



Urgewald e.V. · Von-Galen-Straße 4 · 48336 Sassenberg

Stortinget
Karl Johans gt. 22
N-0026 Oslo
Norway

Sassenberg, November 4, 2015

International NGOs call on Norwegian Parliamentarians to protect coal divestment decision

Dear Members of the Norwegian Parliament,

We would like to applaud you and your colleagues for the Storting's unanimous decision on June 5th 2015 to pull the Government Pension Fund Global (GPF) out of the thermal coal industry. As non-governmental organizations from 33 countries, we are committed to ensuring that other investors and sovereign wealth funds follow your example and initiate coal divestment actions of their own.

If well implemented, the policy outlined by the Storting would make Norway a leader in efforts to bring global capital flows into line with the goal of limiting global warming to below 2°C. We are, however, concerned that several of the proposals put forward by the Norwegian Finance Ministry in the national budget will diminish the scope and impact of the Storting's decision. We hope that the Storting will take appropriate steps to address the following concerns:

1. An Optional or an Obligatory Policy?

In contrast to other product-based exclusion criteria adopted by the Storting, the Norwegian Finance Ministry suggests that the new coal criteria should be formulated as a "may" rule instead of a "shall not" rule. The Finance Ministry argues that this formulation is better suited to accommodate the forward-looking assessment of companies' investment plans. The word "may", however, suggests that the application of the new criteria will be optional. In our view, this would substantially weaken the policy and the message it conveys to the world. Norway's Council on Ethics has offered an alternative formulation that emphasizes the obligatory nature of the policy while still leaving room to consider companies' investment plans. The Council suggests using the formulation "shall not", but adding the addendum: "and that does not have concrete plans to reduce its coal share to below these limits." If the Storting wants to enact meaningful divestment that can serve as an example for others, the new policy must be obligatory and not optional.

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2. Partial or Full Divestment of the Thermal Coal Sector?

While the Parliament stated that the criteria should, as “**a point of departure**”, cover coal mining and coal power companies, the Finance Ministry interprets this to mean the criteria should be exclusively **limited** to these companies. According to the Ministry and Norges Bank, the criteria would not be applied to other parts of the thermal coal value chain such as coal traders, coal transporters, coal power plant construction and equipment companies and coal-to-oil operators.

Only the Parliament can clarify if it indeed wants to retain companies in the GPFG’s holdings whose **major business** is transporting thermal coal from mines to power plants, investing in coal harbors or building new coal-fired power plants. These are integral parts of the thermal coal value chain and it therefore seems illogical to exempt them from the new criteria. Especially as such coal infrastructure investments are often a driving force in opening up new areas for the coal industry. In many regions, the development of new coal mines hinges on the construction of coal railway and coal harbor projects. And companies that build new coal-fired power plants are not just passive contractors; they often play a key role in securing financial arrangements for these projects.

Investments in these companies only serve to perpetuate and deepen the dilemma of coal-dependent energy production that is the number one threat to climate stability. Their exclusion also makes sense from a financial stand point as the necessary transition from coal-based energy to renewables will ultimately impact the financial performance of **all** companies along the thermal coal value chain.

In regards to utilities, the Finance Ministry also puts forward an unacceptably narrow interpretation of the Storting’s decision. According to the Ministry, only companies or subsidiaries that **generate** coal-fired power would be covered, but not companies that **sell** coal-fired power. This differentiation is largely artificial as it depends on how utilities or utility holding companies allocate generation assets across the company. Many utilities have special subsidiaries that distribute and sell coal-fired power generated by other parts of the company. According to the Finance Ministry, these subsidiaries could thus remain in the GPFG’s holdings. This is clearly inappropriate. Selling and generating coal-fired electricity are part of the same business and should be treated as such.

As currently formulated, the Finance Ministry’s proposal would limit the scope of the planned divestment much further than we believe was intended by Parliament. We therefore encourage you and your colleagues to clarify whether coal mining and power companies are only the starting point of the divestment action or already the end point. And whether “coal power companies” means only the entities operating coal-fired power plants, or also includes the entities selling the resulting coal power production.

3. Opening or Closing Loopholes for Subsidiaries?

Determining how to treat subsidiaries will be key for a sound implementation of the new policy. In the national budget, the Finance Ministry stresses that “subsidiaries which themselves do not have sufficient coal-based activities will **not** be covered by the new criteria.” As the Ministry simultaneously advocates a very narrow definition of what constitutes coal-based business, this,

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in practice, means that Norges Bank may continue buying bonds from subsidiaries, whose mother companies exceed the 30% threshold put forward by Parliament.

In this context, it is important to note that many coal mining companies and coal-based utilities have special financing arms, which are often listed as separate companies. A case in point is RWE Finance, which is listed under “Financials” in the GPFG’s holdings, but whose sole purpose is to acquire fresh capital for its mother company RWE, one of the world’s largest operators of coal-fired power plants. RWE Finance does not mine coal or operate coal-fired power plants, but it acquires the capital for these activities and must be divested along with its owner, RWE.

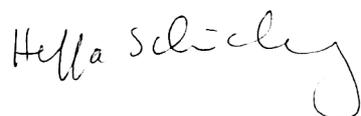
In its decision, the Parliament states “companies who themselves or through operations they control base 30% or more of their activities on coal and/or derive 30% of their revenues from coal, should as a rule fall under the criteria”. We read this to mean that if the **company as a whole** falls under the criteria, it should also be **divested as a whole**.

Divestment should not depend on whether a company organizes its business in different subdivisions. In the real world, companies are constantly moving assets and money from one part of the company to another. If a company falls under the exclusion criteria, subsidiaries that are part of its consolidated annual financial statement should therefore also be divested.

