2023 FOSSIL FUEL DIVESTMENT SCORECARD

WITHDRAW FROM COAL: END FOSSIL FUELS

2023 Fossil Fuel Divestment Scorecard

This report was published on 18 April 2023 by the Withdraw from Coal Campaign.

Authors: Isabel Patricia Soresca, Center for Energy, Ecology, and Development
Kenneth Quesada, Center for Energy, Ecology, and Development
Jovanni Baligad, Center for Energy, Ecology, and Development

Layout and design: Jen Derillo

For further information on the issues raised in this report please contact:
Center for Energy, Ecology, and Development.
117-C Matatag Street, Barangay Diliman, Quezon City
info@ceedphilippines.com

TABLE OF CONTENTS

INTRODUCTION

"Although some of the harmful externalities that [Fossil Fuel Companies (FFC)] generate may be suitable for tort or regulatory suits, the lethality of FFCs' conduct, their awareness of the risks they are generating, and their efforts to obscure those risks make criminal prosecution for homicide particularly appropriate."[1]

Authors David Arkush and Donald Braman had this to say in their article published by the Harvard Environmental Law Journal entitled, "Climate Homicide: Prosecuting Big Oil for Climate Deaths." In it, they argue that fossil fuel companies had long known about the "globally catastrophic" climate change caused by the products they produce, market, and sell but actively deceived the public about it.

While Arkush and Braman's thesis that fossil fuel companies can be held liable for homicide in light of the consequences of their contributions to the climate crisis will be subject to further discourse and debate, one element of their legal theory holds true: that climate change is costing lives.

So as society learns more about the involvement of fossil fuel companies, not only in the worsening climate crisis but also in concealing the impacts of their products, this also brings into question the extent of the liability of the banks and financial institutions who have funded and essentially enabled their mass expansion.

In 2015, for example, local civil society organizations such as the EcoWaste Coalition, Philippine Rural Reconstruction Movement, Nuclear and Coal-free Bataan Movement, NIUGAN, and Environmental Legal Assistance Center together with Greenpeace Philippines filed a petition before the Commission on Human Rights (CHR) asking the latter to investigate the human rights implications of climate change and whether investor-owned Climate Majors have breached their responsibilities to respect the rights of the Filipino people. On 6 May 2022, the CHR released a report in response to the petition that found polluters or "Carbon Majors," which are companies such as BP, Chevron, Exxonmobil, Glencore, Shell, Suncor, Total, and RWE, liable for human rights violations.

In that report, the CHR explained the vital role of financial institutions in enabling the kind of system-wide change in achieving net-zero and acknowledged that financial institutions are similarly accountable for global warming and climate change for their roles as financiers of the sectors and projects that generate GHG emissions, including and most significantly, the fossil fuel industry. Finally, the CHR recommended in its report that to meet the targets of the Paris Agreement, financiers must break away from lending and investing in carbon-related industries.[2]

In another case, the Philippine Movement for Climate Justice (PMCJ) filed a landmark climate change complaint against the International Finance Corporation (IFC) before the Compliance Advisor Ombudsman (CAO) in 2017. They alleged that IFC contributed to the "crisis of global climate change and causing other serious environmental and social harm" by funding 10 coal power plants through the Rizal Commercial Banking Corporation (RCBC). CAO's investigation identified non-compliance by IFC in its appraisal and supervision of the environmental and social risks emerging from its investment in RCBC's banking business. It found that many of the alleged adverse impacts of the coal-fired power plants funded by RCBC on communities and the environment were likely to have occurred. It further found that IFC's review and supervision shortcomings contributed to RCBC supporting the development and expansion of the coal-fired power plants without assurance that the plants would operate following IFC's Performance Standards. This includes requirements to quantify and reduce greenhouse gas (GHG) emissions.[3]

More recently, in February 2023, the world's first climate lawsuit against a commercial bank was filed for its massive support of fossil fuels and its substantial contribution to climate change. Friends of the Earth France, Notre Affaire à Tous, and Oxfam France took legal action against BNP Paribas to abide by its legal obligations under the 2017 French duty of vigilance law. BNP Paribas is Europe's largest and fifth biggest funder of fossil fuel expansion worldwide.[4] In Southeast Asia, it has participated with a total of USD 6,553.14 million in transactions to fund fossil gas projects, particularly in Indonesia, despite its commitment to decarbonize as part of the Net-Zero Banking Alliance.[5]

Questions on each actor's evolving accountability for the climate crisis are likely to intensify as, even with thousands of climate-caused deaths already on record, many more are probable in light of the Intergovernmental Panel on Climate Change's (IPCC) projections of more frequent compound heatwaves and droughts, more intense tropical cyclones, and greater food insecurity, among others, in the most recent report.[6]

At the launch of the IPCC's latest report last March 20, 2023, United Nations' Secretary General António Guterres emphasized that, "The climate time-bomb is ticking. But today's IPCC report is a how-to guide to defuse the climate time-bomb. It is a survival guide for humanity. As it shows, the 1.5-degree limit is achievable. But it will take a quantum leap in climate action."[7]

In spite of the growing awareness and clamor for climate action, along with bandwagon commitments from financial institutions around the world to align their portfolio with the Paris Agreement, the most recent IPCC report highlights that, "public and private finance flows for fossil fuels are still greater than those for climate adaptation and mitigation (*high confidence*). The overwhelming majority of tracked climate finance is directed towards mitigation, but nevertheless falls short of the levels needed to limit warming to below 2°C or to 1.5°C across all sectors and regions (see C7.2) (*very high confidence*)."[8]

The IPCC report endorsed improved availability of and access to finance for accelerating climate action. To achieve climate goals, address rising risks, and accelerate investments in emissions reductions, both adaptation and mitigation finance would need to increase multiple folds.[9]

However, instead of doing just this, there is a continued development of a significant amount of new coal capacity with the support of Philippine banks. While a moratorium on new coal-fired power plants issued by the Department of Energy (DOE) in 2020 has caused the coal pipeline to shrink, there are still exceptions in the policy and existing financial commitments to several proposed projects. In fact, the latest report of the Global Energy Monitor reveals that only 14 countries in the world commissioned new coal power in 2022, with the Philippines ranking as having commissioned the 6th biggest capacity.[10]

To date, the Philippines' biggest banks are continuing to finance the coal industry, and have even begun to divert financing into the expansion of another fossil fuel - natural gas.

The Philippines detours to fossil gas

As one of the most climate-vulnerable countries in the world, the Philippines exacerbates its status with its dependence on carbon-intensive energy. By the end of the last decade, coal, the dirtiest fossil fuel, comprised 57% of the total gross power generation of operating power plants nationally.[11]

The Coal Moratorium declared by the DOE in October 2020 marked the suspension of endorsements for greenfield coal-fired power plants in the country.[12] There arose, however, a narrative that the country needs a "bridge fuel" in order to transition towards 100% clean energy. This led the way for the detour of plans and resources away from renewable energy and towards natural gas, better referred to as fossil gas.

While fossil gas and its supercooled form liquefied natural gas (LNG), is touted as a clean alternative to coal, it is far from the key to sustainable development it is purported to be by proponents. Burning gas emits less carbon dioxide (CO_2) than oil or coal, but it is primarily composed of methane, which leaks into the atmosphere at every stage of the LNG value chain. Methane traps heat in the atmosphere far more effectively than carbon dioxide does. If viewed in over 10- to 20-year time scales, the influence of methane is at least as large as that of CO_2.[13]

But even as the latest assessment report of the IPCC calls for strong, rapid, and sustained reductions in methane emissions alongside those of CO_2, the fossil gas industry's scale is expected to grow amidst plans of massive expansion in the country.[14]

There are currently six operating fossil gas plants in the country with a total installed capacity of 3,453 MW. Five out of six operating fossil gas plants rely on the Malampaya gas field for their fuel needs. The two-decade-old field, however, is nearing the end of its service contract in 2024, with its reserves expected to be depleted by 2027 to 2029.

Despite the dwindling indigenous fuel supply, there are currently 34 proposed fossil gas and LNG power plants, totaling 37, 493 MW. In anticipation of the need to import the fuel because of the Malampaya gas field's inevitable depletion, 11 new LNG import terminals are also being proposed.[15] Noticeably, the total proposed capacity exceeds even the current national installed capacity, contradicting the claim that fossil gas will only act as a transition fuel.

Many of these projects are being proposed along the Verde Island Passage (VIP), which is widely considered as the 'Amazon of the Oceans'. The VIP, which is already under serious threat with the oil spill incident along the coast of Oriental Mindoro last February 2023, will be subject to an even greater decline in water quality and marine ecology.[16] These proposed developments will also further impact the livelihood of thousands of fisherfolk and their families who rely on these waters.

By funding fossil gas project expansions, proposed fossil gas projects, and fossil gas corporations, these banks and financial institutions are contributing to the worsening climate crisis, and themselves have a direct hand in the impact these projects will have on the environment, on the surrounding communities, and on the country.

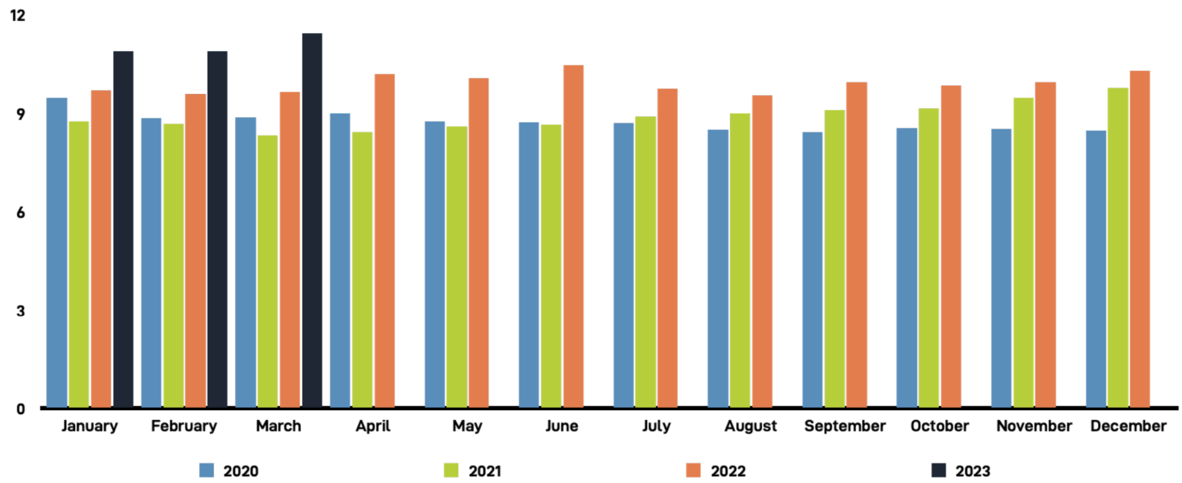
Banks burden Filipinos with high electricity prices

The continued reliance on coal and the aggressive shift towards fossil gas will not only affect marine life and coastal communities at the actual project sites, but it will also impact millions of Filipinos as fuel prices rise and drive up electricity costs.

Particularly significant in driving up both fossil gas and coal prices is the Russia-Ukraine war, whose geopolitical impact on the market has driven up prices since it began in February 2022.

