REPORT

JULY 2024

Banking Climate Failure

The broken climate promises of Australia's Big Four banks

MARKET FORCES

Executive summary

Market Forces' latest analysis reveals that in 2023, Australia's big four banks, ANZ, Commonwealth Bank, NAB, and Westpac continued to pour billions of dollars into the fossil fuel industry. In 2023 these banks loaned **$3.6 billion** to fossil fuels. The big four have now poured over **$61 billion into fossil fuels since the Paris Agreement**.

Worst of all, money is still flowing to companies that plan to build new and expanded coal, oil and gas projects, which are incompatible with limiting global warming to 1.5ºC. Australia's big four banks loaned **$2.5 billion** to companies with fossil fuel expansion plans in 2023.

There is some good news. 2023 was the first year since the Paris Agreement that none of the big four Australian banks participated in a deal explicitly for a new or expanded fossil fuel project. Between 2016 and 2022, the big four loaned $9.5 billion directly to new and expanded fossil fuel projects. But 2023 may have marked the beginning of the end of the big banks providing project finance to coal, oil and gas developments causing unacceptable harm to our climate.

However, as direct loans to fossil fuel projects dries up, general purpose corporate lending and bonds are increasingly being used as backdoor financing options for companies pursuing new and expanded coal, oil and gas developments.

The big four Australian banks arranged **$2.2 billion** for fossil fuels through the bond market in 2023. **$1.4 billion** of this was for companies with expansion plans.

All of the big four Australian banks have committed to the goals of limiting warming to 1.5ºC and net-zero emissions by 2050. Yet despite the scientific consensus that new and expanded fossil fuels are incompatible with these goals, the banks continue to recklessly finance companies pursuing these projects, completely undermining their climate credentials in the process.

Key findings

ANZ is still Australia's biggest funder of fossil fuels since Paris. ANZ poured a total of $19.8 billion into the industry in the eight years following the Paris Agreement, and factoring in its lending in early 2024, has blown past **$20 billion.** In 2023, ANZ loaned $903 million to companies pursuing new and expanded coal, oil and gas, more than any of the other big four banks. ANZ also arranged $1.5 billion in bonds for fossil fuels, demonstrating the largest appetite of the major banks for this type of backdoor finance. Over half of ANZ's bond financing went to companies with coal, oil or gas expansion plans.

NAB topped the charts as the biggest Australian fossil fuel lender in 2023, making ground on ANZ as the worst for funding climate failure. NAB loaned $1.4 billion to fossil fuels in 2023, including $859 million in funding to companies with expansion plans, narrowly behind ANZ. After receiving significant shareholder backlash on fossil fuel finance at its December 2023 AGM, NAB has taken some small steps to address concerns over greenwashing and failure to meet its climate commitments. But the 2023 lending data shows giant leaps are needed to fix the significant gaps in the bank's policy.

Commonwealth Bank's progress on restricting fossil fuel lending has stagnated. Commonwealth Bank's lending was up slightly from 2022, but was still the least to fossil fuels in 2023 at $271 million, comfortably less than third-placed Westpac. While encouraging, Commonwealth Bank still loaned to APA Group which is planning to construct pipelines that would light the fuse on the Beetaloo carbon bomb. It also continues to hold significant exposure to thermal coal miners, including climate wreckers like Glencore, which CommBank can continue to finance until 2030 under current policy settings.

Westpac's worrying trend of funding some of the world's biggest climate wreckers continues. Westpac loaned $533 million to companies expanding fossil fuels in 2023, including oil and gas giants JERA and APA Group.

ANZ and Westpac are funding a fossil gas lock-in across Asia that threatens to derail the rapid clean energy transition required to meet global climate goals. Nearly two thirds (63%) of the world's fossil gas expansion is planned in Asia. In recent years, ANZ and Westpac have funded companies responsible for part of these massive gas buildout plans, including Santos, Woodside, JERA, APA Group, and GE Vernova.

The big four banks reduced overall fossil fuel lending in 2023 but the vast majority still went to companies with expansion plans. In 2023 the big four Australian banks loaned $3.6 billion to fossil fuels, the least of any year since 2016 and a little less than half of the 2022 total ($6.3 billion). But nearly 70% of this lending went to companies with expansion plans, clearly showing the big banks are still nowhere near aligning with their climate commitments. While the lending drop is a positive sign, the first three months of 2024 saw climate laggard ANZ continue with business-as-usual, taking part in three multi-billion dollar syndicated loans to major companies with coal, oil or gas expansion plans, including climate wreckers GE Vernova, Siemens Energy, and San Miguel Corporation.

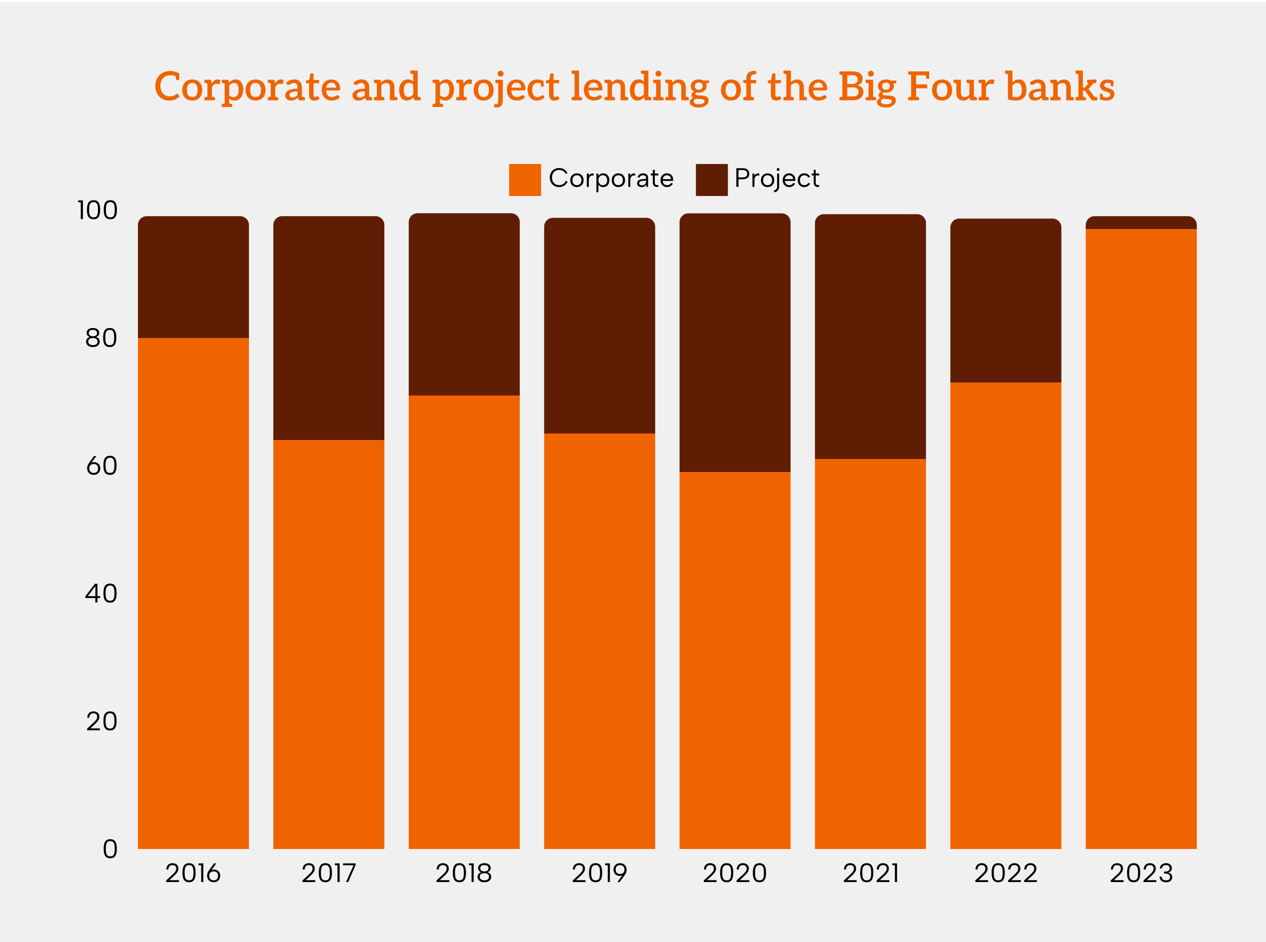
Lending to coal is down in the last two years. In recent years the big four Australian banks have reduced their coal lending, down to $305 million in 2023 from a peak high of $3.5 billion in 2018. The big four have now all walked away from Australia's largest pure play coal miner, Whitehaven Coal. Yet the banks continue to support diversified miners like BHP and Glencore, which both plan to expand coal mines that are out of step with global climate goals.

