequences of a high carbon economy for decades to come.

³ Government of the United Kingdom, Investing in the Future - Background Paper for European Conference on Corporate Social Responsibility and the Financial Sector, London, December 2005.

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