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Joint Statement:
SMBC Group announces it will reduce its credit balance of coal power project finance to zero by 2040
But it’s still not aligned with the Paris Agreement

Japan Center for a Sustainable Environment and Society (JACSES)
Kiko Network
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Greenpeace Japan
350.org Japan
Mekong Watch
Rainforest Action Network (RAN)

On July 29, Sumitomo Mitsui Financial Group (SMBC Group) published its 2020 Annual Report (FY2019),[1] and stated that it will reduce its credit balance of project finance related to coal-fired power generation to zero by 2040. We welcome SMBC Group’s step forward with its coal policy, which leads SMBC Group to be the second Japanese bank after Mizuho Financial Group for setting a timeline for reducing its coal-related credit balance to zero. However, the new policy still does not align with the Paris Agreement’s long-term goals, and needs to be strengthened further.

To achieve the Paris Agreement’s long-term goals, developed countries need to completely stop the operation of coal-fired power plants by 2030, and developing countries by 2040. Even if SMBC Group reduces its credit balance to coal-fired power generation to zero by 2040, the coal-fired power plants SMBC Group financed would likely continue to operate after 2040. In order to ensure consistency with the Paris Agreement’s long-term goals, SMBC Group needs to reduce the credit balance to zero earlier than 2040, taking into account the duration of operation of the coal plants after the loans are repaid.

Since the repayment period of project finance is usually expected to be about 15 years, the new policy leaves room for financing new coal-fired power projects for the time being. These would include, for example, Vung Ang 2 in Vietnam and Matarbari unit 5 and 6 in Bangladesh. However, these projects are already facing serious problems, including inconsistency with the Paris Agreement’s long-term goals, an excess supply of electricity in the host countries, the lack of economic justification due to the ever-falling costs of renewable energy, environmental pollution at the proposed sites, and human rights violations affecting local residents. Therefore, SMBC Group should not finance these projects.

Furthermore, the new policy of SMBC Group is only limited to project finance for coal-fired power plants, and does not cover corporate loans, underwriting, or investments in debt and

[1] https://www.smfg.co.jp/investor/financial/disclosure.html

equity of companies that are heavily dependent on coal-fired power generation or companies planning to build new coal-fired power plants or associated infrastructure. Also, there is no mention of any policy to terminate financing or reduce the credit balance of coal mining, other fossil fuel industries or deforestation, all of which accelerate climate change. In this respect, SMBC Group's policy still lags behind the investment and loan policies of international financial institutions.

For the above reasons, we urge SMBC Group to establish a policy that immediately stops financing for all coal-fired power projects, without any exceptions. We also urge SMBC Group to declare a policy of withdrawing from loans and investments (corporate lending, underwriting and holding of debt and equity) for companies that are heavily dependent on coal (power generation, mining, etc.), and companies planning to build new coal-fired power plants or associated infrastructure. It is also important to establish policies that restrict financing of not only coal-related industries, but also other fossil-fuel-related industries as well as forestry and agribusiness companies, based on science and the Paris Agreement targets, as they are also major sources of carbon emissions. We call upon SMBC Group to further strengthen its policies and reflect the concerns indicated above.

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