Bonds are becoming a more common source of finance to fossil fuels. In 2023 Australia's big four banks arranged $2.2 billion in bonds for fossil fuel companies, 38% of total fossil fuel finance in 2023.

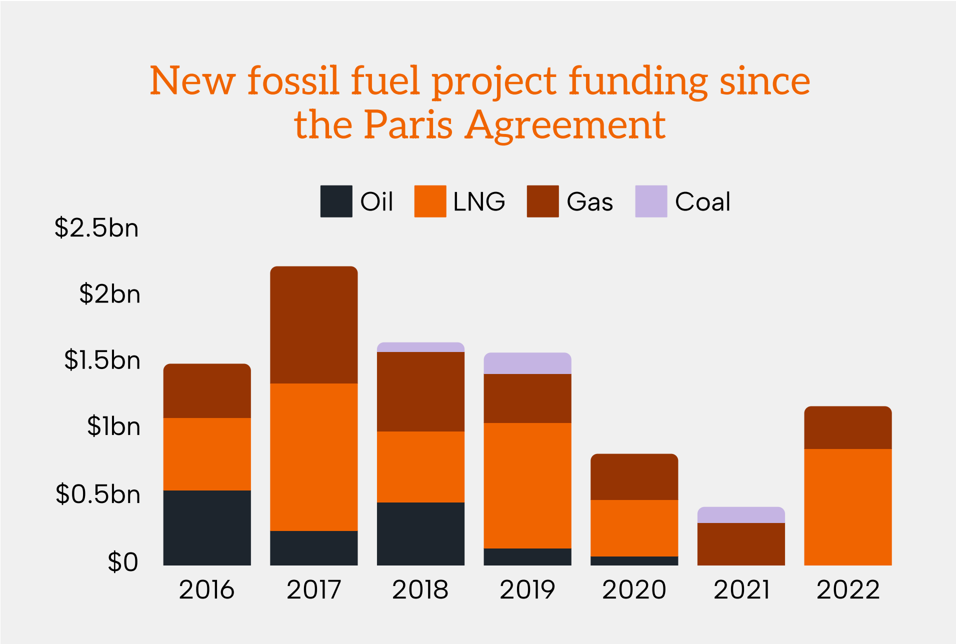
Lending

End of the project finance era?

2023 was the first year since the Paris Agreement that none of the big four Australian banks participated in a deal explicitly for a new or expanded fossil fuel project. Between 2016 and 2022, the big four loaned $9.5 billion directly to new and expanded fossil fuel projects. But 2023 may have marked the beginning of the end of banks providing project finance to the expansionary coal, oil and gas developments causing unacceptable harm to our climate.



In 2023 Commonwealth Bank and Westpac both announced a number of exclusions on directly financing these projects, and even climate laggard ANZ made additional commitments early in 2024. This trend is only heading in one direction as the big banks become increasingly aware of how flagrant a violation of their Paris commitments it would be to directly finance a new fossil fuel project almost ten years after the agreement was signed. Reflective of this trend, **98% of the banks' fossil fuel lending in 2023 was corporate finance.** The remainder went to existing fossil fuel projects, rather than new ones.



Coal
$346 million
Gas
$3.2 billion
LNG
$4.4 billion
Oil
$1.5 billion
Total
$9.5 billion

This is testament to the people-powered movement, including thousands of customers, shareholders and staff, who stood up and demanded the big banks stop financing environmentally damaging activities. The big banks have been forced to respond to the massive community pressure calling for them to keep finance out of new and expanded coal, oil and gas projects.

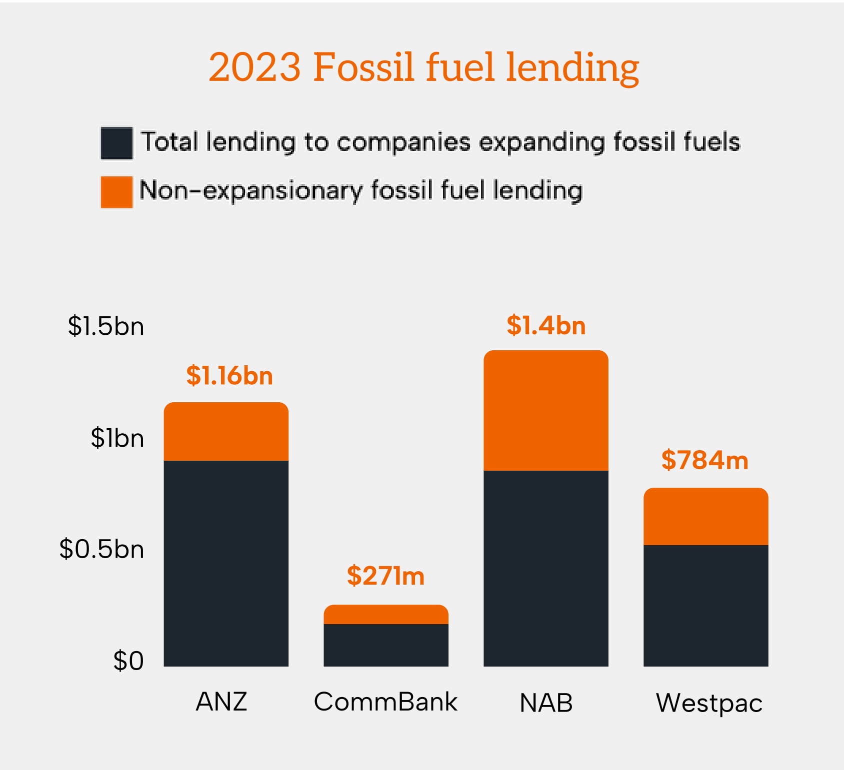
Corporate finance: Door still wide open for climate wrecking companies

Despite the big banks claiming they are walking away from directly funding coal, oil and gas expansion projects, they continue to pump billions through 'general corporate finance' deals to the companies developing them. This ongoing financing means Australia's major banks continue to enable the expansion plans of their climate wrecking clients.

