



BNP PARIBAS

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world

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Paris, 24th of March, 2021

Dear Madams, Dear Sirs,

Thank you for giving BNP Paribas the opportunity to comment on its policies ahead of the 2021 “Banking on Climate Change” report’s publication. We very much value stakeholder dialogue and the possibility to exchange with you to understand your expectations and share more information on our sustainability strategy and major achievements.

We recognise the important role banks should play in the ecological transition, and the magnitude of risks at stake for climate, for biodiversity, and for the planet. We know that we need to redouble our efforts collectively.

However, we note with satisfaction that, according to your study, BNP Paribas ranks as the no.2 bank worldwide for the quality of its restriction policies with regard to the most adverse energy sources for the environment, and no.1 among the top 20 largest international banks. **Besides, the report underlines the significant decrease of our coal exposure in 2020, which directly results from these policies.**

We would nonetheless like to bring some further comments on the data attributed to BNP Paribas in your 2021 report, especially the 2020 financial exposure increase on Oil and Gas.



1. During the Covid-19 crisis, BNP Paribas supported the Oil and Gas sector to a lower extent than other sectors of activity.

2020 was a very particular year due to the Covid-19 pandemic, which raised severe global risks for the society and the economy. As the first European bank of companies and in the same way as the entire banking sector, BNP Paribas significantly increased its overall financing support to all corporate sectors in 2020, raising close to €400bn in financing for its clients on the syndicated credit, bond and equity markets¹.

Such assistance has largely taken the form of a situational support to companies' liquidity. It allowed avoiding severe financial difficulties to many industrial, retail and services groups in Europe and in the world, and played a major role in stabilizing the economy.

BNP Paribas' support concerned all sectors of the economy, from tourism to culture, distribution, clothing, and naturally, the energy sector.

BNP Paribas supported the Oil and Gas industry through lending, but to a lower extent than its massive support to the overall economy. Indeed, **between end of 2019 and end of 2020, our loan outstanding amount in the Oil and Gas sector grew by 4.1% compared to 6.5% for all sectors of the economy. As of end-2020, BNP Paribas' direct financing support to the Oil and Gas industry represented only 1.9% of its loan book.** Moreover, only 60% of our financing to oil and gas companies in 2020 were actually drawn.

2. The major part of BNP Paribas' support to the Oil and Gas sector concerned large companies that made a critical shift in 2020.

In the face of their worst crisis since 1974, resulting from the conjunction of a demand shock due to the globally instated lockdowns and a 75%+ collapse of oil prices, Oil and Gas companies raised liquidity through bank credit facilities but also from the corporate bonds market. BNP Paribas is today one of the world leaders in corporate bonds for all economic sectors (and no.1 in the Euro corporate bonds market). In this context, it is important to note that BNP Paribas' intermediation role was relatively limited on the overall Oil and Gas corporate bonds market, ranking only no.8 among the world lead arrangers, with a market share of 3.7%.

The reason for this is that BNP Paribas' support largely focused on liquidity provision for Oil and Gas majors and integrated companies. The *Banking on Climate Change* report acknowledges this fact. Most of our support was brought to European players, which really shifted in 2020 in terms of energy transition – by committing for the first time to lowering their CO₂ emissions – and are the largest investors in renewable energy.

Such CO₂ emissions reduction and carbon neutrality commitments may need further clarity and, in some cases, more ambition in their concrete implementation. Significant progress still needs to be achieved by the industry.

Nevertheless, 2020 was a decisive turning point for the Oil and Gas industry. BNP Paribas will gradually focus its financing to companies that will confirm they effectively took this major shift, and is already explaining this decision through its client engagement.

¹ Source: Dealogic as of 31.12.20, bookrunner, proportional amount.



This a profound evolutionary process, which our teams around the world are currently appropriating. It relies on both individual awareness and the strategic orientations given by our Executive Management as well as our Corporate Banking activities' management.

