

Press Release

~ Statement on Mizuho's Updated Sustainability Policy ~ Mizuho Financial Group's tightening of coal finance policy is welcome, but further steps needed

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Kiko Network

Today, Mizuho Financial Group (Mizuho) announced its "Strengthening our sustainability initiatives: Taking firm action toward a low-carbon society." In it, Mizuho articulated policies to "strengthen environmental and climate initiatives" and "strengthen disclosure and communication." (Please refer to "Summary of Mizuho's updated Policy" below).

In the newly established environmental policy, in response to specific challenges, climate change is positioned as a priority issue in Mizuho's management strategy, and Mizuho states that it seeks to actively fulfill its role as a financial services group for the realization of a decarbonized society by 2050. Mizuho declared that it will cease financing and investing in the construction of new coal-fired power plants, and aims to halve its outstanding credit balance for coal-fired power plants by 2030 compared to 2019, and to reach zero by 2050. Mizuho also indicated that it will strengthen its response to the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

Kiko Network welcomes Mizuho's decision to strengthen policies based on its "awareness that climate change is one of the most serious global issues having the potential to impact the stability of financial markets."

It is laudable that, through measures such as halting financing for the construction of new coal-fired power plants, establishing targets to reduce the financial group's credit balance for coal-fired power plants, and establishing a policy of greater information disclosure about climate risk, as well as taking steps to strengthen the governance system to implement these measures, Mizuho has improved its policies in line with the recognition that an urgent response to climate change is needed, and recognizes the role of financial institutions in the realization of a decarbonized society. Mizuho now has the most ambitious of such policies among all Japanese financial institutions, and we urge other financial institutions to follow suit with policies at least as ambitious.

However, regarding coal-fired power plants, even though the updated policy states that no financing or investment will be provided for new construction, the policy allows exceptions for “business to which Mizuho is already committed as of the start of this policy.” Additionally, the policy states that Mizuho might consider financing for coal-fired power plants that are “essential to the relevant country’s stable energy supply and will contribute to reduction of greenhouse gas emissions by replacing an existing power plant.” The policy also states that Mizuho will “continue to support development of innovative, clean, and efficient next-generation technology that will contribute to the expansion of sustainable energy, as well as other initiatives for the transition to a low-carbon society.”

Even though the policy states that Mizuho does not “provide financing or investment which will be used for new construction of coal-fired power plants,” the actual wording allows exceptions for Mizuho to continue supporting projects currently being considered. This means projects already underway that have serious problems – such as Vietnam’s Vung Ang 2 coal-fired power project – are excluded from the policy. The only possible conclusion is that these new policies contain major loopholes. There are also serious problems with supporting “replacement” projects and next-generation technologies. Integrated gasification combined cycle (IGCC) and integrated gasification fuel cell cycle (IGFC) technologies are only expected to reduce CO₂ emissions by 30% at most compared with ultra-supercritical (USC) technology, so the construction of any new coal-fired power plants with these technologies would not be consistent with the Paris Agreement. By stating that it will no longer provide financing or investment for new coal power projects while still allowing these exceptions, Mizuho is sending a contradictory message to industry. Therefore, we call upon Mizuho to halt all further financing for coal power, based on its fundamental policy of no “financing or investment” for new coal-fired power plants.

Moreover, in the context of the need for OECD countries to end the use of coal-fired power generation by 2030 (and the rest of the world by 2040), Mizuho’s target of reducing its credit balance for coal-fired power plants to zero by 2050 is inadequate and needs to be accelerated. This zero target should also be expanded to cover lending, underwriting, and investing in companies that promote coal-fired power generation.

On March 13, Kiko Network [submitted a shareholder resolution](#) to the Mizuho requesting that it disclose in its annual reporting a plan outlining the Group’s management strategy to align its investments with the goals of the Paris Agreement, as recommended by the TCFD. We are now considering the next steps to follow up on the shareholder resolution, after a further review of Mizuho’s new policies.

Summary of Mizuho's updated Policy (summarized by Kiko Network)

Strengthening of environmental and climate change initiatives:

- Establishes an Environmental Policy, in addition to the Human Rights Policy, under the Mizuho Code of Conduct to clarify Mizuho's recognition of issues such as climate change, concrete actions to be taken, and a commitment to the realization of a decarbonized society. It also defines the governance structure, supervised by the Board of Directors.
- Strengthens Mizuho's framework for promoting sustainable business and sets targets for sustainable finance and environmental finance (cumulatively 25 trillion yen from FY2019 to 2030, including 12 trillion yen in environmental finance).
- Designates climate change risks as "emerging risks," serious risks that must be addressed in a number of years even if they actualize in the mid- or long-term. Makes revisions such as tightening the coal finance policy to not provide financing for new coal-fired power plants, adding the coal mining sector, and adding a confirmation of the response to transition risks in the oil and gas sector. Sets quantitative targets for reducing the outstanding credit balance for coal-fired power plants (reduce by 50% compared to FY2019 by 2030, reduce to zero by 2050) (The credit balance at the end of March 2020 is expected to equal about 300 billion yen.)
- Presents the results of scenario analysis based on the TCFD recommendations.

Strengthening disclosure and communication:

- Strengthens and enhances communication with stakeholders
- Outlines plans to release a TCFD report (scheduled for May), ESG data book (scheduled for July), status of compliance with SASB standards (scheduled for September), status of compliance with the Principles for Responsible Banking (scheduled for December), etc.