Former Westpac Chairman, John McFarlane highlighted the problem with providing 'general corporate finance' to companies expanding fossil fuels at the bank's AGM in December 2023, citing that banks have no control over what the money is used for:

> "Where it is a general amount of money we lend to a customer, that is not related to project finance, we have no control over where that money goes afterwards."

As a result of sustained pressure from shareholders, customers and the broader community, the banks have taken some steps to address this. From October 2025 all of the big four banks are requiring transition plans from their coal, oil and gas mining clients. However, the banks still have significant grey areas and loopholes that would allow them to continue funding some of the world's worst climate wreckers and infrastructure companies propping up their expansion plans, such as APA Group, GE Vernova, and JERA.



ANZ	
Total lending to companies expanding fossil fuels	$903 million
Non-expansionary fossil fuel lending	$256 million
CommBank	
Total lending to companies expanding fossil fuels	$188 million
Non-expansionary fossil fuel lending	$83 million
NAB	
Total lending to companies expanding fossil fuels	$859 million
Non-expansionary fossil fuel lending	$528 million
Westpac	
Total lending to companies expanding fossil fuels	$533 million
Non-expansionary fossil fuel lending	$251 million

To meet their climate commitments and the expectations of their stakeholders, Australia's major banks must demand credible climate transition plans from all their fossil fuel clients before providing any more finance. The alternative business-as-usual approach will see Australia's biggest banks continue to enable fossil fuel expansion, worsening catastrophic levels of warming, and fuelling more climate disasters.

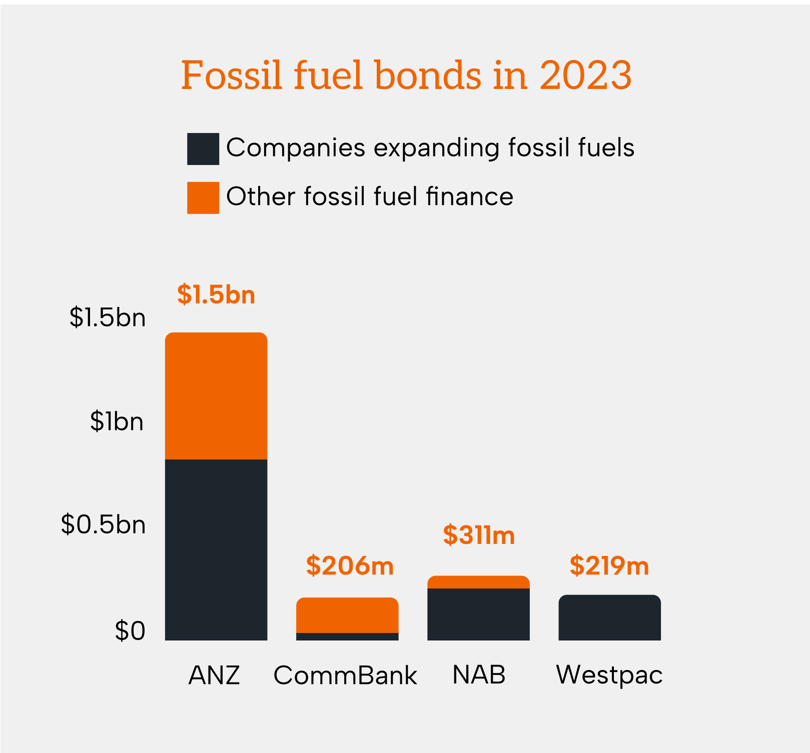
Bonds

The bond market is a cornerstone of global finance, and an increasingly popular form of raising funds for fossil fuel companies. When banks arrange bonds, they use their large networks of financiers to help the fossil fuel client find investors willing to provide the funding.

Alarmingly, bonds have doubled as a source of funding for energy companies in the past decade. The recent 'Banking on Climate Chaos' report found that corporate bonds now account for 39% of fossil fuel finance arranged by the world's 60 largest banks. When it comes to the big four Australian banks, our data shows 38% of finance they arranged for fossil fuels in 2023 was in the form of bonds.

The significance of bonds is particularly pronounced in the thermal coal sector. As traditional bank lending for thermal coal has become increasingly restricted, bonds have become a key source of funding for coal companies seeking to finance their expansion projects. Coal expansionist companies now raise 2.5 times more capital through bond finance than through bank loans. Between 2021–2023, bond underwriting accounted for 78% of total coal financing, according to German clean finance advocacy organisation Urgewald.

ANZ and NAB have no current restrictions on arranging or underwriting bonds for companies with fossil fuel expansion plans, while CommBank and Westpac have only limited restrictions in place.



ANZ	
Companies expanding fossil fuels	**$873 million**
Other fossil fuel finance	**$613 million**
CommBank	
Companies expanding fossil fuels	**$36 million**
Other fossil fuel finance	**$170 million**
NAB	
Companies expanding fossil fuels	**$251 million**
Other fossil fuel finance	**$60 million**
Westpac	
Companies expanding fossil fuels	**$219 million**
Other fossil fuel finance	**$0**

Climate transition plans: A possible endpoint to Australia's big banks funding climate destruction

The Paris Agreement was signed nearly nine years ago, and the urgency of the climate crisis has only increased since then as disasters including bushfires, floods, heatwaves and droughts have become more severe and frequent.

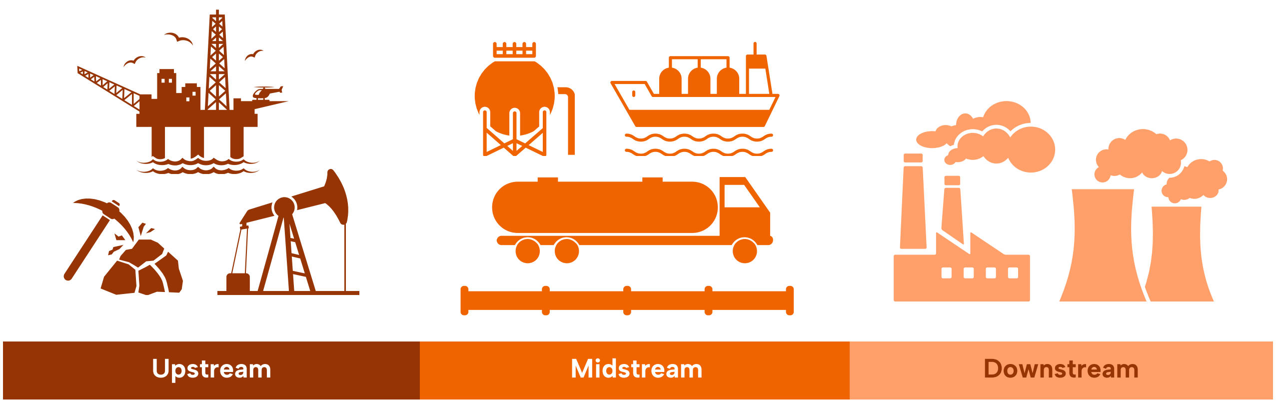
Despite the urgent need to transition away from fossil fuels, Australia's major banks have taken a meandering approach to their fossil fuel finance. The big banks have failed to hold their coal, oil and gas clients to account, while financially enabling their destructive expansion plans.