3. In 2020, BNP Paribas kept reinforcing its exclusion policies in sectors the most at-risk for climate.

As you may know, BNP Paribas has set stringent financing and investment policies in most impactful sectors for climate, beginning with fossil fuels (coal, oil, and gas). These policies are being continuously reinforced since 2011:

- In 2020, the Group announced a timetable for exiting thermal coal by 2030 in EU and OECD countries and by 2040 in the rest of the world, along the whole value chain (coal mines, coal-fired power plants, and coal-related infrastructures). BNP Paribas' [Coal-fired power generation](#) and [Mining industry](#) sector policies were updated accordingly in July 2020. Consequently, BNP Paribas has performed a review of its portfolio of coal-related utilities and mining companies in 2020, and started phasing out from half of its clients because they are not aligned with its exit calendar. Besides, BNP Paribas has not financed any coal-fired power plant or coal mine projects anywhere in the world since 2017.
- In 2017, BNP Paribas adopted an ambitious policy in the [Unconventional Oil & Gas](#) sectors. This policy prevents BNP Paribas from financing companies whose principal business activity is either the exploration, production, distribution, marketing and/or trading of oil and gas from shale and/or oil from tar sands, or projects that are primarily involved in the transportation or export of oil and gas from shale or oil from tar sands, or any oil or gas offshore exploration or production projects in the Arctic region, as per the policy's definition. Our credit exposure to unconventional oil and gas specialists, which stood above 4 billion USD in 2016, has decreased to zero in 2020 in full compliance with our policy.
- Moreover, in 2020, BNP Paribas took two further [exclusion commitments](#) in the field of oil and gas regarding two sensitive areas for climate, biodiversity and Indigenous peoples:

Arctic National Wildlife Refuge: BNP Paribas excludes from its financing and investments activities any financing to oil and gas projects located in the Arctic National Wildlife Refuge.

Amazon Sacred Headwaters: BNP Paribas excludes from its trading activities the seaborne exports of oil from the Esmeraldas region in Ecuador.

4. In 2020, our work on aligning the credit portfolio with the targets of the Paris Agreement has entered a new operational phase.

The Bank is thus engaged in a continuous dynamic of reallocating its financial flows from the most GHG emitting energy activities towards those that are compatible with targets aiming to fight against global warming. Such reallocation results from BNP Paribas' commitment to align its credit portfolio with the goals of the Paris Climate Agreement to limit the rise of global average temperature well below 2°C, taken in the wake of COP21 in 2015.



To date, BNP Paribas already communicates the breakdown of its primary energy mix (fossil fuel extraction) and secondary energy mix (electricity generation) financed. In 2020, the electricity mix financed by BNP Paribas was well below the world average carbon footprint: the share of fossil sources within this mix decreased by 4.5% in one year, and it stood at 42.2% for BNP Paribas vs 63% for the world mix. Over the same period, renewable energy sources have increased by 3.7%, standing at 34.7% for BNP Paribas vs 26.6% for the world mix.

Indeed, BNP Paribas keeps supporting the transition of companies in the energy sector by further accelerating its support to renewable energies:

- 34.7% of the electricity mix financed by BNP Paribas at end-2020 relies on renewable energy sources (+3.7% compared to 2019);
- The amount of BNP Paribas' financing dedicated to renewable energy reached €17.8bn in 2020;
- 82% of power generation projects financed by the Group as of end-2020 are renewable energy projects, representing 40% of all projects financed by BNP Paribas in 2020 vs 14% for Oil and Gas projects;
- BNP Paribas arranged and placed over €10.8Bn of green bonds at end-2020.

In parallel, BNP Paribas is implementing the PACTA methodology to align the CO₂ emissions linked to its Oil and Gas exploration and production portfolio with the trajectory required to deliver against the Paris Agreement's goals. This work has much accelerated in 2020 and now involves the whole organisation. Based on a solid methodological ground, the Group will thus be able to differentiate its support to Oil and Gas players depending on their level of engagement in the energy transition. The energy sector is our priority when measuring the trajectory of our credit portfolio. This is why we are actively working on it, and will publicly report on its climate alignment in the coming months. The transformation challenges ahead of us are important. We strive to address them through a methodical approach, with determination, and thanks to a constructive dialogue with our stakeholders.

We remain at your disposal to pursue our dialogue on those crucial issues for our collective future.

Yours sincerely,

Antoine SIRE

Laurence PESSEZ