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Press release:

Institutional investors conduct climate change engagement with SOMPO after being encouraged by environmental NGOs

Japan Center for a Sustainable Environment and Society (JACSES)
Friends of the Earth Japan
Mekong Watch
Rainforest Action Network
Insure Our Future

In the last week of August, five environmental NGOs sent a request letter to 50 financial institutions that are major shareholders of SOMPO Holdings, requesting to engage with SOMPO to make the company align with the long-term goals of the Paris Agreement and withdraw from underwriting fossil fuel projects. As a result, eight financial investors responded as of now, and of these, five financial institutions - two Japanese asset managers and three European asset managers - responded that they are positive towards making an engagement with SOMPO in the future.

Also, some of the responses included that, as institutional investors, already have been engaging with SOMPO and will continue to do so to ensure that the company sets long-term targets to achieve net zero and builds a path to achieve the target. We saw a positive attitude by institutional investors that their engagement would not be just this time, but they are willing to take on more ongoing engagement. Some financial institutions also considered SOMPO's lack of an FPIC (Free, Prior and Informed Consent) policy for indigenous peoples affected by projects supported by its underwriting business as problematic.

In the request letter sent, we urged the 50 financial institutions to conduct engagements with SOMPO regarding the three issues below.

1. Develop underwriting policies consistent with the 1.5 degree goal of the Paris Agreement

SOMPO is one of the major non-life insurers in Japan, yet its underwriting policies are not consistent with the 1.5 degree goals of the Paris Agreement. SOMPO's oil and gas policy for its underwriting business is limited to oil sands and the energy extraction projects in Arctic Monitoring and Assessment Programme (AMAP) areas. On the other hand, major European insurers, such as Hannover Re and Allianz, have expanded the scope of oil and gas underwriting restriction not only to upstream projects, but also to oil and gas transport projects (midstream) and power projects (downstream), pioneering efforts are starting to spread. Regarding Generali, it has established a policy to stop underwriting the entire oil and gas value chain, including new LNG terminals, new oil and gas pipeline, and oil and gas-fired power plants.

2. Stop underwriting new fossil fuel projects including Rio Grande LNG project

SOMPO is known to have underwritten the Rio Grande LNG project, a liquefied natural gas (LNG) export terminal project in Texas, USA, which is said to use up 10% of the world's carbon budget from the gas fields from which it supplies gas. NextDecade, the operator of the Rio Grande LNG project, initially claimed to attach carbon capture and storage (CCS) technology, however, in August 2024, it announced to cancel the CCS project as not being sufficiently developed at the moment. SMBC, Société Générale, Credit Suisse and Chubb have already announced to withdraw from the Rio Grande LNG project.

3. Establish a policy respecting the rights of indigenous peoples, including FPIC

SOMPO does not have a policy on FPIC, which is required in the United Nations Declaration on the Rights of Indigenous Peoples. The local indigenous community, the Carrizo/Comecrudo tribe, who have traditionally used the areas around the proposed construction site, has been strongly opposed to the project. NextDecade, the operator of the Rio Grande LNG project, has never held a consultation meeting with the Carrizo/Comecrudo tribe; thus, FPIC has never been obtained. Meanwhile, Bermuda's insurance company, AXIS Capital, has already set a policy to not provide insurance coverage on project undertaken on indigenous territories without FPIC (*3).

From the reasons above, we continue to call on SOMPO to recognise the seriousness of climate change, align its underwriting and investment policies with the 1.5 degree goal of the Paris Agreement, and announce its withdrawal from the Rio Grande LNG project. We also request that financial institutions that did not respond to our request letter to engage with SOMPO.

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Note:

*1: <https://jacses.org/en/434/>

*2: For an overview of the Rio Grande LNG project and the issues involved, see the factsheet below.

https://drive.google.com/file/d/1mLgfl-VQHtyn2w2N7e92sDtZaSqQ_N3V/view?usp=sharing

*3:

<https://www.axiscapital.com/docs/default-source/about-axis/axis-capital-human-rights-policy.pdf>