However, there may be light at the end of the tunnel for the thousands of community members that have been demanding real climate action from our major banks. In 2023, all big four banks announced that from next year they will require fossil fuel companies to produce credible *transition plans*. A transition plan is how companies demonstrate their business plans are consistent with a safe climate and aligned with the goals of the Paris Agreement.

What does that mean for climate wreckers? Companies pursuing massive new and expanded coal, oil and gas projects incompatible with limiting global warming to 1.5ºC, like Santos, Woodside, and Glencore must surely fail the banks' test and so won't be eligible for more finance from 2025.

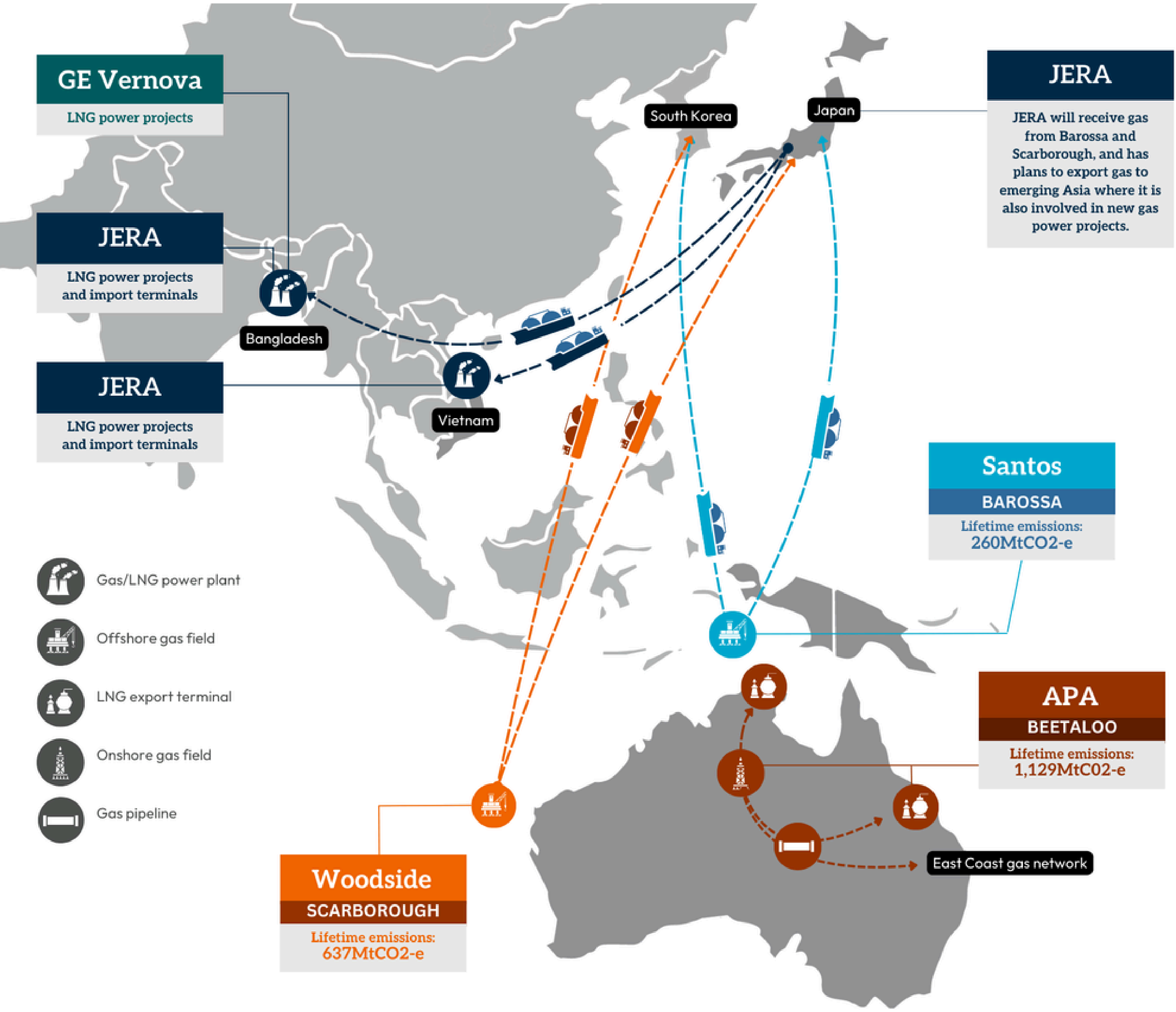
But some grey area remains, and we need to ramp up the pressure now to get the banks to publicly disclose exactly how they're going to assess all of their fossil fuel clients for alignment with 1.5ºC, and commit to not funding companies that are incompatible with a safe climate. This can't just apply to companies extracting the coal, oil and gas themselves, but all companies enabling fossil fuel expansion throughout the value chain, including gas infrastructure and pipeline companies such as APA Group, GE Vernova, and JERA.

The fossil fuel value chain



ANZ and Westpac funding gas expansion in Asia Pacific

The last few years have shown that ANZ and Westpac are willing to fund companies responsible for a massive buildout of new gas projects in Asia. The banks are financing projects and companies ranging from the new gas fields and pipeline developers in Australia, to gas-fired power plants in Asia.



Disclaimer: This map is an approximate guide only and does not necessarily reflect the exact locations of planned fossil fuel developments and associated infrastructure.

Asia is being aggressively pursued as a growth market for gas power projects and infrastructure. According to Global Energy Monitor, a staggering 63% of the world's proposed new gas power is in Asia. Despite opposition from local communities, the fossil fuel industry is pushing costly and climate destroying projects in this region, and it's being enabled by ANZ and Westpac.

In just the last two years, ANZ and Westpac loaned over $700 million as part of two loans related to two of Australia's biggest new fossil gas export projects – **Woodside's Scarborough** and **Santos' Barossa gas project**. They've also loaned over $300 million for 'general corporate purposes' to both companies, and even helped arrange a $1.3 billion, ten-year bond for Santos in September 2023. ANZ and Westpac are enabling Australian gas companies to extract new gas and export most of it overseas, but it doesn't stop there.

Then there's APA Group, Australia's largest gas pipeline operator. ANZ and Westpac both took part in a $1.25 billion loan to APA in November 2023, and also helped arrange a $835 million bond for the company that same month. APA is planning to construct several pipelines to support extensive fracking in the Beetaloo Basin, one of the biggest proposed gas projects in Australia's history, with most of the gas destined for export.

In October 2023, both ANZ and Westpac contributed a combined $226 million to Japanese energy giant, **JERA** as part of a $2.3 billion loan. JERA has stakes in both Barossa and Scarborough, and is involved in a staggering amount of new gas power projects in Bangladesh and Vietnam. JERA's gas expansion tentacles include a carbon bomb in the precious environment of Chattogram, south east Bangladesh. And it gets even worse for the climate.

