Mr. Jes Staley
Chief Executive Officer
Barclays Group plc
1 Churchill Place
Canary Wharf
London

1st May, 2019

Re: **Barclays Group plc's Energy and Climate Change Statement**

Dear Mr. Staley,

We note the publication in January of the bank's Energy and Climate Change Statement (the "Statement") and welcome in particular the exclusion of project finance for thermal coal mining and power plants. We also welcome Barclays's participation in the UNEP FI Principles for Responsible Banking, which includes a commitment to align business strategy with the Sustainable Development Goals and the goals of the Paris Agreement.

Given the fast-paced changes affecting the energy sector globally and the rate of the low-carbon transition, Barclays is growing increasingly vulnerable to climate-related financial risks. Accordingly, we believe that Barclays should now, in accordance with its commitments under the Principles for Responsible Banking, take more ambitious steps on fossil fuel financing. We therefore request that Barclays follows peers and extends its exclusion policy to include the provision of financial services in connection with new oil sands projects and related infrastructure including pipelines. Furthermore, we request that the bank institutes a prohibition of general corporate financing, underwriting and advisory services to companies highly dependent on coal or oil sands.

Failure to do so presents a real reputational risk for Barclays and places the bank at risk of losing clients. Examples of how this risk is starting to materialise include the protest at your AGM last year, and a petition in which Barclays account holders threatened to switch accounts due to the bank's connection to the tar sands industry.[i]

There is also an increasing regulatory risk: the Bank of England has recently announced plans to test UK banks' resilience to climate change,[ii] and the PRA has issued a supervisory statement on managing the financial risks from climate change.[iii]

Oil sands

We note that the bank, in announcing the Statement, explained that "*Our approach balances the need to accelerate the transition away from the most carbon-intensive fossil fuel sources, with ongoing financial support for clients operating responsibly in energy sectors that are expected to contribute significantly to the world's energy mix.*"[iv]

The unchecked growth of the tar sands - facilitated by new pipelines - would see emissions from Canadian oil exhaust 16% of the world's total carbon budget for staying below 1.5°C, or 7% of the 2°C budget.[v] Accordingly, the continued expansion of the tar sands will not be compatible with an 'energy mix' required to achieve the goals of the Paris Agreement. Research, including from industry groups, shows that the 3 proposed pipelines (Line 3, Trans Mountain Expansion Project and Keystone XL) are not required to support current or "under construction" tar sands production but rather are to enable future projected tar sands expansion.[vi]

Numerous banks have now introduced some limit on the financing of oil sands.[vii] We request that Barclays likewise recognises the incompatibility of expanding oil sands with an energy mix that is consistent with the goals of the Paris Agreement.

Coal

2016 research by the University of Oxford shows that if we are to be consistent with <2◦C goal, future emissions from the capital stock of power generation infrastructure would be reached by 2017.[viii] As of today, this means that no new net-positive emission power plants can be built anywhere in the world; and existing infrastructure will have to be retired early to ensure a 50% probability of keeping the global temperature rise within safe limits. Most recently, the International Energy Agency (IEA) reinforced this finding by revealing that the world has expended its carbon budget and no longer has capacity to absorb any new fossil fuel plants.[ix] The IEA has stated that conforming with Paris climate targets will require stranding newly built fossil fuel plants.

According to NGO research, in 2018, Barclays was Europe's third biggest private sector bank supporter of companies planning coal power expansion around the world, primarily via underwriting the issue of bonds for such companies.[x] In 2018, the beneficiaries of Barclays' underwriting services included Adani, National Thermal Power Company of India and RWE, companies which are involved in highly controversial coal development activities in Australia, Bangladesh and Germany.[xi]

The setting of a threshold of 50% of revenue for engagement is much higher than that adopted by other banks and investors such as BNP Paribas[xii] and Allianz[xiii] for the more ambitious move of exclusion.

Low-carbon opportunities

Renewable energy sources are plentiful in both developed and developing nations and are fast becoming the most economical energy infrastructure option across much of the world. Costs of solar PV, for example, have fallen 72% between 2009 and 2017, with solar alone accounting for 38% of net new power capacity in 2017 – more than coal, gas and nuclear combined.[xi] The World Economic Forum predicts solar PV to have a lower levelised cost of electricity (LCOE) than coal or gas power globally by 2020.[xii] Reinforcing this, investment consultant Mercer has recently found that returns on investment for renewables will grow by over 5% by 2030.[xiii]

Barclays has already made considerable progress in terms of starting to develop green products and services for their clients. We want to see the bank continue progressing along those lines, and progressively ratcheting up its ambition by setting bold short-, medium- and long-term targets for increasing the percentage of low-carbon assets compared to total assets.

To achieve all of the above, and to ensure that senior management consistently works to minimise climate risks and maximise opportunities, it is essential that Barclays ties remuneration policies to climate-related performance. As recognised by the World Economic Forum, failure to act on climate change tends to stem from structural issues in an organisation's governance.[xiv] BNP Paribas has shown leadership in this area by integrating climate throughout its governance structure and linking pay to climate performance.[xv]

To summarise, we request that Barclays adopts:

- a prohibition on the provision of financial services in connection with new oil sands projects, including related infrastructure, such as pipelines;
- a prohibition on general corporate financing, underwriting and advisory services to companies that are highly dependent on coal mining, coal power or oil sands;
- a clear, time-bound plan to phase out existing exposure;
- bold short-, medium- and long-term targets for increasing the percentage of low-carbon assets compared to total assets.

We look forward to your response. Please send this to: Sonia Hierzig, Senior Projects Manager – Climate Change, sonia.hierzig@shareaction.org

Yours sincerely,

Emilie Westholm
Head of Responsible Investments and Corporate Governance
Folksam

Natasha Landell-Mills
Head of Stewardship, Partner
Sarasin & Partners

Craig Martin
Chief Pensions Officer
Environment Agency Pension Fund

Roland Bosch
Associate Director
Hermes EOS

Faith Ward
Chief Responsible Investment Officer
Brunel Pension Partnership

Esmé van Herwijnen
Responsible Investment Analyst – Climate Change Lead
EdenTree Investment Management

Lauren Compere
Director of Shareowner Engagement
Boston Common Asset Management

Stephen Beer,
Chief Investment Officer
The Central Finance Board of the Methodist Church

Catherine Howarth
Chief Executive
ShareAction

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