Standard Bank to stop financing for new coal, oil power plants

By Emma Rumney

16 Mar 2022

Standard Bank will stop financing all new coal- and oil-fired plants in most circumstances and reduce its fossil fuel exposure over time as part of a plan to reach net-zero by 2050, the South African lender said on Wednesday, 16 March.

Source: Andreas Karelias © 123RF.com

Companies in the financial services sector are increasingly committing to net-zero targets as part of their efforts to contain global warming, and are under pressure to provide details on the short-term cuts needed to meet the goals.

Standard Bank, Africa's largest lender by assets, said it will no longer fund the construction of new coal-fired power plants or expansion of existing ones. Funding for new coal mines is allowed "only when there is a positive environmental impact".

The company's exposure to thermal coal will fall to 0.5% by 2030 from 0.7% of its lending book in 2020, and hit zero by 2050. Oil exposures will drop to 0.53% from 0.65% by the end of the decade, and 0.09% by 2050. Gas exposures will grow until 2030, before falling to reach 0.4% by mid-century.

"The group is committed to balancing the risks posed by climate change with the need to support access to reliable energy that supports economic growth and poverty alleviation," the bank said.

Ending gas financing for Africa will be a fatal blow, says Senegal

Bate Felix and Edward McAllister 30 Nov 2021

Africa's development challenges slow its transition

Regions such as Africa, where many countries face patchy electricity provisions and massive development challenges, are not expected to transition to greener economies at the same rate as richer parts of the world.

Campaigners, however, say that continuing to fund fossil fuels locks in planet-warming emissions for decades and puts the world's climate goals off-track.

The International Energy Agency has said investors should not fund any new oil, gas or coal supply projects in order to reach net-zero by 2050.

Standard Bank will also end its funding for new oil-fired power plant construction or expansion of existing oil plant capacity, unless these are a part of an integrated renewable energy plant.

It will reduce loans to oil exploration and production by 5% by 2030, and cut financing to power clients generating power mainly from oil to zero by 2030.

The lender expects its exposure to gas to grow from 0.63% of its loan book to 0.91% by 2030, arguing it has a role as a transition fuel.