In March of this year, ANZ and Westpac were both involved in a $9.2 billion loan to GE Vernova. The global power giant is one of the world's biggest contributors to coal and gas power plants and its business strategy includes building an enormous amount of new gas power plants in Bangladesh and Vietnam. In the Chattogram region of Bangladesh alone, gas or LNG projects with GE involvement would add approximately 430 million tonnes of carbon dioxide equivalent (CO_2-e) to the atmosphere throughout the plants' operational lives, over four times the country's total CO_2 emissions in 2022.

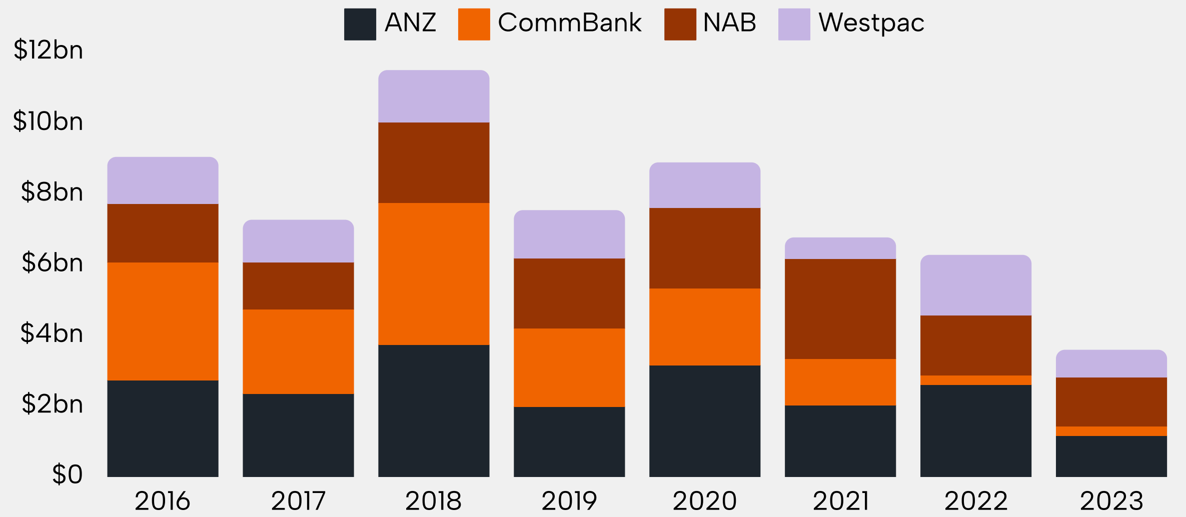
This kind of financing activity calls into question not only ANZ and Westpac's commitments, but the kind of world and economies they want to be shaping. These companies are demonstrating their intention to ensure that the 'Asian growth market' is locked into dependence on outdated and harmful technologies instead of developing clean, renewable energy. ANZ and Westpac are bankrolling climate havoc across Asia.

Big four scorecard since the Paris Agreement

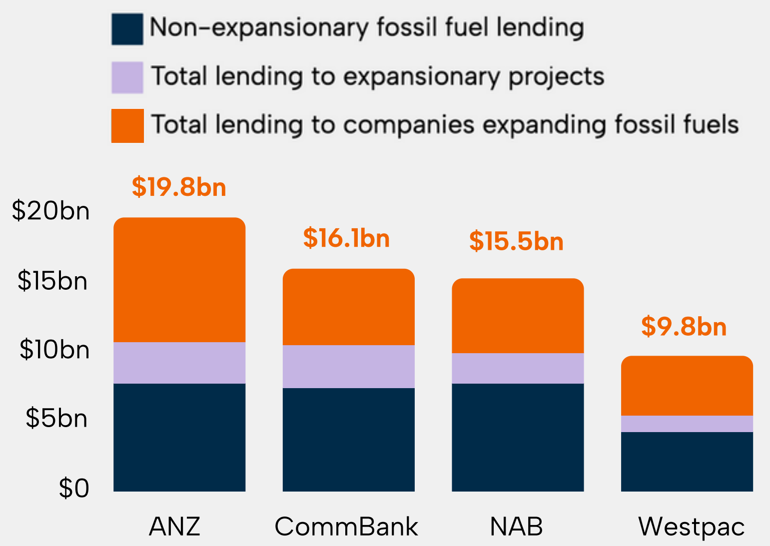
In the eight years since the global Paris Agreement to limit climate change was signed, the big four Australian banks have loaned a whopping total of **$61.1 billion** to fossil fuels, including:

- **$24.2 billion** to companies expanding fossil fuels
- **$9.5 billion** to fossil fuel expansion projects

Fossil fuel lending 2016–2023



Fossil fuel lending 2016–2023 (by type)



Bank	Non-expansionary fossil fuel lending	Total lending to expansionary projects	Total lending to companies expanding fossil fuels
ANZ	$7.8bn	$3bn	$9 billion
CommBank	$7.5bn	$3.1bn	$5.5 billion
NAB	$7.8bn	$2.2bn	$5.4 billion
Westpac	$4.3bn	$1.2bn	$4.3 billion

The five worst deals of 2023

Most fossil fuel deals from Australia's big four banks in 2023 were for companies with fossil fuel expansion plans. But in that list, there are a few that stand out as the worst deals due to the sheer size of these companies' fossil fuel expansion plans and associated human rights controversies for many of these projects.

1. JERA Global Markets

ANZ Westpac

In October 2023, ANZ and Westpac loaned $125 million and $101 million, respectively, to JERA Global Markets as part of a $2.3 billion loan related to the company's LNG business. JERA has some of the biggest gas expansion plans in the world. Some of its dirtiest new proposed LNG projects include:

- **Barossa:** JERA owns a 12.5% stake in Santos' destructive Barossa gas project, as well as a 6.1% stake in its associated gas processing plant, Darwin LNG. The issues with Barossa have been well-documented - in 2023 ANZ and Westpac faced formal human rights complaints from Tiwi and Larrakia Traditional Owners over their involvement in a loan related to the project.

- **Scarborough:** In February 2024, JERA bought a 15.1% stake in Woodside's climate-wrecking Scarbrough gas field off the coast of North-Western Australia. The gas produced from Scarborough would, when burned, see nearly 700 million tonnes of CO_2 enter the atmosphere, almost 1.5 times Australia's annual emissions.

- **Freeport LNG Expansion:** JERA owns a 25.7% stake in the Freeport LNG project in Texas, USA. Freeport LNG is expanding its capacity, which would make the facility at least the fourth biggest LNG project in the world.

JERA is a major player in the Japan-led fossil gas expansion in Asia, pursuing five LNG import terminals and LNG to power projects with nameplate capacity of **11.6GW** in Bangladesh and Vietnam – effectively trying to lock these countries into dirty and expensive fossil fuels instead of renewable energy. Perhaps most egregious of these examples is the pursuit of carbon bomb LNG projects in the Chattogram region of Bangladesh.

2. APA Group

ANZ | CommBank | NAB | Westpac

In November 2023, ANZ, CommBank, NAB and Westpac all took part in a $1.25 billion loan to APA Group. ANZ, CommBank and NAB loaned $50 million each, while Westpac loaned $80 million. While part of this loan was to fund APA's acquisition of Alinta Energy's existing Pilbara gas assets, it will also be used for 'general corporate purposes'.

