

PPCA Finance Principles

Context

The Powering Past Coal Alliance (PPCA) is working to accelerate the just transition from unabated coal power generation to clean energy. To meet the objectives of the Paris Agreement, unabated coal power generation must be phased out within the timeframes in the PPCA Declaration (PPCA timeframes): by 2030 in the OECD and EU, and by no later than 2040 in the rest of the world.¹

Supporting the managed phaseout² or abatement of coal power generation and ensuring a just transition from coal to clean power generation is of central importance for financial institutions when implementing their net-zero commitments (or similar). We therefore encourage all institutions to implement a Thermal Coal Policy (or similar) incorporating an engagement-led approach, and the provision of ring-fenced transition support as appropriate, in line with fiduciary duties, as the most effective way to achieve real emissions reductions from unabated coal power generation.

The PPCA welcomes financial institutions as members alongside national and subnational governments, utilities, and key power users. The Finance Principles clarify the role of financial institutions in advancing the objectives of the PPCA, translating the requirements for global unabated coal power phase-out for financial institutions. As the PPCA is a voluntary alliance, each institution will implement the Finance Principles independently and within their own legal and regulatory contexts. The

¹ As evidenced by leading scientific authorities including in the Intergovernmental Panel on Climate Change's: Working Group III Mitigation of Climate Change and the International Energy Agency's *Net Zero by 2050: A Global Roadmap for the Energy Sector*.

² Managed phaseout is 'the operation and financing of high-emitting assets with clear commitments around their early retirement' as defined in the GFANZ Report, *Managed Phaseout of High-emitting Assets* and RMI's 2023 Working Paper, *Managed Coal Phaseout: Metrics and Targets for Financial Institutions*.

Principles support the alignment of financial services and investments with the Paris Agreement, 2050 net-zero emission pathways and the United Nations Secretary-General's call for no new coal power plants after 2021³. They complement the recommendations from the Task Force on Climate-Related Financial Disclosures (TCFD)/International Sustainability Standards Board (ISSB) and the Glasgow Financial Alliance for Net Zero (GFANZ).

To support implementation of the Principles, the PPCA will work through its member-led Finance Expert Group to address current challenges related to energy policy contexts, information and index provision, passive funds with exposure to unabated coal, investment mandate evolution, as well as fiduciary duty and legal/regulatory obligations.

The PPCA does not have its own reporting mechanism. Members report implementation of the Finance Principles on a 'comply or explain' basis, when responding to TCFD/ISSB or similar annual reporting frameworks.

Finance Principles

Financial institutions will implement the following independently in ways applicable to their operations, in the above context, and within their legal and regulatory obligations:

- ///// Support the managed phaseout of unabated coal power generation including action on new coal power generation.
- ///// Encourage wider action to accelerate the phase-out of unabated coal power.
- ///// Report on implementation of the Finance Principles via existing reporting mechanisms.

³ As set out in the UN Secretary-General "Global Roadmap for Accelerated SDG7 Action in Support of the 2030 Agenda for Sustainable Development and the Paris Agreement on Climate Change", the International Energy Agency's *Net Zero by 2050: A Global Roadmap for the Energy Sector*, and the Intergovernmental Panel on Climate Change Working Group III *Climate Change 2022: Mitigation of Climate Change*.

Support the managed phaseout of unabated coal power generation including action on new coal power generation

Financial institutions will, in relation to owners developing new unabated coal power generation or with existing unabated coal power generation expected to operate beyond PPCA timeframes:

- **Implement a Thermal Coal Policy (or similar)** for:
 - (i) new financial services and direct investments, including no support for new unabated coal power generation projects.
 - (ii) time-bound financial services, and;
 - (iii) ongoing financial services and investments

that is periodically revisited as required in order to achieve deadlines specified by the financial institution for owners to reach conformity with PPCA timeframes, based on best available information and according to evolving indices and mandates.

- **Undertake engagement with clear deadlines** for owners to reach conformity with PPCA timeframes.
- **Consider providing ring-fenced transition support, or financing that explicitly enables the phase-out of unabated coal power generation.**

Encourage wider action to accelerate the phase-out of unabated coal power

- **Encourage others to act on unabated coal power phase-out** including through publishing credible Thermal Coal Policies (or similar) as part of Net Zero Transition Plans (or similar) and joining the PPCA. Engage with other relevant parties on coal power phase-out or abatement when providing advisory services or technical assistance. Share experience with those still engaged in financing unabated coal power generation and activities across its value chain.

