

# Decision to exclude companies involved in coal-based activities

January 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 warming<sup>1</sup>.

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 2050<sup>2</sup>. Coal is the energy source with the highest level of absolute GHG emissions<sup>3</sup>, and energy production from coal has low CO<sub>2</sub>-efficiency<sup>4</sup>. Another key problem with coal plants is their long lifetime, 40 years on average<sup>5</sup>. Therefore, it is worrying that coal consumption is on the rise after some years in decline<sup>6</sup>.

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 activities through;

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

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

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

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

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

<sup>6</sup> International Energy Agency (2018). "Global Energy & CO<sub>2</sub> Status Report".

*(1) coal mining*

*(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 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 activities.

AES Panama Generation Holdings SRL  
 Adani Electricity Mumbai Ltd  
 Ayala Corp  
 Berkshire Hathaway Energy Co  
 CenterPoint Energy Inc  
 CenterPoint Energy Resources Corp  
 EDP - Energias de Portugal SA  
 East Ohio Gas Co/The  
 Eastern Gas Transmission & Storage Inc  
 First Pacific Co Ltd  
 Genesis Energy Ltd  
 Gulf Power Co  
 Hero Asia Investment Ltd  
 Idaho Power Co  
 LLPL Capital Pte Ltd  
 Manila Electric Co  
 MidAmerican Energy Co  
 Nevada Power Co  
 Northern Natural Gas Co  
 Puget Energy Inc  
 Puget Sound Energy Inc  
 Sierra Pacific Power Co  
 Sinosing Services Pty Ltd  
 Solar Star Funding LLC

## **4Decision**

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