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[Joint Press Statement]

'Inadequately aligned with Paris Agreement, Mitsubishi UFJ Financial Group lags far behind its international peers'

No Coal Japan coalition responds to banking giant's new climate goals

350.org
Kiko Network
Japan Center for a Sustainable Environment and Society (JACSES)
Friends of the Earth Japan
Mekong Watch
Rainforest Action Network
Greenpeace Japan

Japan — Today, Mitsubishi UFJ Financial Group (MUFG), the largest banking institution in Japan, released its Sustainability Report (Japanese version only), stating its goal of erasing US$3.58 billion loan balances for coal-fired power projects by 2040. This announcement follows those of its Japanese peers, Mizuho Financial Group and Sumitomo Mitsui Financial Group, which set the same goal in April (1) and July this year respectively.

In response to the announcement, the **No Coal Japan coalition**, formed by several civil society groups, including 350.org, Kiko Network, JACSES, FoE Japan, Mekong Watch, Rainforest Action Network and Greenpeace Japan, said:

"*While this is a step forward for MUFG, **this goal is inadequate given the urgency of the climate crisis, and the impact of coal-fired power plants and other fossil fuels on health amidst the COVID-19 pandemic. There is an urgent need for stricter goal setting and fundamental policy revisions in Japan's financial sector***."

The standard of Japanese banks' coal policies including MUFG remains low as compared to overseas financial institutions. MUFG is also one of the signatories of the UN Principles for Responsible Banking (PRB), which stipulates that the signatory banks should align their business strategies with the Paris Agreement and the Sustainable Development Goals (SDGs).

The goal set by MUFG is problematic in both a lengthy timeline and narrow scope. According to the best available science, coal-fired power plants need to be completely shut down by 2030 in developed countries and by 2040 in the rest of the world to limit the warming of the Earth to1.5 degrees, aligning with the Paris Agreement. Given that coal-fired power plants will continue to operate for decades beyond the redemption period, a zero-loan balance needs to be achieved much sooner.

In addition, the goal still leaves room for financing new coal fired power projects. It is scientifically clear that there is no room for the construction of any new coal-fired power plant in the world. However, there are concerns that Japanese banks are considering new loans such as the coal-fired power station Vung Ang 2 in Vietnam.

"*Not only is the project inconsistent with the goal of the Paris Agreement, it lacks economic profitability, and will pollute the local environment and violate the basic human rights of the local communities. To align with Paris goals,* ***MUFG should urgently put in place a policy to suspend financing for all the new coal-fired power projects without exception****.*"

The scope of the goal set by MUFG is limited to project financing and not applied to corporate financing. **Corporate financing (2), which covers the entire value chain of coal-fired power including coal mining, should be included along with a phase-out strategy with a timeline consistent with the Paris Agreement.** Internationally, there is an accelerating trend where banks ask their customers to submit a transition plan on a timeline consistent with the Paris Agreement, and divest from clients with inadequate transition plans. To effectively facilitate this process, financial institutions must first set a roadmap of strategies and goals that are consistent with the Paris Agreement.

Furthermore, in addition to coal-fired power, policies to stop funding other high carbon emitting sectors such as other fossil fuel sectors and land-use-related sectors (3), and targets to phase-out from those sectors should be put forward.

Notes to editors:

(1) In April, Mizuho Financial Group announced its goal of erasing its outstanding credit balance for coal-fired power projects by 2050. However, during its Annual Shareholders' Meeting in June 2020, the group commented that this goal could be achieved by 2040.

(2) Loans, underwritings, equity and bond investments for companies heavily reliant on coal mining/coal-fired power and companies who have expansion plans for new coal mining/coal-fired power plants and related infrastructures.

(3) According to the IPCC Special Report on Climate Change and Land (2019), emissions from agriculture, forestry and other forms of land use make up 23% of total emissions from human activities, with deforestation in tropical regions being singled out as the biggest carbon emitter from the land-use.

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