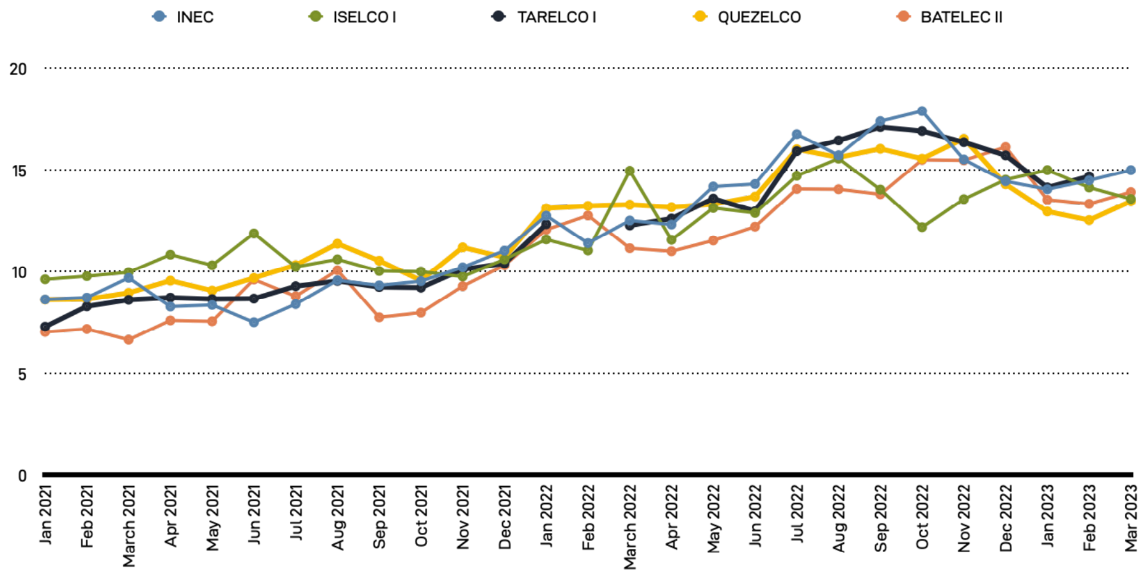
The Power for People Coalition, a broad consortium of consumers, civil society and people's organizations, fossil fuel affected and indigenous communities, faith-based groups, academe, youth, and renewable energy advocates, has raised concern that by supporting and prolonging the country's fossil fuel reliance, banks are also significantly contributing to high electricity rates around the country. Below are graphs showing the power rates throughout the country, with a marked increase in the past year.

Figure 1: Power rates of MERALCO from 2020-2023 (PHP/kWh)[17]



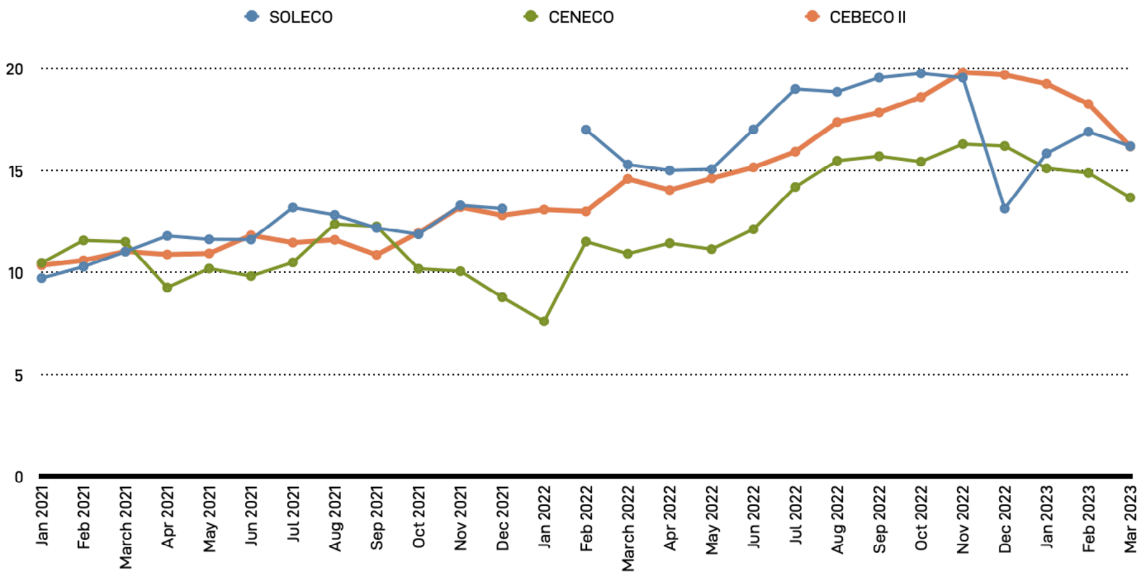
Source: Meralco, Rate Archives

Figure 2: Power rates of major electric cooperatives in Luzon from 2021-2023 (PHP/kWh)[18]



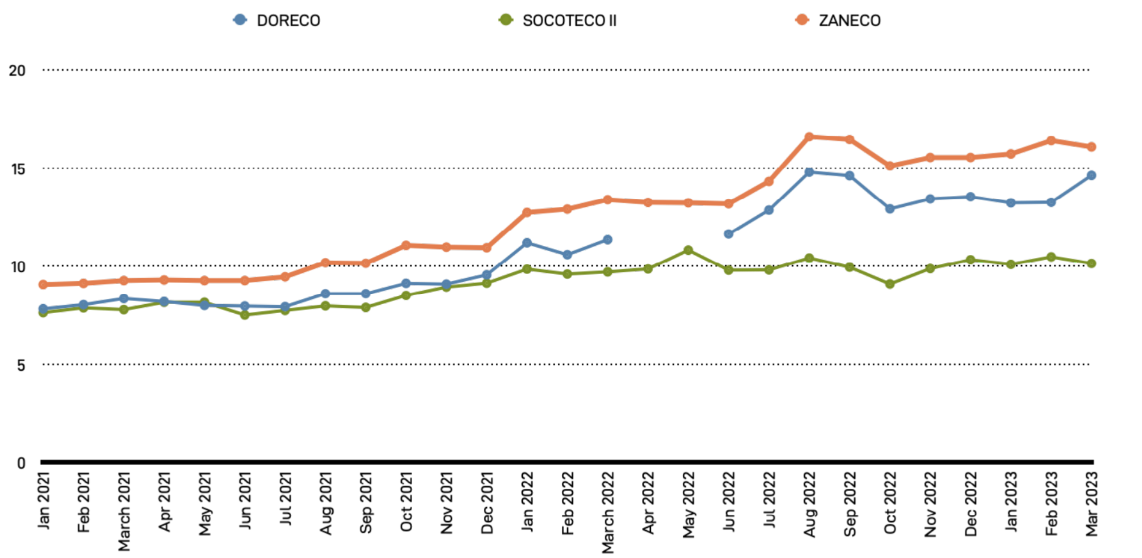
Source: Respective websites of Electric Cooperatives mentioned

Figure 3: Power rates of major electric cooperatives in Visayas from 2021-2023 (PHP/kWh)[19]



Source: Respective websites of Electric Cooperatives mentioned

Figure 4: Power rates of major Electric Cooperatives in Mindanao from 2021-2023 (Php/kWh)[20]



Source: Respective websites of Electric Cooperatives mentioned

The above graphs affirm that electricity rates across the country are skyrocketing. The Philippines' continued reliance on imported coal for its electricity, and anticipation of its future dependence on imported fossil gas, will place Filipino consumers even more at the mercy of geopolitical and world market shifts.

Shareholders are exposed to stranded asset risks

Stranded assets may be defined as, "assets that have suffered from unanticipated or premature write-downs, devaluations, or conversion to liabilities."[21] Energy economists, on the other hand, define stranded assets as "those investments which have already been made but which, at some time prior to the end of their economic life (as assumed at the investment decision point), are no longer able to earn an economic return."[22]

The stranding of assets is not a new phenomenon, but the natural outcome of technological changes over time leading "to a phasing out of existing technology in favor of options that are more efficient and provide greater societal value."[23] Recent records are replete with factors and events that contribute to the demise of fossil fuels and the rise of RE, which may eventually result in the stranding of fossil fuel assets.

With the increasing threat of going beyond the global carbon budget, alarm over the worsening impacts of climate change, and further scientific findings supporting more drastic measures to address them, the physical and transition risks facing fossil fuel companies and projects are increasing as well.

In the midst of these, technological developments have been shifting in favor of renewable energy (RE). As reported by the IPCC, there has been a sustained decrease in unit costs for solar energy (85%), wind energy (55%), and lithium ion batteries (85%), alongside large increases in their deployment, varying widely across regions.[24]

On the other hand, the Russia-Ukraine war placed emphasis on how fossil fuel-reliant countries are subjected to volatile fuel prices and supply, as well as to world market and geopolitical shifts. Fossil fuel companies were seen coping with these as well, with fossil gas projects being delayed around the world because of issues of supply.[25]

Locally, multiple fossil gas projects have also been delayed. For one, FGEN LNG Corporation's LNG Import Terminal Facility, originally scheduled for commissioning on September 23, 2022[26] now aims to finally start operations and receive its first shipment of LNG this year.[27] The Excelerate Energy L.P. LNG Import Terminal Facility also suffered delays. Initially scheduled for completion by the second quarter of 2022, it had yet to be issued a permit to construct, expand, rehabilitate, and modify (PECRM) by the DOE as of September of that year.[28] Vires Energy Corp's LNG Import Terminal Facility, which previously aimed to start commercial operations this year,[29] is now gunning for 2027,[30] and these are just to name a few.

Apart from issues of supply, local fossil fuel companies are also feeling the impacts of volatile fuel prices. San Miguel Corporation's (SMC) power subsidiary, SMC Global Power Corp (SMCGP) suffered Php 15 Billion pesos in losses last year due to the rising prices of fossil fuels. In May 2022, two of SMCGP's subsidiaries filed Motions for Price Adjustment before the Energy Regulatory Commission (ERC) due to the rising fuel costs that they claim they can no longer bear and wanted to pass on to consumers.[31] These motions have since been denied,[32] and SMC has brought the matter up to the Court of Appeals. Following the loss before the ERC, a Bloomberg intelligence report was released finding that SMCGP risks a funding shortfall as high as USD 1 billion by next June.[33] The same intelligence report also projected that SMCGP's current coal exposure might make refinancing more difficult and more costly,[34] as investors increasingly shun coal-fired power plants.

Last year also saw SMC withdrawing the ECC applications for the three proposed fossil gas projects in Visayas, including an LNG project in Negros Occidental that had originally targeted a 2022 commissioning date.[35] Apart from physical and transition risks, projects such as these also expose the company to reputational and litigation risks as these withdrawals took place following news of protests and objections against them. Clearly, increasing fossil fuel reliance will be very costly for local corporations.

Important developments in the country show the tides turning in RE's favor locally as well.[36] According to the DOE, the Green Energy Auction programme will hold its second round of bids in June this year. The country will auction rights to build 3,600 MW of new capacity to be installed in 2024, 3,600 MW in 2025, and 4,400 MW in 2026. All in all, this will result in an additional 11,600 megawatts of RE on top of the 2,000 MW auctioned last year - an unprecedented scale of development for renewables in the country.

ABOUT THE FOSSIL FUEL DIVESTMENT SCORECARD

Amid all these events and alongside the annual shareholder's meetings of many local banks in the Philippines, Withdraw from Coal (WFC) is now **Withdraw from Coal: End Fossil Fuels (WFC-EFF)**. This change signals the start of the expansion of WFC's work to other fossil fuels, starting with the rapidly expanding fossil gas.

At its inception, the Coal Divestment Criteria and the Coal Divestment Scorecard were tools developed by civil society and clean energy advocates under the banner of WFC. Both were created to assess the coal-related financing activities of domestic banks, gauge their current divestment efforts in the coal industry, and evaluate their climate action policies.

Premised on the above discussion of the increasing urgency of moving away from all fossil fuels and intensifying renewable energy development, WFC-EFF releases this **2023 Fossil Fuel Divestment Scorecard** to assist banks and their stakeholders in keeping the Paris Agreement's 1.5°C goal a reality. All new data and relevant information used for this 2023 report were from April 2022 to March 2023.