The loan does not need to be repaid in full until 2033, during which time APA threatens to unleash massive climate pollution from the Beetaloo gas basin.

In 2023, APA Group signed preliminary agreements with the leading developers of the Beetaloo basin, Empire Energy and Tamboran Resources, to construct pipelines that would light the fuse on the Beetaloo carbon bomb. Market Forces analysis estimates Beetaloo gas would create end-user emissions of 1.1 billion tonnes of CO_2-e, more than the emissions from Woodside's Scarborough, Trion and Sangomar projects combined.

Traditional Owners including the Nurrdalinji Aboriginal Corporation, as well as local farmers and landholders, have voiced vehement opposition to the Beetaloo fracking plans, including raising concerns about risks to groundwater in the Cambrian Limestone Aquifer, which sustains local livelihoods and ecosystems.

In September 2023, independent expert and UN Special Rapporteur Marcus Orellana, criticised the Beetaloo Basin gas plans over climate, human rights and environmental concerns. A full report will be published in September 2024.

Photo credit: GetUp

3. Santos

ANZ Westpac

In September 2023, ANZ and WBC were again involved in arranging finance for Santos, this time taking part as co-placement agents for a $1.3 billion bond. Santos sanctioned the new Pikka oil field in August 2022, is targeting a final investment decision on Papua LNG in 2025, and is targeting final approvals on three other new oil and gas projects. Santos plans to increase production 16% between 2022 and 2028, while the latest International Energy Agency Net-Zero by 2050 Scenario projects global oil and gas production must fall 19% by the end of this decade.

This deal was particularly egregious from ANZ and Westpac as just five months prior they had received human rights grievances from Larrakia and Tiwi Traditional Owners for their involvement in a $1.8 billion loan related to the Barossa gas field Santos is currently developing. ANZ was still considering the complaint at the time, while Westpac had effectively dismissed the concerns without engaging with the Traditional Owners. Despite all of this, ANZ and Westpac went ahead and arranged more money for Santos and its destructive gas expansion plans.

After much public pressure, and appearances at Westpac's AGM in December 2023, Tiwi Traditional Owners Pirrawayingi Puruntatameri and Simon Munkara drew a commitment from Westpac CEO, Peter King to visit the Tiwi Islands to discuss the human rights complaint and what is at stake if Barossa goes ahead. One week later at its AGM, ANZ CEO, Shayne Elliot made the same commitment. Shamefully, ANZ recently rejected the human rights complaint on the basis that Santos 'had not consented to participate in the process'.

4. Glencore

ANZ

ANZ arranged a whopping $784 million for coal giant, Glencore, as part of a $3.9 billion bond in September 2023. Glencore is “one of the world’s largest producers and exporters of seaborne traded thermal and coking coal.” The company is also pursuing an extension for the Hunter Valley Continued Operations project, which is the largest coal mining proposal ever put forward in New South Wales. The proposed continuation of the mine would see mining continue until 2050, with emissions estimates of up to 1.2 billion tonnes of CO2-e, more than 2.5 times Australia’s current annual emissions.

At a recent Australian Senate Inquiry into Greenwashing, a representative of Glencore openly admitted that “we do not make any claim to be aligned with the Paris Agreement”. Based on Glencore’s plans to keep mining coal for decades, anyone could see that was the case. But it’s an indictment on ANZ that it will still fund a coal-mining company that openly admits it’s not aligned with global climate goals that ANZ claims commitment to.

ANZ has no restrictions on financing metallurgical coal mining, and only weak requirements for thermal coal mining companies.


‘Largest ever’ NSW coalmine plan will put pressure on state’s net zero target, watchdog says

The Guardian (May 2024)

5. BHP

ANZ NAB Westpac

In February 2023, ANZ, NAB and Westpac participated in a $4 billion bond for BHP, each contributing over $40 million. As one of the world's largest and most diversified mining companies, BHP has the opportunity, and the responsibility, to set a global example by managing down its fossil fuel business. It is more than capable of this, as demonstrated with its plans for the Mount Arthur mine.

Instead, the company has continued to sell off its dirty assets to pureplay fossil fuel companies with no plans to align their own business with the climate efforts of the rest of the world. While this may reduce BHP's emissions in its own reporting, the impact in the real world will almost certainly be worse. With these mines in the hands of companies whose sole focus is fossil fuel extraction, their chance to be managed down is gone.

BHP has been selling some of its coal mine assets in recent times, including two of its coal mines to Australia's largest pure play coal miner and climate-wrecker Whitehaven Coal in late 2023. But even after that sell down, BHP will still produce 36 million tonnes of coal per year, remaining one of the largest producers in Australia.

BHP has plans to mine coal for many years to come, and is seeking approval for two greenfield coal expansion projects at Red Hill and Saraji East, and has applied to extend its Peak Downs metallurgical coal mine by an additional 93 years.

BHP can be a leader in the transition away from fossil fuels, but its coal expansion plans and the massive emissions they would generate are incompatible with global climate goals. ANZ, NAB and Westpac must ensure BHP abandons its coal expansion strategy before providing or arranging further funding.

Dishonourable mentions: ANZ's dirty deals

While overall fossil fuel lending was down in 2023, ANZ's fossil fuel finance, and weak policies, are a major concern. ANZ's policies for assessing climate risk are quite clearly inadequate as an overwhelming majority of high-risk deals continue to be approved even when escalated internally.

In its 2023 financial year, ANZ escalated 22 high-risk ESG transactions to a senior executive committee, which approved **19** of those high-risk deals. Then in early 2024, ANZ loaned hundreds of millions across three deals to climate wreckers – GE Vernova, Siemens Energy and San Miguel corporation in quick succession, indicating this climate laggard has no intention of ceasing its support for fossil fuel expansion.

GE Vernova

ANZ Westpac

In March 2024 ANZ and Westpac were involved in a whopping **$9.2 billion loan** to GE Vernova. This loan coincided with General Electric spinning off GE Vernova, a company specialising in the energy sector.

Despite the company's name meaning "new green", it has vast fossil fuel interests and its business strategy includes building out an enormous amount of new LNG power plants in Bangladesh and Vietnam. In the Chattogram region of Bangladesh alone, gas or LNG projects with GE involvement would add approximately 430 million tonnes of carbon dioxide equivalent (CO2-e) to the atmosphere throughout the plants' operational lives, over four times the country's total emissions in 2022.

Because GE Vernova is involved in gas-fired power generation and supplying equipment to gas power stations (rather than the extraction of the gas itself), it is exempt from ANZ's and Westpac's requirement that certain fossil fuel customers have a Paris-aligned transition plan to continue receiving finance. That means ANZ and Westpac could carry on funding GE Vernova indefinitely despite its prolific role in the massive gas expansion planned in the Asia Pacific region. This clearly shows that these banks' existing policies are not good enough.

Bangladeshi artists and diaspora Bangladeshis from the US joined Market Forces to call on GE Vernova to pull out of its gas expansion plans and focus on backing renewable energy instead, with actions taking place in Boston and New York.

