

Decision to exclude companies involved in coal-based or oil sands-based activities

February 2022

1 Introduction

Global warming has vast consequences, and there is an urgent need for substantial greenhouse gas (GHG) emission reductions. Climate change has implications for ecosystems, the economy and people's health. It's a global problem that affects us all. Most countries around the world support the Paris Agreement. The ambition of the Paris Agreement is to keep global temperature rises this century to well below 2°C above pre-industrial levels, and to pursue efforts to limit the temperature increase further to 1.5°C. Current emission reduction policies are not sufficient, and we are on a path leading to 3°C global warming¹.

Therefore, authorities, businesses and society in general need to step up their climate efforts in the coming years, across all sectors. Globally, a phase out of coal-based energy production must take place by 2050². Coal is the energy source with the highest level of absolute GHG emissions³, and energy production from coal has low CO₂-efficiency⁴. Another key problem with coal plants is their long lifetime, 40 years on average⁵. Therefore, it is worrying that coal consumption is on the rise after some years in decline⁶.

In line with KLP's support for the Paris Agreement and the 1,5-degree target, we have adopted a **KLP roadmap to net zero emissions by 2050**. The roadmap describes how KLP will work towards and measure our contribution to the goals in the Paris Agreement. In addition to the ultimate net zero goal in 2050, the roadmap will ensure that emissions are reduced by 7 per cent every year from 2019 to 2030. The exclusion of companies involved in coal-based activities is an important contribution to achieving the goals in the net zero roadmap, and in making sure that KLP plays a leading role in the transition to a low carbon economy.

2 KLP's Guidelines and practice

KLP is to exclude companies that are involved in coal-based or oil sands-based activities through;

¹ International Energy Agency (IEA) 2017. "World Energy Outlook 2017".. og Climate Action Tracker 2018, tilgjengelig fra: <http://climateactiontracker.org/global.html>

² Intergovernmental Panel on Climate Change (IPCC) 2018. "Global Warming of 1.5 °C. Summary for Policymakers".

³ Global Carbon Budget 2018. Tilgjengelig fra: <https://www.globalcarbonproject.org/carbonbudget/>

⁴ International Energy Agency (2014). "Special report World Energy Investment Outlook". OECD/IEA.

⁵ Intergovernmental Panel on Climate Change (IPCC) (2014a). Annex III: Technology-specific cost and performance parameters.

⁶ International Energy Agency (2018). "Global Energy & CO₂ Status Report".

(1) coal mining and extraction of oil sands

(2) energy generation from coal.

The following three criteria have been used to identify companies that are to be excluded:

- *Companies that derive more than 5 percent of their revenues from coal-based or oil sand-based activities;*
- *Companies with a coal production exceeding 20 million tons annually and/or;*
- *Companies with more than 10 000 megawatt (MW) installed production capacity.*

KLP receives data and analyzes from our data provider MSCI Inc. In addition, KLP has attempted to make contact with companies where MSCI data indicates a breach of our coal criteria. Where companies have provided additional information, this has been included in our analysis.

When evaluating companies, KLP can take into considerations forward-looking assessments such as plans to reduce the proportion of coal or increase the share of renewable sources in energy production. The purpose of these forward-looking assessments is to identify companies with a positive trend that are contributing to the transition to a low-carbon society.

3 Excluded companies

Based on KLP's analysis and available data from our data provider MSCI, the below companies breach one or more of the criteria for involvement in coal-based or oil sands-based activities.

AC Energy Corporation: The company has significant revenues from coal power generation.

Cenovus Energy: The company is involved in the extraction of oil sands

ETSA Utilities Finance Pty Ltd: The company has significant revenues from coal power generation.

MidAmerican Energy Company: The company has significant revenues from coal power generation

Mitsubishi Corporation: The company has significant revenues from coal power generation in addition to coal production exceeding 20 million tons annually.

4 Decision

KLP and the KLP funds exclude the companies above from its investments from February 2022 due to involvement in coal-based or oil sands-based activities.