This year, however, given the alarm over the mass expansion of fossil gas projects in the country, the divestment scorecard will also now include in the criteria financing transactions and deals the banks have entered that would contribute to this expansion. The 2023 Fossil Fuel Divestment Scorecard used data from the following resources to determine the contributions of Philippine banks to the coal and fossil gas industries:

- Thomson Reuters Project Finance International (PFI)
- Final Prospectuses and Offer Supplements for the Issuance of Financial Instruments
- Philippine Dealing Systems Holdings (PDS) Group
- Urgewald Coal Financiers Database
- Global Energy Monitor
- Refinitiv

Following the effectivity of the United Coconut Planters Bank and Land Bank of the Philippines merger, with Land Bank as the surviving entity, 15 banks were included in this year's report. These banks are as follows:

- Asia United Bank (AUB)
- Bank of Commerce (BOC)
- Bank of Philippine Islands (BPI)
- BDO Unibank (BDO)
- China Bank Corporation (China Bank)
- Development Bank of the Philippines (DBP)
- East West Banking Corporation (East West Bank)
- Land Bank of the Philippines (Land Bank)
- Metropolitan Bank & Trust (Metrobank)
- Philippine Bank of Communication (PBCOM)
- Philippine National Bank (PNB)
- Rizal Commercial Banking (RCBC)
- Robinsons Bank (Robinsons Bank)
- Security Bank (Security Bank)
- Union Bank of the Philippines (Union Bank)

These Philippine banks were engaged to disclose their financial activities and relevant policies, including but not limited to:

- Policies restricting financing for coal and coal-related companies, projects, and operations
- Policies restricting financing for fossil gas and fossil gas-related companies, projects, and operations
- Specifics regarding the above policies, such as the restrictions imposed (in terms of amount, type, etc.) and the coal and fossil gas-related companies, projects, and operations covered
- Policies regarding thresholds for exclusion of coal and fossil gas companies from investments or underwriting
- Policies regarding the phase-out of coal and fossil gas investments, including a timeline, conditions, and other parts of the phase-out plan
- Any commitment or policy that commits the bank's business practices intending to limit global warming to 1.5°C

- Engagement strategies applying to energy companies that detail how the bank influences or assists these companies to shift toward renewable energy sources
- Publicly stated goals or policies that increase the bank's renewable energy investments and underwriting, and financing of climate adaptation efforts
- Endorsements of the recommendations of the Task Force on Climate-related Financial Disclosures
- Other relevant environmental pronouncements and policies, especially those regarding climate action and energy investments

Additionally, new queries were made for this latest report to track the banks' policies and financing mechanisms that would incentivize and support the development of small-scale or merchant renewable energy facilities and distributed renewable energy facilities, making them more accessible for households, communities, or local government units.

Overall, the scorecard assesses the exposure of each bank on its share of the total value of financing and underwriting of securities provided to coal-related activities (coal development, coal-related operations, and other coal-related projects) and expansion of fossil gas-related activities (fossil gas development, fossil gas-related operations, and other fossil gas-related projects). Their score on this criterion is then weighted against their current coal and fossil gas divestment policies and sustainability policies. The overall score is computed using the following formula:

$$\text{Overall Score} = (.7C + .3G)(1 - .4D/5 - .2SP/5)$$

The new formula is a revision of the formula used in past scorecards to integrate and reflect local banks' contribution to the expansion of fossil gas and LNG in the Philippines, which ultimately threatens a climate-aligned renewable energy transition. The new formula places greater weight on coal exposure due to the historic role of banks in growing the Philippines' dependence on coal, the dirtiest fossil fuel, in the last decade and their failure to halt such contributions even to date - the critical decade for climate action. At the end of 2008, the total installed capacity of coal was 4,213 MW. This capacity grew to 11,669 MW in 2021, marking a 7,456 MW increase.[37] Despite having a coal moratorium, there are still committed projects[38] registered by DOE with a total of 3,685 MW. If these projects push through, the total coal expansion since 2009 will be 11,141 MW. Meanwhile, financing for committed fossil gas projects continues with a total capacity of 3,500 MW as of January 2023. This expansion capacity ratio for coal and fossil gas supports the 70-30 score weighing in favor of coal.[39]

More importantly, the scorecard tool emphasizes the importance of ending coal financing, not contributing to fossil gas expansion, and contributing to sustainable development, without diminishing the historical and current contribution of each of the banks to fossil fuel expansion in the country. Its use is guided by the practice of similar pioneering international coal divestment initiatives such as Unfriend Coal in the insurance sector, and Banking on Climate Chaos in the banking sector.

How were the banks scored?

In order to more accurately capture the banks' exposure to fossil fuel-related activities and fossil fuel companies, the percentage share of banks' contribution to the coal and fossil gas financing of domestic banks was expanded from two decimal points to four decimal points for improved accuracy. Considered coal projects and fossil gas projects were limited to those in the Philippines. Financing of local banks outside the Philippines was not included.

The tracking of coal financing started in 2009 as the base year, to cover a decade of coal financing from the release of the first scorecard in 2020. This decade also saw a massive expansion of coal projects in the country. For fossil gas, only project expansions, refurbishments of old gas plants, and related corporated financing issued after the declaration of coal moratorium were considered. The financing was mainly through loans and bonds underwriting. Bank shares for each deal were recorded and used to determine banks' contribution to overall coal and fossil gas financing. In cases where bank shares were not disclosed, the total amount was divided equally among the participating banks. Similarly, if a bond has an oversubscription option, the oversubscription amount was divided equally among the banks involved.

As previously mentioned, it is emphasized that the scorecard also now tracks exposure to the fossil gas industry. It must be clarified, however, that the scorecard specifically grades financing for the expansion of existing projects and financing for proposed projects which will result in the expansion of the fossil gas industry in the country. The same methodology was applied for gas in determining the banks' shares to the total gas financing. The score for fossil gas financing looked at the loans issued for the different components of the fossil gas supply chain, as well as the underwriting for fossil gas activities and companies as follows:

Table 1. Gas Financing Criteria

Loans Issued	Fossil gas exploration, development, and production
	Import, export, or local transport of fossil gas and LNG, including terminals and pipelines
	Regasification of LNG and other midstream fossil gas activities
	Fossil gas-fired power plants
Underwriting	Fossil gas exploration, development, and production
	Import, export or local transport of fossil gas and LNG, including terminals and pipelines
	Regasification of LNG and other midstream fossil gas activities
	Fossil gas-fired power plants
	Fossil gas or LNG developer

The Divestment Policy criteria was also expanded to include bank policies ending financing for fossil gas using substantially the same criteria standards as that for Coal Divestment Policies. The Climate Action criteria has been renamed as Sustainability Policies, following its expansion to include sustainable finance frameworks (SFFs), and environmental and social risk management systems (ESRMS) in the grading.

Under the revised Divestment Policy criteria, points were awarded to banks as follows:

Table 2. Revised Bank Divestment Policy Criteria

Parameter	Scores
Does the bank have a clear and public policy restricting financing for coal?	5.0 - has adopted an official written policy, framework, interim targets, and currently in the implementation stage for coal 4.0 - has adopted an official written policy, framework, and interim targets for coal 3.0 - has adopted an official written policy and comprehensive framework for coal 2.0 - has adopted an official written policy or resolution for coal 1.0 - made an oral public pronouncement for coal 0 - no pronouncement or policy in this regard
Does the bank have a clear and public policy restricting financing for fossil gas?	5.0 - has adopted an official written policy, framework, interim targets, and currently in the implementation stage for fossil gas 4.0 - has adopted an official written policy, framework, and interim targets for fossil gas 3.0 - has adopted an official written policy and comprehensive framework for fossil gas 2.0 - has adopted an official written policy or resolution for fossil gas 1.0 - made an oral public pronouncement for fossil gas 0.0 - no pronouncement or policy in this regard

Scores for these criteria were modified based on new information obtained from various documents, such as the banks' web pages, definitive or preliminary information statements (depending on the availability in the Philippine Dealing System Holdings Corporation website), reports, press releases, news articles, annual reports, SFFs, and ESRMS.

These issuances were obtained through a data-restricted search, limited to results from April 2022 to March 2023, using a pool of predefined keywords. The search was iterated over each bank's full name and acronym. The first 30 results for each bank were subjected to an initial review for relevance to the scorecard criteria. This process resulted in multiple documents which were then individually reviewed for relevant information. The longer documents were subjected to a keyword search using predefined keywords, while the shorter ones were read in full. Any relevant information was extracted and tabulated under the pertinent criterion in both cases.

The scorecard also especially incorporates policies and mechanisms that incentivize small-scale and/or merchant renewable energy facilities and policies and mechanisms that make distributed renewable energy more accessible for households, communities or local government units. Small-scale or merchant renewable energy facilities include facilities that can produce electricity up to 5-10 megawatts (MW) of generating capacity, it also includes systems that can generate less than 1 MW of generating capacity.[40]

Criteria to grade these policies and mechanisms were also added to the scorecard as follows:

Table 3. New Small-Scale, Merchant, and Distributed Renewable Energy Criteria

Does the bank have policies or mechanisms for small-scale and/ or merchant renewable energy facilities?	5.0 - Bank has a comprehensive program or financing mechanism for small scale and/or merchant renewable energy facilities 2.5 - Bank has some program or initiative that indirectly supports for small scale and/or merchant renewable energy facilities 0 - Bank has no commitment in this regard
Does the bank have policies or mechanisms to make distributed renewable energy more accessible for households, communities, or local government units?	5.0 - Bank has a comprehensive program or financing mechanism for small-scale renewable energy facilities or to make renewable energy more accessible for households, communities, or local government units 2.5 - Bank has some program or initiative that indirectly supports small-scale renewable energy facilities or makes renewable energy more accessible for households, communities or local government units 0 - Bank has no commitment in this regard

Lastly, grading criteria were also incorporated to reflect the banks' compliance with BSP Circulars[41] on the SFF and the ESRMS. They are graded according to their compliance with the required disclosures and minimum supervisory expectations of the ESRMS as provided by the BSP[42] as follows:

Table 4. New Criteria on BSP SFF and the ESRMS Compliance

<table>
<tr><th colspan="2">Has the bank complied with BSP's Sustainable Finance Framework and Environmental and Social Risk Management System Requirements, and incorporated them into existing financial reports?</th></tr>
<tr><td>Minimum supervisory expectations on the ESRMS</td><td rowspan="2">5.0 - The bank has published a Sustainable Finance Framework and Environmental and Social Risk Management System and was able to meet all expectations and/or requirements.

4.0 - The bank has published a Sustainable Finance Framework and Environmental and Social Risk Management System but has only met the majority of the expectations or disclosure requirements.

3.0 - The bank has published a Sustainable Finance Framework and Environmental and Social Risk Management System, and has complied with some of the expectations or disclosure requirements.

2.0 - The bank has published a Sustainable Finance Framework and/or Environmental and Social Risk Management System, but was only able to meet some of the expectations.

1.0 - The bank has published a Sustainable Finance Framework and/or Environmental and Social Risk Management System, but was not able to meet any of the expectations or disclosure requirements.

0 - Bank has not published a Sustainable Finance Framework and/or Environmental and Social Risk Management Systems at all.</td></tr>
<tr><td>Disclosure Requirements</td></tr>
</table>

Out of the 15 banks, four responded to requests for meetings during this scorecard period: DBP, Land Bank, Security Bank, and PBCOM, while only Land Bank sent a comprehensive response to the queries sent. The scores for banks that did not respond to requests for disclosures were based on available annual reports, sustainability reports, policies, and other publicly available documents.