Siemens Energy

ANZ

In February 2024 ANZ was involved in a $6.6 billion loan to Siemens Energy, **the second largest gas turbine manufacturer in the world,** just behind GE Vernova.

Siemens Energy is involved in roughly 10GW worth of new gas and LNG power station expansion projects, including the Payra LNG power station in Bangladesh, part of the dirty and expensive LNG power explosion proposed in the country. Siemens Energy also supplied equipment to TotalEnergies' Mozambique LNG project, a project which has been marred by human rights controversies ever since its inception.

San Miguel Corporation

ANZ

In early 2024 ANZ loaned $172 million to San Miguel Corporation as part of a $3.1 billion loan with other banks. The Institute of Energy Economics and Financial Analysis (IEEFA) has raised **massive red flags** associated with San Miguel's fossil fuel-oriented growth strategy.

The company is building new coal-fired power plants and aims to add 1.9GW of coal-fired power capacity and 1.3GW of gas-fired capacity by the end of 2025. In addition, San Miguel has over 10GW of gas power projects proposed in the medium to long-term. That's almost the same amount of gas-fired capacity currently installed in the entire Australian National Electricity Market.

San Miguel is developing nearly 7.5 times more fossil fuel power capacity than its peer company, Aboitiz Power, in the Philippines, and renewable energy will only account for 15% of the company's generation capacity in 2025. For comparison, in 2025 renewables account for over 40% of electricity supply in the IEA's Net-Zero by 2050 Scenario.

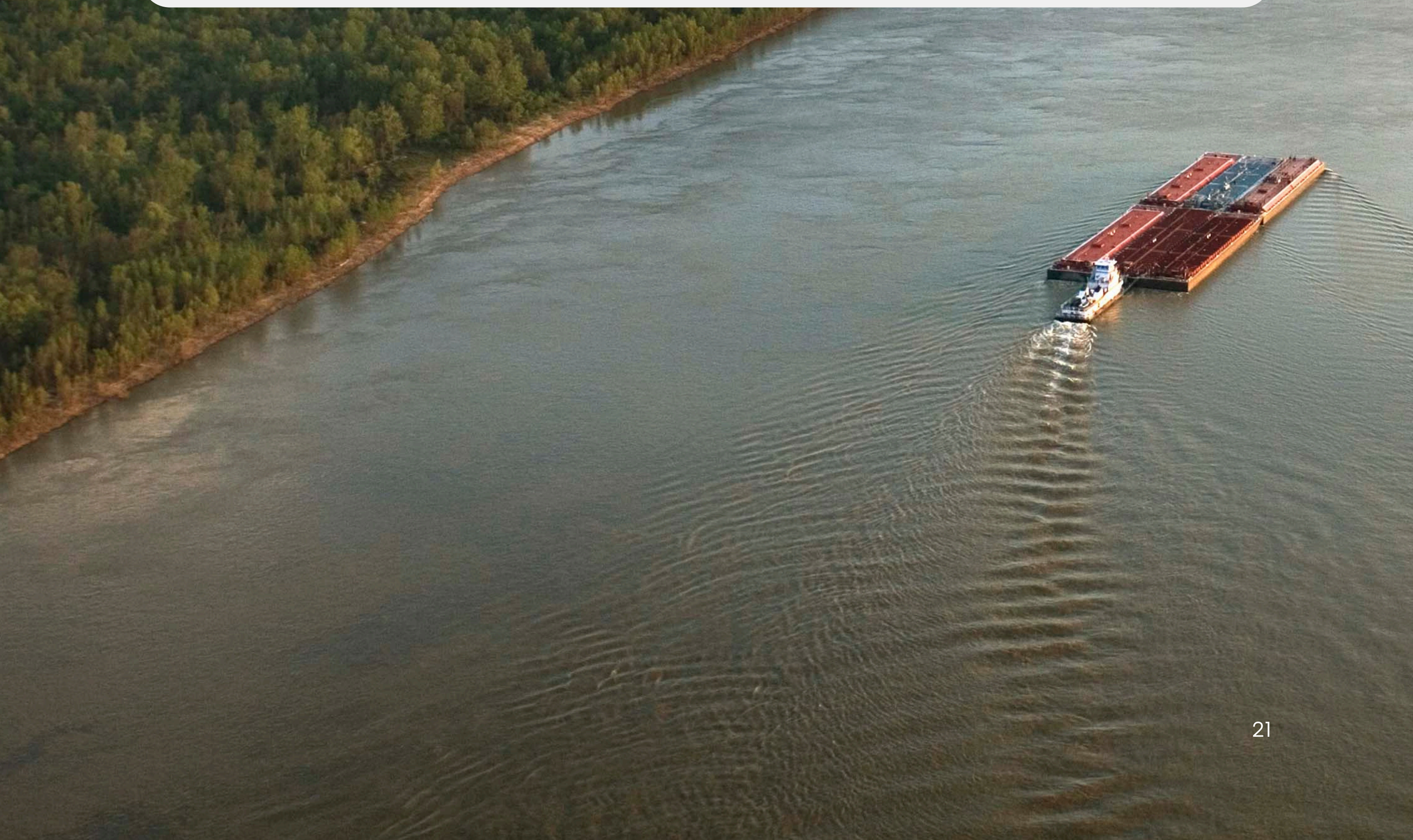
Baker Hughes

ANZ

In November 2023, ANZ participated in a $4.6 billion loan to Baker Hughes, a company supplying equipment to several massive fossil gas expansion projects such as the LNG processing plant for Woodside's Scarborough gas field and Venture Global LNG's Plaquemines project.

Located in Louisiana off the coast of the Gulf of Mexico, the Plaquemines LNG project would be **the second largest LNG export facility in the United States**. In 2023, Venture Global LNG announced its plans to increase its LNG export capacity by adding 30 million tonnes per annum, more than the largest LNG export terminal in the world. Baker Hughes has signed an agreement with Venture Global to supply the equipment needed for this enormous fossil gas expansion.

Under ANZ's policy, engineering, procurement and construction (EPC) contract companies like Baker Hughes **will not be required to produce a transition plan to continue receiving finance**, despite their pivotal role in constructing new fossil fuel projects that unleash decades of harmful emissions. If this gap isn't closed, ANZ could continue to fund the expansion of the fossil fuel industry.



Australia's major banks' fossil fuel exposure

We have tried to capture as much information as possible in this study, but a lack of transparency about fossil fuel finance means that the financing data featured in this report likely only represents a partial picture.

The banks in this analysis all report on their 'fossil fuel exposure', which is the total amount 'on their books' on the reporting date.

However, the reporting methodologies of the banks are not consistent. Some banks report their exposure to the full fossil fuel value chain and some only report exposure to certain segments. ANZ and NAB report only their 'Exposure at Default' (EAD), which is the total amount of a loan the client has already drawn. CommBank and Westpac report the more comprehensive 'Total Committed Exposure' (TCE), which is the total amount they've committed, regardless of the amount of that commitment the client has drawn on the reporting date.

These inconsistencies make cross-bank exposure comparisons difficult, but in the interests of transparency we have also published each of the banks reported fossil fuel exposure at the end of FY2023, along with the limitations in each approach.

