

Appeal letter to CBRC by Chinese Environmental NGOs:

Reject the proposal to establish the China Coal Bank

Dear Chairman Shang Fulin,

We are 51 Chinese non-governmental environmental protection organizations. We have been actively following Chinese banks' environmental and social responsibility performances and their national "Green Credit" policy implementation. Recently there has been wide media coverage on the China Coal Bank, which is jointly founded by 15 coal enterprises. We have paid close attention to this and want to express our concerns.

Based on the official website of the China Coal bank, there are three main purposes to establish the bank:

- Support the development of the Coal industry in China
- Optimize the coal chemical industry structure
- Support Chinese coal enterprises "going out" and overseas investment

The core function of the bank is to promote the rapid expansion of the coal industry by providing the financial leverage. We recognize that allowing private capital into the banking industry is an important part of financial reform and will promote the diversification of banking ownership structure and improve the overall efficiency of the financial markets. However, establishing a resource-focused China Coal Bank not only increases the difficulty to manage financial risks, it is also at odds with national development policies to address CO₂ reduction and air pollution control.

Since its founding in 2003, The China Banking Regulatory Commission (CBRC) has been playing an important role in promoting the healthy and steady development of the Chinese financial industry. "Green Credit Directives" policy published in 2007 has defined the responsibility of financial institutions to promote the "green economic transformation" in China. "Green Credit Directives" has been implemented for six years, and we have seen the CBRC's regulatory enforcement on financial institutions. Therefore, we have reasons to believe that when performing its market access regulatory duties, CBRC can refrain from approving the China Coal Bank's application for establishment according to policies, taking full consideration of the potential risks of the China Coal Bank to damage the environment and undermine the sustainability of Chinese financial system.

Based on the following reasons, we believe that China Coal Bank will increase the burden on the environment and public health. The bank is against national development strategies and undermines financial risk management.

1. The production and consumption of coal is a main cause for environmental pollution and greenhouse gas (GHG) emissions.

Coal consumption leads to carbon emissions and thus accelerates climate change. According to the Chinese Energy Statistic Year Book, from 2002 to 2012, China is responsible for nearly 80% of global carbon emissions increase, and 68% of China's energy consumption came from coal in 2012. Hence we can see that coal consumption asserts great pressure on China's carbon emissions reduction targets. Coal mining also leads to destruction of land and water resources and causes ecological environment destruction. Coal production process produces a large amount of wastewater discharge and causes air pollution. Pollutant from burning coal is a major source of PM2.5, which heavily threatens public health.

2. China Coal Bank conflicts with National Strategies such as Construction of ecological civilization construction, Energy conservation and emissions reduction targets, and Atmospheric pollution prevention plan.

The recently commenced Third Plenary Session of Eighteen Central Committee Meeting further identified the importance to accelerate ecological civilization construction and provided guidance for the future work direction of environmental protection, resources conservation and addressing climate change adaptation. The State Council published the "Twelfth Five -Year Energy Conservation and Emission Reduction Work Plan" and "Action plans on Atmospheric Pollution Prevention and Control", and has clearly indicated the determination to control absolute coal consumption. The State Council also formulated the medium and long-term plan on national coal consumption, which aims to reduce the proportion of coal in total energy consumption into less than 65% and replace coal with non-fossil fuels. The State Council recently issued "General Office of the State Council opinions on promoting the smooth and steady operation of the coal industry ", which clearly pointed out that the State Council's determination to curb the unordered growth of coal production and increase penalties for illegal coal enterprises. Clearly, the establishment of China Coal Bank aiming to provide financing for coal enterprises and promote the expansion of the coal industry is inconsistent with the state's overall development strategy and coal industry work plans.

3. China Coal Bank's main business conflicts with the "Green Credit Directives" policies.

In 2012, the CBRC issued the "Green Credit Directives" which aim to strictly control bank loans to "Two high, One excess"¹ industries. The coal industry is a "Two high and One excess" industry, thus loans in this industry are strictly controlled and loan capacity compressed. China coal bank's foreseeable major customers are the coal industry and enterprises, which does not conform with the purpose of "Green Credit Directives" policy to support green, low-carbon, circular economy and to prevent environmental and social risks.

4. Establishing a resource-focused bank is not in accordance with the principal of optimizing financial resources allocation.

As an industry under key national control, the coal industry is bound to reduce its production capacity. Enterprises with polluting or outdated technology will be eliminated and restructured. This brings enormous policy risks to the China Coal Bank. In addition, the China Coal Bank uses coal as the guarantee for deposit. This on one hand conflicts with the national (public) ownership of all coal resources, and on the other hand increased the bank's credit risk. Once there is a break in the capital chain for coal enterprises and the bank left with large amount problematic debts, it will lead to distortion of coal price. Based on the inevitability of

¹ "Two High and One excess": energy intensive, highly polluting and excess production capacity industries.

this price distortion due to opportunistic practices, coal enterprises may mine excessively in order to liquidate without any consequences. All of these could trigger immoral behaviours against market principle, and it's extremely hard to monitor this risk.

5. The trend of global financing is pulling out of the coal industry.

One of the main purposes to establish the China Coal Bank is to help Chinese coal enterprises "going out" and invest overseas. However, from an international perspective, coal enterprises' "going out" strategy is not only facing the financing problems, but also is divergent from global market trends. In the past two years, many countries have pledged to extensively reduce thermal power, and provide more support for renewable energy with less GHG emissions. Five Nordic countries and the United States have publicly announced that their investment orientation will change from fossil fuels to renewable energy. This September, the World Bank also announced that unless special circumstances occur, it will no longer provide loans to coal-fired power plant projects in the future. All of these gestures reflect that more financial institutions have recognized the problems of coal production and consumption and to exit coal financing is the mainstream trend of the global financial industry.

Therefore, based on the five reasons above, we think that the establishment of China Coal Bank is against national strategies on ecological civilization construction, energy conservation and emission reduction, atmospheric pollution prevention and control, as well as "Green Credit Directives" Policies. It is also not conducive to the sustainable development of the financial industry. Hence, we sincerely plead the China Banking Regulatory Commission (CBRC) to demonstrate the responsibility for our country and society, and reject the proposal of China Coal Bank according to policies.

2013/12/05 Beijing, China

The joint appeal intuitions: (In Chinese)

创绿中心	江苏省徐州市“绿色之家”
绿色流域	兰州绿地志愿者中心
达尔问环境研究所	绿满江淮
公众环境研究中心	中南林业科技大学绿源环保协会
爱之旅青年志愿者	长沙市绿动社区环保组织
城乡之声文化艺术中心	绿色大学生论坛
常青藤可持续发展研究所	绿色汉江
自然大学	绿色盘锦
绿色和平	重庆市绿色志愿者联合会
大耳兔村落	绿色浙江
大连市环保志愿者协会	绿石
福建省环保志愿者协会	绿芽自然教育
甘肃平凉市保护母亲河联合会	绿中原
甘肃省绿驼铃环境发展中心	南京国民环保协会
国际环境保护网	挠力河生态保育协会
河南绿色中原	七色玛瑙

黑龙江省大庆市环境保护联合会
黑嘴鸥保护协会
湖南郴州自然之友 绿满湘潭
湖南农业大学生态环境保护协会
湖南省醴陵市环保志愿者协会
湖南省新宁县环境保护志愿者协会
华瑞中嘉
淮河卫士
环友科技
美财社

厦门绿十字
山东省临润环保公社
天津绿领
天津绿色之友
威海市大天鹅保护协会
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