2023 FOSSIL FUEL SCORECARD RESULTS

Continued financing for coal, funding for new gas

The total amount financed by Philippine banks for coal-related activities and projects reached USD 867.08 million for April 2022 to March 2023, with the majority through bonds underwriting of around USD 594 million while the rest are from loans. Meanwhile, financing for the expansion of or new fossil gas projects registered USD 930 million for this scorecard.

In spite of its already large fossil fuel portfolio, SMCGP made a bond offering consisting of Series K Bonds due 2025, Series L Bonds due 2028, and Series M Bonds due 2032 with a principal amount of PHP 30,000,000,000 and an oversubscription option of up to PHP 10,000,000,000 in July 2022.[43] Part of the proceeds of these bonds are allocated for SMCGP subsidiary-owned fossil fuel projects: Mariveles Power Generation Corporation's (MPGC) 4 x 150 MW circulating fluidized bed coal-fired power plant in Mariveles, Bataan and Excellent Energy Resources, Inc.'s (EERI) 1.3 GW combined cycle LNG power plant in Barangays Ilijan and Dela Paz Proper, Batangas.[44]

The banks involved in these bonds are the following:

Table 5. SMCGP's Series K,L,M Bonds with a principal amount of PHP 30,000,000,000 with an oversubscription option of up to PHP 10,000,000,000

Bank	Role	Underwriting Commitment
BDO & Investment Corporation	Joint Issue Manager; Joint Lead Underwriter and Bookrunner	PHP 8,400,000,000
China Bank Capital Corporation	Joint Issue Manager; Joint Lead Underwriter and Bookrunner	PHP 8,400,000,000
Asia United Bank Corporation	Joint Lead Underwriter and Bookrunner	PHP 1,400,000,000
PNB Capital and Investment Corporation	Joint Lead Underwriter and Bookrunner	PHP 3,800,000,000
SB Capital Investment Corp	Joint Lead Underwriter and Bookrunner	PHP 3,800,000,000
Philippine Commercial Capital, Inc	Joint Lead Underwriter and Bookrunner	PHP 4,200,000,000
Bank of Commerce	Selling agent	
East West Banking Corporation	Selling agent	

Recently, however, Manila Electric Company (MERALCO) announced the termination of their power supply agreements with two subsidiaries of SMC Global Power — Excellent Energy Resources, Inc. (EERI) and Masinloc Power Partners Co. Ltd. (MPPCL).[45] The same power supply agreements would have secured revenue for the two SMCGP power plants to be financed by these bonds. Now these subsidiaries would have to go through the Competitive Selection Process (CSP) again, where it will be up against fossil fuel and renewable energy generation projects.

This means that the banks who are involved in these bonds have essentially exposed themselves and their shareholders, to whom they have a fiduciary responsibility, to fossil fuel projects at risk of stranding. The changing policy, economic, geopolitical, and energy landscapes in the country and around the world demand that banks and the financial institutions pay closer attention to and take the necessary action to mitigate these risks and protect their shareholders.

In December 2022, SMCGP's parent company, SMC, likewise issued a PHP 40 billion fixed rate bonds series with an oversubscription amount of PHP 20 billion, totaling PHP 60 billion, making it the largest issuance by a corporation to date in the Philippines' bond market.[46] These consist of Series L Bonds: 7.4458% p.a. due 2028, Series M Bonds: 7.8467% p.a. due 2029, and Series N Bonds: 8.4890% p.a. due 2032. Part of its proceeds is the payment of Series E bonds in 2018 amounting to PHP 13.15 billion[47], which were in turn used to invest in its subsidiaries by way of equity, including the SMCGP.

Table 6. SMC's Series L, M, N Bonds with a principal amount of PHP 40,000,000,000 with an oversubscription option of up to PHP 20,000,000,000

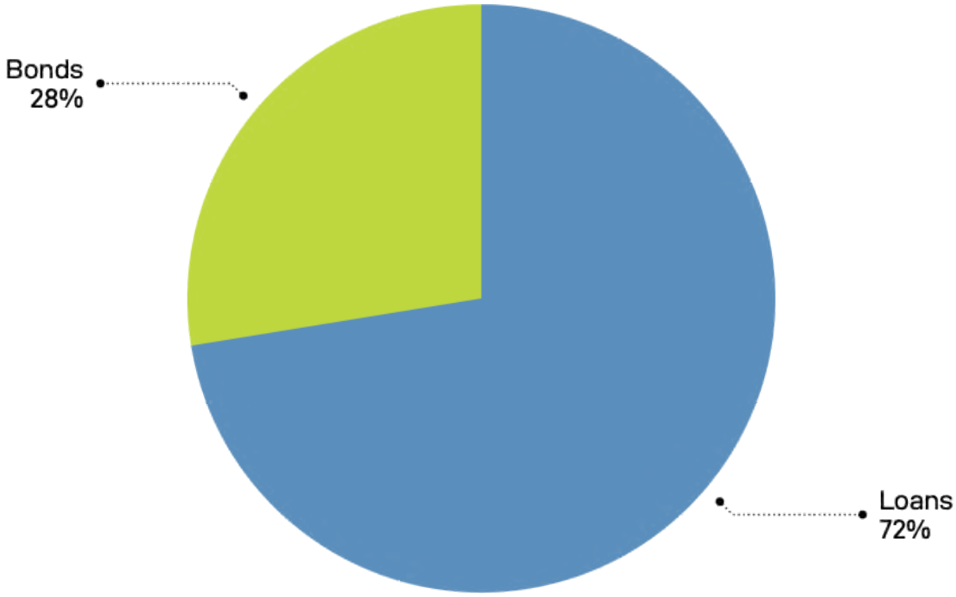
Bank	Role	Commitment
Asia United Bank Corporation	Joint Lead Underwriters and Bookrunners	PHP 1,600,000,000
Bank of Commerce	Joint Lead Underwriters and Bookrunners	PHP 3,300,000,000
BDO Capital & Investment Corporation	Joint Issue Manager; Joint Lead Underwriters and Bookrunners	PHP 9,000,000,000
BPI Capital Corporation	Joint Lead Underwriters and Bookrunners	PHP 2,600,000,000
China Bank Capital Corporation	Joint Issue Manager; Joint Lead Underwriters and Bookrunners	PHP 9,000,000,000
Philippine Commercial Capital	Joint Issue Manager; Joint Lead Underwriters and Bookrunners	PHP 1,000,000,000
PNB Capital and Investment Corporation	Joint Issue Manager; Joint Lead Underwriters and Bookrunners	PHP 9,000,000,000
RCBC Capital Corporation	Joint Lead Underwriters and Bookrunners	PHP 2,100,000,000
SB Capital Investment Corporation	Joint Lead Underwriters and Bookrunners	PHP 2,400,000,000

Lastly, Metrobank issued a PHP 15,000,000,000 loan to Aboitiz Power's Therma Luzon, Inc for refinancing and general corporate requirements just this year.

Bonds: the new driver of fossil fuel financing

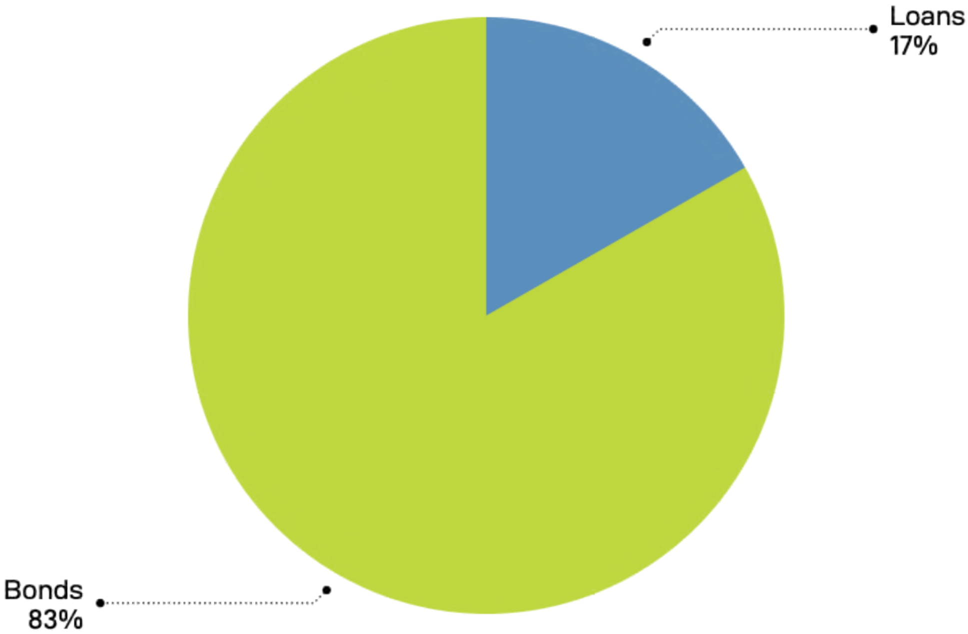
As can be seen in Figure 5 below, when taking into account financing through loans and bonds from 2009 to 2023, most financing was coursed through loans.

Figure 5. Percentage of issued loans and bonds underwriting in the coal and gas industry from 2009 to March 2023



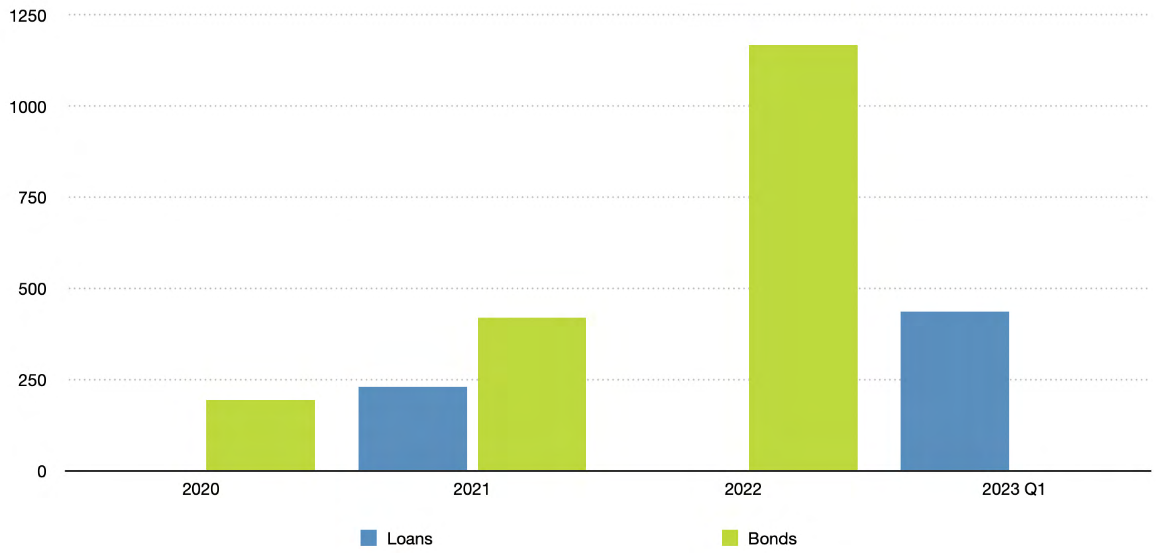
Zeroing in on the comparison for the years 2020 to the first quarter of 2023 alone, clearly reflects how financing for these industries has shifted remarkably from loans to bonds.

Figure 6. Percentage of issued loans and bonds underwriting in the coal and gas industry from 2020 to March 2023



To further emphasize the transition, the graph below shows the comparative share of loans and bonds throughout the years 2020 to the first quarter of 2023. While it is noted that there are bonds yet to be issued for this purpose for this year, emphasis is placed on this data only reflecting until the first quarter of the year.

Figure 7. Issued loans and bonds yearly from 2020 to 2023 (USD, millions)



As such, even as more banks release their commitments to stop financing coal projects through project financing, they must also ensure that they no longer support the development of these projects through corporate finance and through bonds; lest they render their own commitments meaningless through these loopholes.