- **Align policy advocacy activities** with the Finance Principles.
- **For investors, encourage recognised investment information and index providers** to track which companies own or are developing unabated coal power generation and whether they are committed to phasing out within PPCA timeframes. Advocate for this information to serve both active and passive investment markets.

Report on implementation of the Finance Principles via existing reporting mechanisms

- **Disclose Thermal Coal Policies (or similar)** including through credible Net Zero Transition Plans (or similar) when responding to GFANZ (or similar) guidance.
- **Consider publishing engagement plans or frameworks** for managing the phase-out of unabated coal power generation in line with PPCA timeframes (including voting policies for investors).
- **Report progress on a 'comply or explain' basis** when responding to TCFD/ISSB or similar annual reporting frameworks.

Definitions

Institutions

Financial institutions Financial institutions encompass a broad range of business operations within the financial services sector, including commercial banks, investment banks, asset owners/managers (mutual funds, pension funds, closed-end funds, investment trusts), and insurance companies.

Types of financial support

The term **'support'** is used to describe the following activities:

Financial services Financial services include lending, underwriting, advisory and insurance services, such as project specific and owner-level financing.

Investments Investments include direct investments, and investments through third parties such as active and passive investments, based on best available information and according to evolving indices and mandates and recognising that amendments to existing investments and mandates may not be possible without client agreement.

This does not include non-financial relationships, pre-investment dialogues or wider institutional engagement.

Time-bound: with a defined end point.

Ongoing: without a defined end point.

The term **'transition support'** can include ring-fenced support with the explicit purpose of: supporting clean power alternatives to new coal power generation; facilitating an owner's transition from unabated coal to clean power generation; and accelerating the managed phaseout, decommissioning or retirement, or abatement of unabated coal power generation within PPCA timeframes.

Coal power generation terminology

Owner	Companies, such as utilities or their parent companies that develop, own, control, or operate unabated coal power generation. Designation of a company as an owner is subject to appropriate definitions, thresholds, and screening as set out in an institution's Thermal Coal Policy. This does not capture any governmental or sovereign entity that may have ultimate ownership or a financial majority in the utility or parent company.
Abatement	The complete elimination or removal of the vast majority of full fuel-cycle greenhouse gas emissions. For the purposes of coal power generation this is through operational carbon capture, usage, and storage (CCUS) technologies or equivalent technologies.
Unabated coal power generation	Coal power generation not equipped with operational CCUS technologies or equivalent (see "Abatement").
New unabated coal power generation	Permitting or initiating construction of an unabated coal power generation plant with a final investment decision (FID) from 2021 onwards, including pre-construction plants, extensions, and capacity increases. See footnote 3.
Pre-construction	<p>Global Energy Monitor includes the following categories as "pre-construction" projects:</p> <p><i>Announced:</i> Proposed plants that have been described in corporate or government plans but have not yet taken concrete steps such as applying for permits or acquiring land.</p> <p><i>Pre-permit development:</i> Projects that are seeking environmental approvals and pursuing other developmental steps such as securing land and water rights.</p>

Permitted: All necessary environmental approvals have been received but the project has not yet begun construction.

Construction Site preparation and other activities are underway.

Reporting

Comply or explain Financial institutions commit to disclose if unable to comply with aspects of the PPCA Finance Principles.

Net Zero Transition Plan An aspect of an entity's overall climate strategy that lays out its targets and actions for its transition towards net zero. A Net Zero Transition Plan (or similar) should contain sufficient information, such as the components set out by the Task Force on Climate-related Financial Disclosures, International Sustainability Standards Board or similar national (i.e. UK Transition Plan Taskforce)/global initiatives (i.e. Glasgow Financial Alliance for Net Zero), to enable users to assess its credibility.

Thermal Coal Policy An institution-wide policy, often located within a Net Zero Transition Plan (or similar), that includes coal power objectives (metrics, targets, thresholds) aligned with the PPCA Finance Principles, shifts financial services and investments to clean power generation and ensures a just transition.