



NORGES BANK

Grounds for decision:

Product-based coal criterion (the Executive Board's decision 20.11.2019)

13 May 2020

Following the Norwegian parliament's discussion of White Paper 20 (2018-2019) *The Government Pension Fund Global 2019*, the Ministry of Finance added new thresholds to the product-based coal criterion in the Guidelines for Observation and Exclusion from the Government Pension Fund Global. The new thresholds were added as new subsections c) and d) in section 2 of the guidelines. The amendments entered into force 1 September 2019.

The Guidelines for Observation and Exclusion from the Government Pension Fund Global now reads as follows: *"Observation or exclusion may be decided for mining companies and power producers which themselves or through entities they control*

- a) derive 30 per cent or more of their income from thermal coal,*
- b) base 30 per cent or more of their operations on thermal coal,*
- c) produce more than 20 million tons of thermal coal per year, or*
- d) has a power capacity of more than 10 000 MW from thermal coal."*

Subsection 3 of the same section reads as follows: *"In assessments pursuant to subsection (2) importance shall also be given to forward-looking assessments, including any plans the company may have that will change the level of extraction of coal or coal power capacity relating to thermal coal, reduce the income ratio or business share based on thermal coal and/or increase the income ratio or business share relating to renewable energy sources."* The product-based coal criterion is different from the other criteria in that the bank has been given the task of identifying companies and preparing the grounds for decision.

Since the coal criterion entered into force in 2016, Norges Bank has excluded companies, as well as placed companies on an observation list, based on this criterion.

This work with the coal criterion prepared the bank well in order to manage the requirements related to the new absolute thresholds. Data and analyses required to identify companies impacted by the new thresholds were to a great extent already available when the criterion entered into force. During the analysis process, we have quality assured our data and have been in contact with relevant companies in order to clarify any plans that relevant to our assessment. Following an assessment of companies against the new thresholds in the coal criterion, 5 companies are excluded, and 4 companies are placed on an observation list.

The companies *Sasol Ltd, RWE AG, Glencore PLC, AGL Energy Ltd* and *Anglo American PLC* are excluded. The companies *BHP Group Ltd/BHP Group Plc, Vistra Energy Corp, Enel SpA* and *Uniper SE* are placed on an observation list.