BPI: dirtiest bank for the fourth straight year; BDO finds its way to fossil gas financing

BPI's historical contribution to the massive coal expansion wreaking havoc on the environment, climate, host communities, and on electricity supply and rates, cemented the bank's coal exposure score at a solid 4. This is the fourth straight scorecard year that BPI finds itself in the first place as the country's dirtiest bank.

BPI's ongoing coal exposure and growing fossil gas portfolio also expose its shareholders to significant risk. One important case in point is BPI's loan agreements with Atimonan One Energy (A1E) Coal Plant.[48] A1E disclosed in news reports as early as 2018 that the project cost continues to escalate pending the approval of its Power Supply Agreement (PSA),[49] a defect it continues to suffer as recently as March this year.[50]

Separately, top BPI executives have told WFC that its loan agreements for coal projects without approved Power Supply Agreements (PSA) have not pushed through, including the A1E Coal Plant and the Redondo Peninsula Energy Inc.'s Subic Coal Plant. In spite of these, no official announcement on the project loan agreement has been made by BPI.

In fact, in a letter addressed to the Center for Energy, Ecology, and Development (CEED) dated 1 July 2021, the DOE said that Meralco PowerGen Corporation, which wholly owns A1E, is still in communication with lenders to extend the loan facility given the challenges encountered in securing PSAs. Moreover, in an email correspondence with Refinitiv—one of the world's largest providers of financial markets data and infrastructure—dated 29 September 2021, the syndicated loan deal with A1E is still active. This is highly concerning given that BPI is the lead arranger for this loan deal and has the largest committed amount of PHP 22.2 Billion.

This continuing involvement in the A1E project is a considerable risk for the bank, with the various organizations and local stakeholders already having taken multiple legal actions against the Department of Environment and Natural Resources (DENR) for failing to act on A1E's Environmental Compliance Certificate (ECC) violations.[51]

In February 2023, A1E informed various community stakeholders of its plans to transition from a coal-fired power plant to a fossil gas-fired power plant and was going to conduct the information and education campaign as required by the DENR for this purpose.[52]

With the project needing to redo necessary permitting and bidding processes, it is unlikely that the A1E plant will start operations anytime soon, heightening its risks of turning into a stranded asset for the project owner and its financiers - BPI included.

BPI has also doubled up on its dirty energy exposure by contributing significantly to the fossil gas expansion in the country, garnering a score of 3 in this criteria. With the lack of any policy committing not to fund the fossil gas expansion, BPI is instead actively contributing to the crisis confronting the country and the world today.

BDO, on the other hand, pivots towards fossil gas and drives the country towards longer fossil fuel reliance. BDO's inclination for fossil gas means it is contributing even more to the climate crisis than it already has, and it will subject Filipinos everywhere to fossil gas' major environmental impacts and volatile fuel prices. The details of BDO's current fossil gas exposure are as follows:

Table 7. BDO's fossil gas exposure

Corporation	Issue	General Purpose	Specific Purpose	Type of Financing	Year of Issue/ Deal Closure	Bank Role in Deal
SMC	Series K, L, M Bonds	Project Finance	partially finance the Company's investments in power-related assets - MPGC and EERI	Bond Issuance (underwriting)	2022	Joint Lead Underwriter and Bookrunner
First Gen Corp		Refinancing	Refinancing for San Lorenzo 500 MW gas-fired power plant.	Term Loan	2021	Arranger
First Gen Corp		Project Finance	FGP intends to draw on the balance of the facilities in the next 12 months to pre-fund First Gen's upcoming projects	Term Loan	2021	Arranger

By supporting this detour towards more dirty energy, BDO contradicts itself and its own green finance initiatives. By investing heavily in fossil gas, BDO risks either succeeding in these investments and driving the country further into this crisis, or failing in its fossil gas investments and exposing itself to stranded assets even as more financial institutions around the world produce increasingly restrictive and ambitious policies to move away from fossil fuels.

Banks' weak coal divestment policy spells complacency

Five out of six banks with divestment policies have limited their coal divestment policy to coal-fired power plants as exemplified by top coal and fossil gas financiers, BPI and BDO respectively.

In 2021, BPI already announced its coal divestment policy effective June of that year as follows:

1. BPI Group shall have no additional commitments to finance greenfield coal power generation projects.
2. Outstanding loans of BPI Group to coal power generation shall be reduced to 50% of current exposure by 2026, and zero by 2032, ahead of the Paris Climate Agreement target for non-OECD* countries.[53]

The policy turned BPI into one of the first Philippine banks to declare timelines for reducing coal exposure. The policy, however, falls short in two crucial aspects:

First, its coal divestment policy is severely lacking in scope, only covering greenfield coal power generation projects. It does not commit to ending financing for other coal-related activities such as the mining, import, export, or local transport of coal. Neither does the policy contain a threshold to mark the end of financing for coal companies that meet that threshold. The coal divestment policy also does not make a clear commitment to not underwrite bonds whose use includes the expansion of the coal industry.

Second, BPI is yet to present or publish a clear policy and timeline on coal divestment or clarify its governance around coal and other climate-related risks and opportunities. There have also been no disclosures made on its current exposure to coal and other fossil fuel projects and developers.

Meanwhile, in September 2022, BDO finally released its Energy Transition Finance Statement which gave further detail on its "no coal" policy announced in December 2021. The statement clarified that BDO's "no coal" policy only covers coal-fired power plants and laid down its targets for reducing coal exposure as follows:

> *"BDO will continue its current practice of not lending to new coal-fired power plant capacity, a practice in place since 2019.*

BDO commits to reduce its coal exposure by 50% by 2033, while ensuring that its coal exposure does not exceed 2% of its total loan portfolio by 2033. The Bank will likewise continue to fund more renewable energy projects under its Sustainable Finance program. New coal exposure refers to exposure to new capacity, while coal exposure refers to the term loans and does not include short-term working capital. Ultimately, BDO does not intend to finance any new capacity that will increase harmful greenhouse gas (GhG) emissions in the environment."[54]

BDO's coal divestment policy shares BPI's weakness in that it is limited only to new coal-fired power plants and does not clearly divest from financing other parts of the coal value chain nor from coal companies that meet a set threshold.

BDO and Security Bank: still banking on coal

For the second scorecard period in a row, banks with commitments to stop financing new coal-fired projects were found to continue doing just that - financing a new coal-fired power plant.

SMCGP issued three bonds last year, the use of proceeds for which includes financing for the MPGC's coal-fired power plant in Mariveles, Bataan, and EERI's 1.3 GW LNG power plant in Batangas.

In spite of its commitment not to fund coal first announced in December 2021, BDO's wholly owned subsidiary BDO Capital and Investment Corporation is a Joint Issue Manager, Joint Lead Underwriter, and Bookrunner of these bonds. SB Capital Investment Corporation, Security Bank's wholly owned subsidiary, is also a Joint Lead Underwriter and Bookrunner of these bonds in spite of Security Bank's commitment to no longer fund coal projects as early as 2021.[55]

In a meeting with Security Bank, it was found that it has yet to implement this policy throughout its subsidiaries and has so far only implemented the policy for its own project financing. In order to steer clear of appearances of greenwashing or making empty commitments, banks like Security Bank and BDO must ensure that these pronouncements are applicable even to their subsidiaries' portfolios and transactions.

The other banks exposed to these bonds are:

Table 8. Banks exposed to SMCGP series bonds that funded MPGC and EERI

Bank	Role
China Bank Capital Corporation	Joint Issue Manager; Joint Lead Underwriter and Bookrunner
Asia United Bank Corporation	Joint Lead Underwriter and Bookrunner
PNB Capital and Investment Corporation	Joint Lead Underwriter and Bookrunner
Bank of Commerce	Selling agent
East West Banking Corporation	Selling agent

That China Bank, AUB, and PNB are all also exposed to this deal through their investment arms gives further emphasis on how banks have been moving financing for fossil fuel projects and companies away from project finance loans to corporate finance loans and bonds for the years 2020 to 2023. As earlier established, fossil fuel financing through bonds almost dwarfs financing coursed through loans for these years, compared to how much larger loans were before 2020.

Land Bank's exclusion list: a must-follow for banks

Exclusion lists are lists of project types, industries, companies, and the like that are automatically disqualified for financing. Most exclusion lists found applied by domestic banks in the Philippines are those that prevent financing from green bonds to go to environmentally harmful projects or industries. An example of such exclusion lists employed by banks is the one used by those that have access to the Green Climate Fund, which excludes financing for: "1. Production or trade in weapons and ammunition; 2. Online gaming and equivalent enterprises; 3. Hydroelectric plant with weir height >50m; 4. Illegal logging, illegal mining, illegal fishing, forced labor, and child labor; 5. production of tobacco products and palm oil; and 6. fossil-fuel power generation and transmission, and activities dedicated to support expansion of fossil-fuel based technologies."[56]

In its letter to Withdraw from Coal dated March 2, 2023, Land Bank stated that it issued Executive Order No. 007 series of 2023 last February 01, 2023 which contains the "Guidelines on the Implementation of Negative/Exclusion List for LAND BANK Financing and Investment Activities Consistent with the Sustainable Finance Framework." The letter explains that the "policy provides the list of projects/activities excluded from financing and/or investment which shall be adopted as a guide/reference of the concerned Bank units."[57] It adds that, while the Bank will still honor existing loan/investment agreements, it will no longer renew/expand those projects.

From the meeting with Land Bank, the bank's representatives also explained that the exclusion list effectively prevents Land Bank from financing or investing in any part of the coal value chain - not just coal-fired power plants. They similarly mentioned in the meeting that the exclusion list also includes the whole supply chain for diesel-powered projects.

The exclusion policy is a stark improvement from existing policies issued by domestic banks in four key points: it covers all financing transactions not just funds from green bonds, it covers both loans and investments, it stretches across the coal supply chain, and it covers both new and expansion projects.

Having just been implemented, the comprehensiveness of the policy's execution has yet to be assessed. It is noted, however, that one significant improvement Land Bank must also add to its exclusion list is the exclusion of companies from corporate financing should they meet a certain threshold. By refusing corporate financing to companies when a large part of their revenue comes from coal, Land Bank would be able to better ensure that no part of its loans or investments will contribute to the continuation or expansion of this industry.

Lastly, it is highly recommended that Land Bank increase its transparency regarding this policy, and make it publicly available or make a public pronouncement to this effect. The bank is also strongly urged to include in this exclusion list, to its full extent, fossil gas financing, and investments. In this way, Land Bank would be able to protect itself from the risks of these investments and from contributing further to the climate crisis.

The laggards of fossil fuel divestment

Despite key developments throughout 2022 that point to the incompatibility and undesirability of coal and gas expansion, a number of banks have made no noteworthy change or improvement in either their divestment policies, climate actions, or their sustainability policies since 2020.

The laggards of fossil fuel divestment are AUB, BOC, China Bank, East West Bank, Metrobank, PBCOM, PNB, Unionbank, and Robinsons Bank. They have made no notable movement away from coal financing and investments, more so from fossil gas financing. Through their inaction, these banks send out signals that they fail to acknowledge the urgency of ending fossil fuel proliferation.

On top of this, neither have AUB, BOC, ChinaBank, PBCOM or Robinsons Bank made any notable steps towards aligning with the Paris Agreement goal of limiting global warming to 1.5 degrees or of engaging the companies they interact with to steer them towards this goal. Their sustainability policies for renewable energy and climate adaptation also leave much to be desired.

These banks should have responded to the crisis facing humanity - one that especially places all Filipinos vulnerable to super typhoons, unprecedented flash floods, and exorbitant electricity prices - yesterday.