If the Storting does not clarify the subsidiary question, the sector definition and the obligatory nature of the new policy, we see a real danger that what Parliamentarians termed an “important climate decision” could mutate into a policy that is optional, narrowly applied and full of loopholes.

Norway’s decision to “pull the GPFG out of coal” gave hope to climate-concerned citizens all over the world. We encourage you to now stand by this historic decision and ensure that it is not undermined. Please do not disappoint us.

Yours sincerely,



Heffa Schücking
Urgewald, Germany

On behalf of:

International:

350.Org

ActionAid

Asian Peoples Movement on Debt and Development (APMDD)

BankTrack

CEE Bankwatch Network

Friends of the Earth International

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Institute for Energy Economics and Financial Analysis (IEEFA)
Movimiento Mesoamericano contra el Modelo extractivo Minero (M4), Mesoamerica
Greenpeace International
Southeast Asia Coal Network
Waterkeeper Alliance

National:

Correct Planning and Consultation for Mayfield (CPCFM), Australia
Market Forces, Australia
Mineral Policy Institute, Australia
The Australia Institute, Australia

Antiatom Szene, Austria
Global 2000, Austria

Coastal Livelihood and Environmental Action Network (CLEAN), Bangladesh

CATAPA, Belgium
Centre National de Coopération au Développement, Belgium
11.11.11 – Coalition of the Flemish North-South Movement, Belgium

SEE Change Net, Bosnia & Herzegovina

Green Istria, Croatia
Zelena akcija - Friends of the Earth, Croatia

Climate Movement of Denmark, Denmark
Det Økologiske Råd, Denmark
IBIS, Denmark
NOAH, Denmark

Collectif ALDEAH, France
Les Amis de la Terre, France

Arbeitskreis für Menschenrechte in Kolumbien, Germany
Bund für Umwelt und Naturschutz Landesverband Sachsen, Germany
Facing Finance, Germany
Germanwatch, Germany
kolko - Menschenrechte für Kolumbien e.V., Germany
PowerShift, Germany

Abibiman Foundation, Ghana
Upper West Coalition on Mining, Food, Water and Sacred Natural Sites (CIKOD), Ghana

Stop Mad Mining Campaign (SMM), Hungary

Conservation Action Trust, India
Environics Trust, India
Human Rights Forum, India

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WALHI -Friends of the Earth, Indonesia

Re:Common, Italy

Friends of the Earth, Japan
Kiko Network, Japan

Balkan Green Foundation, Kosovo
Kosovo Civil Society Consortium for Sustainable Development (KOSID), Kosovo

Leave it in the Ground Initiative (LINGO), Mexico

Justiça Ambiental, Mozambique

Both ENDS, Netherlands
Centre for Research on Multinational Corporations (SOMO), Netherlands
Fossil Free, Netherlands
PAX, Netherlands

Philippine Movement for Climate Justice, Philippines

Coalition „Development YES - Open Pit Mines NO“, Poland
EKO-Przyjezierze, Poland

Ecodefense, Russia

Focus Association for Sustainable Development, Slovenia

Observatori del Deute en la Globalització, Spain

Mupo Foundation, South Africa

Korea Federation for Environmental Movements, South Korea

Berne Declaration, Switzerland

We Love Lanta Network, Thailand
Save Prakasai Network, Thailand
Lanta Island Tourism Associations, Thailand
Hotel Association of Koh Lanta, Thailand
Andaman Foundation, Thailand
Center of Ecological Building Awareness, Thailand
Association of Thailand's Small-Scale Fishery Folks Federation, Thailand
Non-Government Organization-Coordination Southern Region, Thailand
Food Security Network-Southern Region, Thailand
Protect Trang Group, Thailand
Rak Andaman Network, Thailand
Prakasai Environmental Conservation Network, Thailand
Public Health Volunteer of Krabi, Thailand
Krabi Fisherfolks Network, Thailand

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Andaman Organizations for Participatory Restoration of Nature Resources, Thailand
Phang-Nga Fisherfolks of Andaman Network, Thailand
Mae-Moh Anti-Coal Movement, Thailand
Khao Hin Sorn Anti-Coal Movement, Thailand
Healthy Public Policy Foundation, Thailand
Thailand Coal Network, Thailand
EIA EHIA Watch, Thailand
Kon Rak Lay Krabi Associations, Thailand
Thailand Wetland Foundation
Koa Klang Environmental Conservation Network of Krabi Province, Thailand
People of Songkla Development Network, Thailand
Pakpranang Estuary Conservation Network of Nakhon Si Thammarat Province, Thailand
Tapteng Civil Society Network of Trang province, Thailand
Local Fishery Network of Trang Province, Thailand
Koa Yao Noi Ecological Tourism Association of Phang-nga Province, Thailand
Pakbara Gulf Conservation Network, Thailand
Development Plan Watch of Satoon Province, Thailand
Thasala Local Fishery Folk Association of Nakhon Si Thammarat Province, Thailand
Rak Tale Thai Associations, Thailand
Anti-Global Warming Associations, Thailand
Krabi Anti-coal Network, Thailand
Save Andaman from Coal Network, Thailand

Ecology Collective Association, Turkey

National Ecological Center of Ukraine, Ukraine

Corner House, United Kingdom
Community Reinvest, United Kingdom
Gaia Foundation, United Kingdom
Medact – Health professionals for a safer, fairer & better world, United Kingdom
People & Planet, United Kingdom

Center for International Environmental Law (CIEL), USA
Rainforest Action Network, USA
The Sierra Club, USA

CHANGE, Vietnam

110 organizations from 33 countries