ANZ

Source: ANZ 2023 Climate-Related Financial Disclosures
Exposure reported as 'Exposure at Default' as of 30 September 2023.

- **Oil and gas: $15.5bn** Includes "all of the oil and gas value chain such as exploration, extraction, transport, refining and retail".
- **Coal: $0.9bn** Includes thermal and metallurgical coal mining.
- **Total reported: $16.4bn**

ANZ reported $16.4bn in fossil fuel exposure in FY2023. However, ANZ also reported $13.5bn in exposure to 'Electric Utilities' which "includes exposures to electricity generators that own or operate a mix of thermal and renewable generation assets as well as transmission and distribution infrastructure." While no breakdown has been provided of the mix of fossil fuel/renewables electric utilities exposures, the presence of fossil fuel electric utilities in ANZ's exposure means that exposure to fossil fuels is certainly higher than the $16.4bn reported.

Commonwealth Bank

Source: CommBank 2023 Climate Report
Exposure reported as 'Total Committed Exposure' as of 30 June 2023.

- **Oil and gas: $7.9bn** Includes "Oil and gas upstream exploration and production, petroleum refining, automotive fuel retailing, petroleum product wholesaling and marketing, gas supply, pipeline transport, oil and gas shipping (including FPSO), and LNG terminals."
- **Coal: $1.4bn** Includes thermal coal mining, metallurgical coal mining, and coal terminals. Commonwealth Bank also reported its 'Rail transport' exposure of $1.8bn, but it's not clear if this includes rail transport for coal.
- **Non-renewable power generation (breakdown not provided): $1.9bn**
- **Total reported: $11.2bn**

NAB

Source: NAB 2023 Full Year Results Investor Presentation
Exposure reported as 'Exposure at Default' as of 30 September 2023.

- **Oil and gas: $3.04bn** Includes oil and gas extraction, and gas-fired power generation.
- **Coal: $0.45bn** Includes thermal coal mining, metallurgical coal mining, coal-fired power generation.
- **Other/mixed fuel (non-renewable): $1.49bn** NAB does not report its exposure to the full fossil fuel value chain, leaving out projects such as coal terminals and gas pipelines.
- **Total reported: $4.98bn**

Westpac

Source: Westpac 2023 Climate Report
Exposure reported as 'Total Committed Exposure' as of 30 September 2023.

- **Oil and gas: $7.4bn** Includes "Oil and Gas Exploration, Oil and Gas Extraction and Terminals, Oil and Gas Distribution and retail, Fuel retailing, and Oil and Gas refining."
- **Coal: $0.6bn** Includes "Coal ports, Thermal coal mining, Metallurgical coal mining, and Metallurgical coal mining in diversified miners." Westpac also reported its exposure to 'Transport-Rail Transport (inc. coal transport)' as just over $2bn, but didn't disclose specifically how much of this is for coal rail transport.
- **Fossil fuel power generation: $0.8bn** Includes generation from "Gas; Black Coal; Brown Coal; Liquid fuel."
- **Total reported: $8.8bn**

Methodology

Scope

Financial institutions: ANZ, Commonwealth Bank, NAB, and Westpac

Assets: Fossil fuel companies, fossil fuel projects, fossil fuel commodities traders

Fossil fuel sub-sectors: Exploration and production, processing and distribution, storage, utilities, equipment supply to extractive industries, coal mine and oil and gas field service companies

Timeframe: 1 January 2023 – 31 December 2023 (Statistics from 1 January 2016 – 31 December 2022 are used from previous reports)

Finance type: Project and corporate loans, bonds

Transaction type: Primary, refinancing, acquisition

Market Forces obtained primary data from finance industry databases provided by Bloomberg, IJGlobal and Refinitiv. Further primary data was sourced from company filings, reports, and market disclosures. Figures were cross-referenced for consistency and verified against secondary material. This report presents a synthesis of this material.

Where available from finance industry databases or company disclosures, Market Forces has used the individual lending commitments from each bank. Where this was not available, individual lending contributions were assigned using an 'even split' distribution of the total deal amount amongst the participants.

All banks featured in this report were given an opportunity to comment on financing attributed to them, none disputed participation in the deals featured in this dataset.

Data presented in this report from 1 January 2016 – 31 December 2020 is unchanged from the original Funding Climate Failure report published in 2021. Data presented in this report from 1 January 2021 – 31 December 2022 is from the Banking Climate Failure report published in May 2023.

Some changes have been made to the methodology of reporting in the last two iterations. For the 2021-2023 figures, we have tracked the bonds arranged by the banks for the fossil fuel industry, in addition to loans. As bond arrangement does not necessarily involve the banks' own capital, they have been reported separately to loans in this report.

For corporate finance, we first assessed whether the loan was explicitly for fossil fuel activities and if this information was not available, apportioned the value of that loan to reflect the proportion of the company's business that is involved in the fossil fuel supply chain. We based these calculations on the company's most recent revenue information; in certain cases where this was not available, we used production or capacity instead.

Dollar values represent the sum of committed loan amounts and are presented in Australian dollars unless otherwise specified. We used exchange rates from the RBA as of the financial close date of each deal.

We have tried to capture as much information as possible in this study but a lack of transparency about fossil fuel finance means it will only ever be a partial picture.

Exposure vs. lending

We also present the banks' own reporting on their 'exposure' to fossil fuels. Their methodologies vary, but as a rule capture the amount of money currently 'on their books' to fossil fuel companies and projects. If a bank refinances a loan but maintains the amount it loaned initially, their own reported exposure would be unchanged. For example, if a bank loaned $100 million to a fossil fuel company in 2020, and refinanced the loan with the same $100 million commitment in 2023, the bank's reported exposure would still be $100 million at the end of 2023.

By contrast, we consider refinancing of existing loans to be an additional commitment of finance, and therefore the money loaned in a refinance is considered additional money; hence our methodology in the above example would report $200 million loaned by the end of 2023. We use this approach because (1) we consider each refinancing a conscious decision by a lender to continue supporting a company or project, and (2) the lending group can and often does change upon refinancing and we wanted to capture this.

Each bank's FY2023 exposure has been presented in this report, in addition to the lending analysis by Market Forces.

Classifications

Expansionary lending: There are two ways a loan or bond can be classified as expansionary, (1) if the loan or bond is for the purposes of a new fossil fuel project or an increase in production at an existing facility which includes upstream, midstream and downstream or (2) if the loan or bond is to a company which is currently developing, has plans to develop, or is involved in the development of new or expanded fossil fuel projects. Company filings, reports, and market disclosures, as well as data from financial sources Bloomberg, IJGlobal and Refinitiv were used to determine whether a company has plans to develop or is involved in new projects or increased production at existing facilities.

Corporate and project finance: Where available, market disclosures by the issuer were relied upon to determine what the proceeds would be used for. If that source was unavailable, Bloomberg, IJGlobal and Refinitiv were used as secondary sources.

Commodity traders: Commodity traders such as Vitol, Mercuria, and Trafigura have been included in this dataset. The reason behind this is that these companies derive a large (greater than 50%, in some cases almost 90%) of their revenue from trading fossil fuel commodities. These commodity traders also often have offtake agreements with new or expanded fossil fuel projects – enabling the expansion of the fossil fuel industry.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