Government banks lead drive to sustainable policies

Based on the weighted total of the Divestment and Sustainability Policies Criteria, Land Bank and DBP clinched the first and second top spots respectively on Divestment and Sustainability Policies.

The wide scope of Land Bank's exclusion list boosted its score in the Divestment Policy criteria. The addition of questions on financial mechanisms for making Renewable Energy more accessible for households, communities, and local government units also increased Land Bank's score. In the meeting with Land Bank, officials of the bank clarified that the bank's REAL Energy Financing Program does help make renewable energy more accessible for communities, households, and government offices.

DBP, on the other hand, has had a coal divestment policy for a couple of years now. This year, however, their score was also increased by the questions on policies and financial mechanisms for small-scale and/or merchant renewable energy facilities and for making renewable energy more accessible for households, communities, or local government units.

Both banks have kept their divestment policies as internal policies, however. Both banks are also here called on to make public pronouncements on these policies and to make transparent disclosures on their implementation.

It is further noteworthy that these government banks have a streak of financing renewable energy facilities throughout this scorecard period. As of March last year, Land Bank has approved loans totaling PHP 20.1 billion to 56 borrowers in support of local renewable energy projects.[58] In December 2022, Land Bank signed to finance Cabangsalan Hydropower Corporation's 15 MW Hydropower plant located in Bukidnon for PHP 2.6 billion.[59] In January of this year, Land Bank agreed to bankroll Aboitiz Renewables Inc.'s renewable energy projects, which will fund ongoing expansion and development of renewable energy projects including constructing new RE power plants for PHP20 billion.[60]

DBP, on the other hand, approved a loan amounting to PHP 660 million for the development of a 6.4MW hydropower project in Nueva Ecija in July 2022.[61] As of December 2022, DBP has approved 92 accounts under the Financing Utilities for Sustainable Energy Development (FUSED) Program, 27 of which are renewable energy projects.[62] In February of this year, DBP and PetroWind inked a PHP 1.8 billion loan agreement to fund the latter's 13.2MW wind power project in Aklan.[63]

Apart from these important RE financing developments, BDO also made a significant contribution to sustainable finance, specifically for ocean and marine life conservation. The bank has issued the first blue bond in the country, which will "provide more support to critical areas such as water conservation, wastewater treatment, plastic recycling, sustainable tourism, fisheries, and sustainable seafood processing"[64]

Emergence of energy transition mechanisms

Another interesting development is the emergence of energy transition mechanisms. These mechanisms purportedly aim to accelerate the retirement or repurposing of coal-fired power plants and replacing them with clean energy.

When this new mechanism was first heard from the Asian Development Bank (ADB), which explained the mechanism as a scheme to buy out coal power plants and wind them down within 15 years supposedly to allow the countries to shift to renewable energy, several civil society organizations expressed concerns, such as:

- The fact that some of the reported partner financial institutions of ADB are still funding new coal-fired power plants in the Philippines,
- The incompatibility of buying out coal plants with ADB's "No Coal" Policy,
- Whether buying out coal plants would absolve the coal companies from internalizing the negative externalities and social costs brought about by the pollution that they create, and
- The basis for the 15-year winding down period, which seems too long considering the worsening climate crisis.[65] [66] [67]

While the ADB is still conducting its feasibility study on ETM in the Philippine context, the first energy transition deal was closed by AC Energy (ACEN), the energy platform of the Ayala Group, to retire its 246 MW coal plant in Batangas early. The total deal value is PHP 17.4 billion – including PHP 13.7 billion financing from BPI and RCBC, PHP 3.7 billion equity investment from the Government Service Insurance System (GSIS), Insular Life Assurance Company (InLife), and ETM Philippines Holdings.[68] The deal is similar to the Energy Transition Mechanism (ETM) introduced by the Asian Development Bank (ADB) that aims to accelerate the early retirements of coal plants, mainly in Southeast Asia.

Table 9. Entities involved in the SLTEC Energy Transition Mechanism deal

Bank/Funder	Role	Commitment
BPI RCBC	Arranger Lead Manager	PHP 13,700,000,000
GSIS InLife ETM Philippines Holdings	Equity Investor	PHP 3,700,000,000

Transactions involving energy transition mechanisms have not yet been considered in this scorecard.

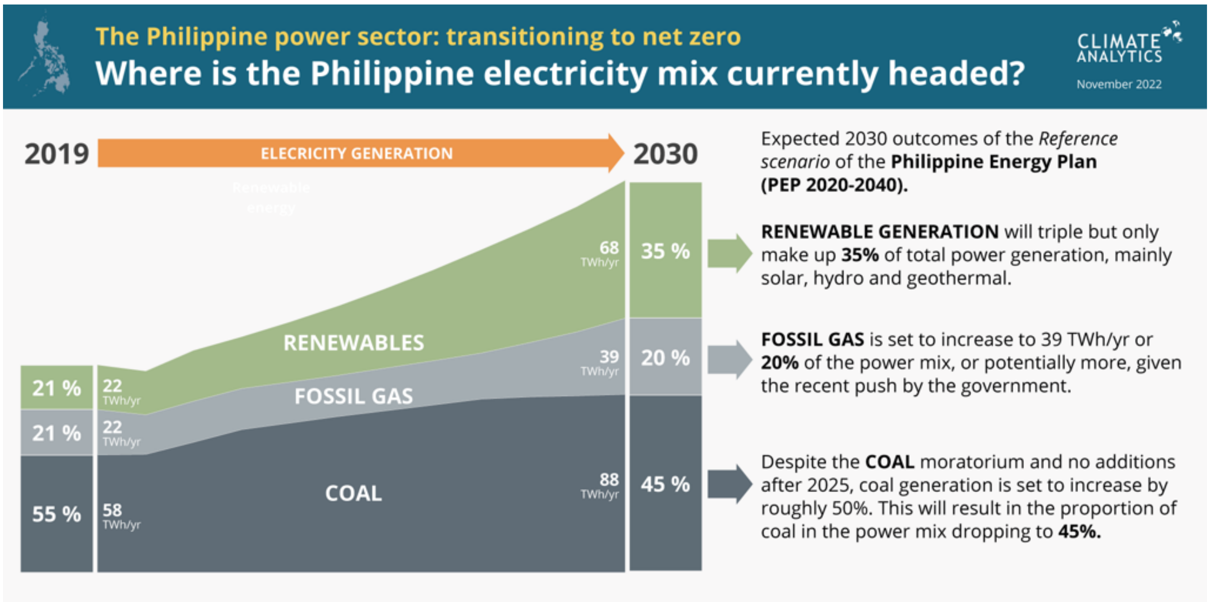
Funding a sustainable future means investing in renewables

With repeated emphasis on the role of banks in pushing sustainable development forward, these domestic banks are urged to raise their renewable energy ambitions. They are also called on to rise to fulfill these ambitions by developing the policies and mechanisms necessary and implementing them to their fullest.

According to the study conducted by Climate Analytics, and commissioned by CEED, the current Philippine Nationally Determined Contribution (NDC) conditional target is a strong, 1.5°C compatible target, contingent on international finance and support;[1] However, the government's policies and measures[2] contradict its own coal phase-out by 2035 benchmark by including the entry of "highly efficient coal technologies".

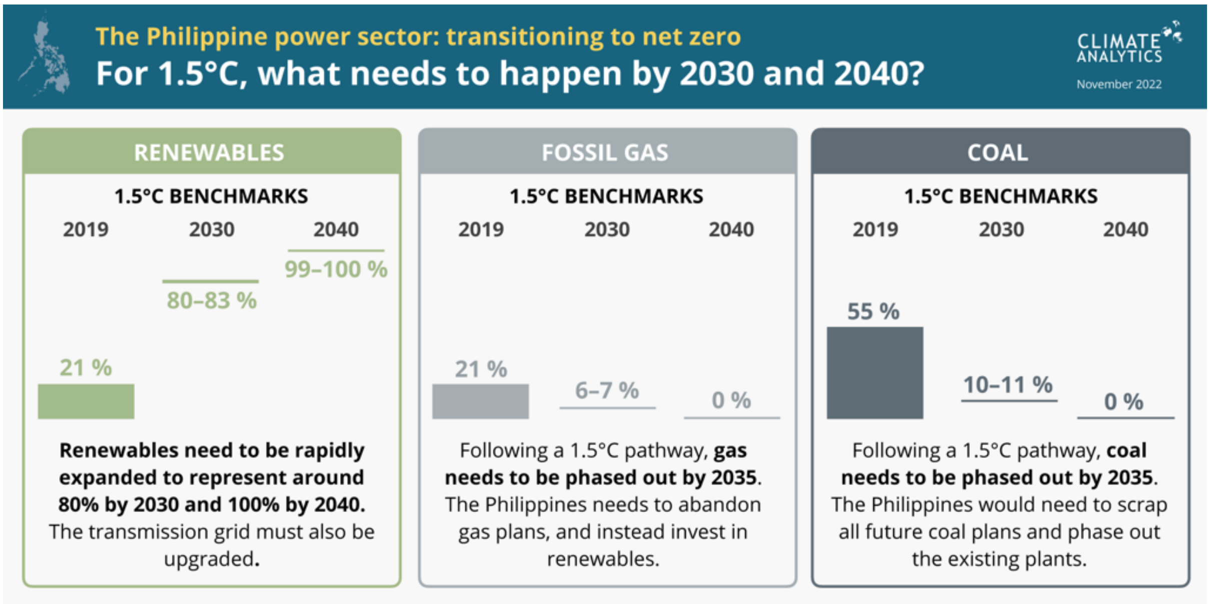
The current Philippine Energy Plan (PEP 2020-2040) sees renewable generation triple from 2020 to 2030, but to be 1.5°C compatible, renewables would need to increase by around six to seven times, from 22 TWh in 2020 to approximately 130-150 TWh by 2030.

Figure 8. Energy Mix Trajectory According to the PEP 2020-2040



Contrary to these projections should the Philippines continue on the path its on, the same study found that the Philippines needs to raise its RE ambitions to 80% by 2030 and 100% by 2040 to be truly aligned to the 1.5°C Paris Agreement goal. As the renewable energy share is raised and grown, both coal and fossil gas will need to be phased out by 2035.

Figure 9. Recommended Targets for 1.5°C Paris Agreement Goal Alignment



Necessarily, this means that the Philippines needs to abandon current fossil gas and coal plans, phase out existing plants, and intensify renewable energy investments instead.

As supported by these findings, banks must make significant and unprecedented leaps in their renewable energy financing to genuinely help the country meet its climate commitments.

OVERALL SCORES

This year's scorecard finds the same six banks that landed as the dirtiest in last year's report at the top.

BPI's already high coal exposure is exacerbated by its also considerable fossil gas exposure. Its overall fossil fuel score improved however, since its score in the fossil gas criteria is still lower than its coal criteria score. BPI's overall score is also slightly higher due to improved sustainability policies. Nonetheless, BPI's high overall fossil fuel exposure and insufficient policies keep it at the top.

Climbing over PNB, BDO is now in second place. Its coal exposure remains significant and its place as the top financier of the fossil gas expansion also garners it a high score for the Fossil Gas Criteria. Its rank is lowered, however, by its Sustainability Policies Criteria score.

Metrobank, because of its exposure to Aboitiz's bonds and subsequent increase in fossil fuel exposure, rose one spot to third from fourth place last year. In February 2023, Metrobank increased its coal exposure further by issuing a term loan to Therma South of Aboitiz Power for refinancing and general corporate requirements. Metrobank also issued a substantial loan to Pilipinas Shell Petroleum Corp, inc, resulting in its fossil gas contribution.

Security Bank rose to the fourth spot as it continues to fund coal activities, pushing its coal grade to 3 despite having a no-coal policy since 2021. Security Bank's participation in fossil gas financing brought it to a tie with DBP and Metrobank, with a Fossil Gas Criteria score of 2. Philippine National Bank completes the top five dirtiest banks. While its coal score is maintained, its gas exposure has significantly increased, garnering a score of 3 along with BPI, Chinabank, and BDO.

China Bank, on the other hand, now clinched the number six spot after tying with Security Bank in fifth place last year. China Bank already had a high coal exposure criteria grade in previous scorecards, but its overall fossil fuel exposure went up because of its significant contribution to the fossil gas industry. China Bank has also exerted little to no effort to divest from its current fossil fuel exposure and to improve its sustainability policies.

While Land Bank and DBP enjoy substantial improvements in their Divestment and Sustainability policies, they, unfortunately, find themselves higher in the ranking because of their contribution to fossil fuel financing. DBP's contribution to fossil gas financing garnered it a grade of 2 for the fossil gas criteria and pulled up its fossil fuel financing score. On the other hand, while Land Bank doesn't have exposure to the fossil gas industry, its combined fossil fuel score still increased because its merger with UCPB increased its exposure.

BoC, Robinsons Bank, and Union Bank all find themselves on the bottom half of the scorecard, largely because of their lack of any contribution to fossil gas financing. This gives them a score of 0 for the Fossil Gas Criteria and essentially brings down their score for their combined fossil fuel exposure. With the exception of Union Bank, however, none of these banks have made a significant improvement in their divestment or sustainability policies.

Lastly, PBCom and Eastwest Bank's overall oil and gas score went up because, as previously explained, the percentage for coal financing contribution share was expanded from two decimal points to four decimal points, more accurately reflecting their share and giving them the score of 1 for the Coal Criteria. The resulting combined Coal and Fossil Gas Criteria score was then pulled down by their lack of fossil gas financing.

Other factors that caused movement in the ranking are the changes in the shares for fossil fuel loans and bonds, plus the inclusion of new fossil gas, SFF and ESRMS, and renewable energy criteria, which added more divisors in the computation of criteria scores.

Fossil Fuel Divestment Scorecard 2023

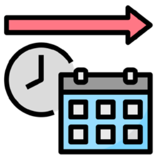
Rank	Bank	Coal and Gas Financing - Overall (2023)	Divestment Policy (2023)	Sustainability Policies (2023)	2023 Overall Score	2022 Overall Scores (for comparison)
1	Bank of the Philippine Islands	3.70↓	0.23↓	1.68↑	3.38↓	3.75
2	BDO Unibank	3.00	0.24↓	1.59↑	2.75↓	2.84
3	MetroBank	2.70↑	0.00	0.47↓	2.65↑	1.98
4	Security Bank	2.70↑	0.17↑	0.85↑	2.57↑	1.96
5	Philippine National Bank	2.30↓	0.00	0.55↑	2.25↓	2.98
6	China Banking Corporation	2.30↑	0.00	0.80↓	2.23↑	1.96
7	Rizal Commercial Banking Corp.	1.40↓	0.48↓	1.73↓	1.25↓	1.83
8	Land Bank of the Philippines	1.40↑	1.08↑	1.90↑	1.17↑	0.97
9	Development Bank of the Philippines	1.30↑	0.47↓	2.98↑	1.10↑	0.90
10	Asia United Bank	1.00	0.00	0.07↓	1.00	1.00
11	Robinsons Bank	0.70↓	0.00	0.00↓	.70↓	1.00
12	Bank of Commerce	0.70↓	0.00	0.10↓	.70↓	1.00
13	Philippine Bank of Communication	0.70↑	0.00	0.25	0.69↑	0.00
14	East West Banking Corp.	0.70↑	0.00	1.09↓	0.67↑	0.00
15	Union Bank	0.70↓	0.09↓	1.05↑	0.67↓	0.97

Legend:
Arrows indicate if the bank score for that criteria went up or down since the previous scorecard
For red columns, scores increasing is a negative indicator and banks should aim to lower their score here
For green columns, scores increasing are a positive indicator and banks should aim to raise their score here

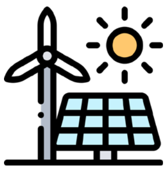
RECOMMENDATIONS

The Fossil Fuel Divestment Scorecard presents benchmarks to be met for a bank to be considered as a leader in coal and fossil gas divestment and sustainability efforts. While banks' scores are telling of how they are faring in terms of exerting climate-aligned energy and sustainability policies and efforts and where key areas of improvement are, the following is a summary of recommendations:

1| While existing coal policy pronouncements from these domestic banks are far from comprehensive and sufficiently measurable against the 1.5 degree C Paris ambition, they are a welcome step forward. Banks that have not so far made any pronouncements on their coal exposure, meanwhile, are lagging behind and must immediately come up with clear policies and timelines.



2| Domestic banks are similarly called to divest from financing fossil gas projects and companies, which would only prolong the country's reliance on fossil fuels. This should form part of a long-term strategy to divest from other carbon-intensive and environmentally destructive projects.



3| Banks should continue to scale up their renewable energy ambitions at an unprecedented scale. They should also develop policies and financing mechanisms in support of distributed, merchant, and small-scale renewable energy systems. As banks step up to do their part in the sustainable development of the Philippines, they are well-positioned in enabling better access to clean, stable, and affordable electricity.

4| Banks that have made or will make public pronouncements that they will no longer fund or support coal and fossil gas projects should ensure that they do not finance these projects through loopholes in their own policies, such as through underwriting or selling securities intended for coal or fossil gas projects. Participation in these types of securities in any form is counterintuitive and render useless the divestment policies of these banks which ultimately still enable financing to flow into the coal and fossil gas industries, and in the process profit from these transactions through issue management and underwriting fees and selling commissions.

5| Banks that have made public pronouncements that they will no longer fund or support coal projects should also develop and disclose a comprehensive framework, strategy, and timeline to execute these pronouncements. Broadstroke pronouncements serve as a market signal to the dying viability of coal, yet offer little ability for shareholders and stakeholders alike to determine how their banks are faring in contributing to meet climate and energy transition deadlines and targets.

6| Banks that have either made pronouncements and/or are currently developing their framework should develop criteria for divesting from companies that are contributing to the coal or fossil gas expansion. Furthermore, they should develop engagement strategies to encourage their clients to withdraw from coal and other fossil fuel projects.

JOIN THE MOVEMENT

While the primary purpose of this Scorecard is to assist banks in evaluating where they stand in fossil fuels divestment and climate and sustainability efforts as required by the climate crisis, clients of these banks will also find information presented here useful. As their stakeholders, bank shareholders, depositors, and other customers have the capacity to influence their banks toward shifting policy and investment directions away from fossil fuels and toward sustainable power systems.

In January 2022, the Catholic Bishops Conference of the Philippines (CBCP) further affirmed its commitment to move the finance industry away from fossil fuels with a new Pastoral Statement on Ecology. In it, the CBCP commits and enjoins the 'whole Body of the Church' to "use our position as shareholders, clients, or stakeholders of financial institutions in and beyond the Philippines, but especially towards domestic banks, to demand for policies and plans to phase out their exposure to coal, fossil gas, and destructive energy in line with the 1.5°C ambition."[69] This and many other efforts from faith-based and civic movements are sustaining the momentum in calling on Philippine banks to act on the climate crisis, withdraw from fossil fuels, and contribute to fueling a thriving renewable energy sector.

ABOUT WITHDRAW FROM COAL: END FOSSIL FUELS

Launched in January 2020, the Withdraw from Coal: End Fossil Fuels campaign was organized by Filipino civil society groups, environmental advocates, and faith-based organizations, in order to urge Philippines banks to reduce their exposure to the risks of financing the coal industry and to assist them in aligning their businesses with the objectives of the Paris Agreement. In doing so, it hopes to contribute to ending fossil fuel dependence in the Philippines thus addressing the threat of climate crisis.
WFC-EFF is coordinated by:

- Bishop Gerardo Alminaza, Diocese of San Carlos
- Bishop Broderick Pabillo, Vicar Apostolic of Taytay, Palawan
- Catholic Bishops' Conference of the Philippines - National Secretariat for Social Action / Caritas Philippines (CBCP-NAS- SA) through the Eco-Convergence Program
- Association of Major Religious Superiors in the Philippines (AMRSP)
- Laudato Si' Movement - Pilipinas (GCCM)
- Center for Energy, Ecology, and Development (CEED)
- Living Laudato Si' (LLS) - Philippines
- Philippine Movement for Climate Justice (PMCJ)
- Philippine-Misereor Partnership, Inc. (PMPI)
- Alyansa Tigil Mina (ATM)
- WWF Philippines
- Manila Observatory

DISCLAIMER

This WFC-EFF initiative uses information from third party sources we believe to be reliable and have been used by similar pioneering international efforts. We, however, do not guarantee the full accuracy and completeness of available data. WFC-EFF is open to discussions with representatives of the banks subjected to this assessment on our research findings.

ENDNOTES

1 Arkush and Braman (2023). "Climate Homicide: Prosecuting Big Oil For Climate Deaths". Harvard Environmental Law Review. Accessed at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4335779

2 Commission on Human Rights of the Philippines (2022). "National Inquiry on Climate Change Report", Accessed at http://climatecasechart.com/wp-content/uploads/sites/16/non-us-case-.

3 Compliance Advisor Ombudsman (2023). "Philippines: Rizal Commercial Banking Corporation (RCBC) - 01", Accessed at https://www.cao-ombudsman.org/cases/philippines-rizal-commercial-banking-corporation-rcbc-01

4 Oxfam International (2023). "French NGOs take BNP Paribas to court in world's first climate lawsuit against a commercial bank", Accessed at https://www.oxfam.org/en/press-releases/french-ngos-take-bnp-paribas-court-worlds-first-climate-lawsuit-against-commercial

5 Center for Energy, Ecology, and Development (2023). "BNP Paribas lawsuit: a stern warning for banks to divest from fossil fuels, say green groups", Accessed at https://ceedphilippines.com/bnp-paribas-lawsuit/

6 IPCC (2023). "AR6 Synthesis Report: Climate Change 2023", Accessed at https://www.ipcc.ch/report/sixth-assessment-report-cycle/

7 United Nations (2023). "Secretary-General's video message for press conference to launch the Synthesis Report of the Intergovernmental Panel on Climate Change", Accessed at https://www.un.org/sg/en/content/sg/statement/2023-03-20/secretary-generals-video-message-for-press-conference-launch-the-synthesis-report-of-the-intergovernmental-panel-climate-change.

8 IPCC AR6 Report. "very high confidence" means that there is a 9 out of 10 chance of being correct as stated in the IPCC, "1.6 The IPCC Assessments of Climate Change and Uncertainties", Accessed at https://archive.ipcc.ch/publications_and_data/ar4/wg1/en/ch1s1-6.html

9 Id.

10 Global Energy Monitor (2023). "Boom and Bust Coal 2023", Accessed at https://globalenergymonitor.org/wp-content/uploads/2023/03/Boom-Bust-Coal-2023.pdf

11 Department of Energy (2022). "2021 Power Statistics", Accessed at https://www.doe.gov.ph/sites/default/files/pdf/energy_statistics/2021_power_statistics_01_summary.pdf

12 Center for Energy, Ecology, and Development (2020). "P4P on the DOE moratorium on new coal plants", Accessed at https://ceedphilippines.com/p4p-on-the-doe-moratorium-on-new-coal-plants/

13 Center for Energy, Ecology, and Development (2022). "Financing a Fossil Future: Tracing the Money Pipeline of Fossil Gas in Southeast Asia", Accessed at https://ceedphilippines.com/wp-content/uploads/2022/06/Financing-a-Fossil-Future-Tracing-the-Money-Pipeline-of-Fossil-Gas-in-Southeast-Asia.pdf

14 Id.

15 These data were sourced from Refinitiv, news reports, Philippine Department of Energy, company websites and analyzed by CEED as of March 31, 2023.

16 Center for Energy, Ecology, and Development (2022), "Fossil gas: A bane for the environment", Accessed at https://ceedphilippines.com/fossil-gas-a-bane-for-the-environment/

17 Meralco, Meralco Rate Archives, Accessed at https://company.meralco.com.ph/news-and-advisories/rates-archives.

18 respective websites and official social media pages of Electric Cooperatives mentioned.

19 respective websites and official social media pages of Electric Cooperatives mentioned.

20 respective websites and official social media pages of Electric Cooperatives mentioned.

21 Caldecott et al. (2013). "Stranded Assets in Agriculture: Protecting Value from Environment-

Related Risk". p.7. Accessed at https://www.smithschool.ox.ac.uk/sites/default/files/2022-03/stranded-assets-agriculture-report-final.pdf .

22 International Energy Agency (2013). "Redrawing the Energy Climate Map." p. 98. Accessed at https://www.iea.org/reports/redrawing-the-energy-climate-map.

23 University of Oxford Public and Third Sector Academy for Sustainable Finance Learning Material. "4.1 Materiality and Stranded Assets" accessed at https://apolitical.co/microcourses/en/sustainable-finance/materiality-and-stranded-assets

24 Ibid.

25 Institute for Energy Economics and Financial Analysis (2023). "Global LNG Outlook 2023-27", Accessed at https://ieefa.org/resources/global-lng-outlook-2023-27#:~:text=European%20countries%20boosted%20LNG%20imports,at%20least%2040%25%20through%202030.

26 CNN Philippines (2022). "First Gen seeks permit extension for LNG project", Accessed at, https://www.cnnphilippines.com/business/2022/6/16/First-Gen-seeks-permit-extension-LNG-project.html

27 Business World (2022). "First Gen sees first imported LNG delivery after July 2023", Accessed at, https://www.bworldonline.com/corporate/2022/10/17/480938/first-gen-sees-first-imported-lng-delivery-after-july-2023/

28 Power Philippines (2022). "Excelerate Energy LNG facility also faces delays", Accessed at https://powerphilippines.com/excelerate-energy-lng-facility-also-faces-delays/

29 Velasco, M. (2021). "Vires Energy admits FSRU 'info lapse' in LNG facility application" Accessed at https://mb.com.ph/2021/04/29/vires-energy-admits-fsru-info-lapse-in-lng-facility-application/

30 Flores, A.M. (2023). "Vires Energy seeks long-term gas supply for LNG project", Accessed at https://manilastandard.net/business/314317579/vires-energy-seeks-long-term-gas-supply-for-lng-project.html

31 Business World Online (2022). "SMC power unit says losses hit P15B, seeks rate hike", Accessed at https://www.bworldonline.com/corporate/2022/08/02/465317/smc-power-unit-says-losses-hit-p15b-seeks-rate-hike/

32 Cabuenas, J.K.D. (2022). "ERC denies power rate hike petitions of Meralco, San Miguel", Accessed at https://www.gmanetwork.com/news/money/companies/846920/erc-denies-power-rate-hike-petitions-of-meralco-san-miguel/story

33 Bilyonaryo.com (2022). Banks always take away your umbrella when it rains: RSA assures San Miguel has money to pay amid report of $1B funding shortfall, Accessed at

https://bilyonaryo.com/2022/10/15/banks-always-take-away-your-umbrella-when-it-rains-rsa-assures-san-miguel-has-money-to-pay-amid-report-of-1b-funding-shortfall/business/

34 Ibid.

35 Nivacera, E. (2022). "Environment group: SMC backs off LNG project in NegOcc", Accessed at https://www.sunstar.com.ph/article/1946218/bacolod/local-news/environment-groupsmc-backs-off-lng-project-in-negoc

Gomez, C. (2022). "ECC for LNG Plant withdrawn, hailed as victory for Negrenses.", Accessed at

Adiong, E..Y., "SMC to withdraw LNG plant in San Carlos City", (November 23, 2022). Accessed at

https://www.manilatimes.net/2022/11/23/news/regions/smc-to-withdraw-lng-plant-in-san-carlos-city/1867404

36 Reuters (2023). "Philippines sets June auction for new 11,600 MW renewables capacity", Accessed at https://www.reuters.com/business/environment/philippines-sets-june-auction-new-11600-mw-renewables-capacity-2023-04-04/

37 Department of Energy (2021). "2021 Power Statistics". Accessed at https://www.doe.gov.ph/sites/default/files/pdf/energy_statistics/2021_power_statistics_01_summary.pdf

38 Committed projects refers to projects that have secured financial closure.

39 Department of Energy (2023). "Private Sector Initiated Power Projects". Accessed at https://www.doe.gov.ph/private-sector-initiated-power-projects?withshield=1

40 US Energy Information Administration (2022). "Electricity Explained", Accessed at https://www.eia.gov/energyexplained/electricity/electricity-in-the-us-generation-capacity-and-sales.php#:~:text=Small%20scale%E2%80%94includes%20generators%20with,rooftops%20are%20small%2Dscale%20systems.

41 BSP Circular No. 1085 s. 2020; BSP Circular 1128 s.2021; Memorandum No. M-2022-042

42 Ibid.

43 Offer Supplement https://www.sec.gov.ph/wp-content/uploads/2022/06/2022RS_SMCGP-Preliminary-Offer-Supplement.pdf.

44 Id.

45 Business World (2023). "Erc to review SMC termination of power supply deals", Accessed at https://www.bworldonline.com/corporate/2023/03/20/511503/erc-to-review-smc-termination-of-power-supply-deals/

46 PDS Group (2022). "San Miguel Corporation Lists PHP 60 Billion Fixed Rate Bonds on PDEx", Accessed at https://www.pds.com.ph/index.html%3Fp=113001.html

47 Only the amount of PHP 13.15 billion was considered in this deal.

48 CNN Philippines (2021). "Green energy group hopeful Meralco will exit Atimonan coal project", Accessed at

https://www.cnnphilippines.com/business/2021/4/30/Green-energy-group-hopeful-Meralco-will-exit-Atimonan-coal-project-.html

Lalu, G.P. (2021). "Cancelled coal-fired power plant project in Subic a victory for clean energy — eco groups", Accessed at https://business.inquirer.net/322012/cancellation-of-meralcos-coal-power-plant-in-subic-a-victory-for-clean-energy-eco-groups

Dumlao-Abadilla, D. (2018)., "BPI now among world's biggest project financing arrangers", Accessed at

https://business.inquirer.net/247062/bpi-now-among-worlds-biggest-project-financing-arrangers

49 Saulon, V. (2018). "Atimonan project costs rise by P15B due to PSA approval delay", Accessed at

https://www.bworldonline.com/editors-picks/2018/12/10/203523/atimonan-project-costs-rise-by-p15b-due-to-psa-approval-delay/

Rosales, M. (2018). "Meralco subsidiary positive on Atimonan coal plant power supply deal", Accessed at

https://powerphilippines.com/meralco-subsidiary-positive-atimonan-coal-plant-power-supply-deal/

50 Flores, M.A. (2022). "MGen wants Atimonan to secure Meralco deal", Accessed at https://manilastandard.net/business/power-technology/314275954/mgen-wants-atimonan-to-secure-meralco-deal.html

51 San Juan, R. (2019). "Green groups, Quezon locals file petition vs Atimonan coal plant ECC", Accessed at https://www.philstar.com/headlines/2019/11/27/1972332/green-groups-quezon-locals-file-petition-vs-atimonan-coal-plant-ecc

52 Through a letter sent by Atimonan one Energy (A1e) to Rev. Fr. Warren F. Puno.

53 BPI (2021) . "Coal Policy", Accessed at: https://www.bpi.com.ph/sustainability/coal-policy.

54 BDO (2022). "BDO Energy Transition Finance Statement", Accessed at: https://www.bdo.com.ph/bdo-energy-transition-finance-statement

55 Security Bank (2021). "2021 Annual Report", Accessed at https://www.pds.com.ph/wp-content/uploads/2022/04/Disclosure-No.-1340-2022-Annual-Report-for-Fiscal-Year-Ended-December-31-2021-SEC-Form-17-A.pdf

56 BDO (2022). "BDO Sustainable Finance Framework", Accessed at https://www.bdo.com.ph/sites/default/files/pdf/BDO-Sustainable-Finance-Framework-Second-Party-May2022.pdf.

57 Letter from Land Bank to WFC (2023)

58 Philippine Information Energy (2022). "LANDBANK loans reach P20-B for green energy projects", Accessed at https://pia.gov.ph/press-releases/2022/04/27/landbank-loans-reach-p20-b-for-green-energy-projects

59 Hydro Review (2022). "LANDBANK to fund development of 15 MW small hydropower plant in Philippines", Accessed at https://www.hydroreview.com/business-finance/landbank-to-fund-development-of-15-mw-small-hydropower-plant-in-philippines/#gref

60 GMA News Online (2023). "AboitizPower inks P20-B loan deal with Landbank to fund renewable projects", Accessed at https://www.gmanetwork.com/news/money/companies/856461/aboitizpower-inks-p20-b-loan-deal-with-landbank-to-fund-renewable-projects/story/

61 Philstar (2022). "DBP approves P660-M loan for small-scale Nueva Ecija hydro project", Accessed at https://www.philstar.com/business/2022/07/08/2193978/dbp-approves-p660-m-loan-small-scale-nueva-ecija-hydro-project

62 Manila Bulletin (2023). "DBP grants P77-B energy project loans", , Accessed at https://mb.com.ph/2023/3/31/dbp-grants-p77-b-energy-project-loans

63 BusinessWorld (2023). "PetroWind secures P1.8-B loan for wind farm", Accessed at https://www.bworldonline.com/corporate/2023/02/24/506679/petrowind-secures-p1-8-b-loan-for-wind-farm/

64 de Vera, B (2022). "BDO to issue PH's first 'blue' bonds", Accessed at https://business.inquirer.net/346691/bdo-to-issue-phs-first-blue-bonds

65 NGO Forum on ADB (2021). "Towards a swift and just end to coal: A statement of civil society and communities in Asia-Pacific urging the Asian Development Bank not to gamble with our climate plight with a premature coal buy-out scheme", Accessed at https://www.forum-adb.org/post/towards-a-swift-and-just-end-to-coal

66 Center for Energy, Ecology, and Development (2021). "Will ADB's ETM assist the Philippines' energy transition?", Accessed at https://ceedphilippines.com/will-adbs-etm-assist-the-philippines-energy-transition/

67 Bankwatch Network (2022). "Civil Society From Across the Asian Region Urge the ADB to Stop Financing False Climate and Energy Solutions", Accessed at https://bankwatch.org/press_release/civil-society-from-across-the-asian-region-urge-the-adb-to-stop-financing-false-climate-and-energy-solutions

68 ACEN (2022), "ACEN completes the world's first Energy Transition Mechanism transaction for the 246-MW SLTEC coal plant", Accessed at https://www.acenrenewables.com/2022/11/acen-completes-worlds-first-energy-transition-mechanism-etm-transaction-246-mw-sltec-coal-plant/

69 Catholic Bishops Conference of the Philippines (CBCP). 2022 January. A Call for Unity and Action Against the Climate Emergency and Planetary Crisis. https://cbcpnews.net/cbcpnews/a-call-for-unity-and-action-amid-a-climate-emergency-and-planetary-crisis/?fbclid=IwAR3bwkug0rXjLBoPpuTcIJYDjul8dghSSCLsziOow_XqK6gAZyRGcSiBwc8

WITHDRAW FROM COAL:
END FOSSIL FUELS

117-C Matatag Street, Barangay Diliman, Quezon City
info@ceedphilippines.com