

## **Nationale Nederlanden keeps dirty energy in Poland alive and kicking**

**Nationale Nederlanden (NN) –the owner of the largest pension fund in Poland, formerly part of ING Group – has invested nearly EUR 470 mln<sup>1</sup> of Polish citizens' savings in collapsing coal companies and gets profits from the stock dividends, with no regard for the impact it has on people, environment and climate. Polish citizens have come to Holland for the NN Annual General Meeting (AGM) to demand that the company takes clear commitments to divest from coal.**

### **CLIMATE AT THE CENTER OF ATTENTION**

On 22 April 2016 in New York 177 countries – including the Netherlands and Poland - signed the Paris Agreement. The main goal of this climate deal is to limit global warming to well below 2°C. The scientists, however, stress that more than the pledges currently on the table, needs to happen for the human community to achieve this goal.

In May 2016 hundreds of thousands of people all over the world symbolically blocked the extraction and transportation of coal, oil and gas, in the global campaign BREAK FREE from Fossil Fuels. The goal of this campaign was to force the governments, major fossil fuel utilities and biggest financial institutions to finally take climate challenge seriously.

The Break Free [protest in the Polish capital](#) took place in front of the Nationale Nederlanden headquarters. It was aimed at NN managed Polish pension fund - further called **NN OFE**. On a working day hundreds of ordinary citizens and farmers have left their work in the field, their businesses and obligations, to show that their livelihoods [are threatened by plans to expand lignite mines](#) and that they are determined to point a finger at all those responsible for this threat.

### **COAL IN POLAND - CRUMBLING, BUT STILL CUDDLED**

In Poland over 50% of energy mix is made up of hard coal and over 30% accounts for lignite, with over 85% of electricity coming from brown and hard coal combined. Burden of external costs of the coal-dependent energy sector falls on the government and on the whole society, while access to clean technologies is being limited.

Polish government's policy towards renewables and prosumers leaves climate initiative in the hands of private business and the financial sector. At the same time the government is forcing state-owned companies into politically motivated rescue of the hard coal mining and is creating new subsidy mechanism to push for the [construction of new coal power plants](#). By maintaining equity and corporate bonds in these companies, NN is effectively helping the Polish government to work against the Paris agreement and to undermine the EU climate policy.

In 2015 Polish coal companies generated loss of approximately PLN 15 bln (EUR 3,5 bln) and sooner or later they will have to undertake [the same steps](#) as their Western competitors. Still, there are companies that finance and prosper on dirty coal business in velvet gloves.

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<sup>1</sup> 1 euro = 4,26 PLN as of the end of 2015. Exchange rates are used as of the day from which the asset values are provided in Polish zlotych (PLN) according to the the average exchange rate for that date by National Bank of Poland (NBP)

## HOLLAND-POLAND SILENT DEALS

As of the [end of 2015 nearly EUR 470 mln \(almost PLN 2 bln\)](#) has been invested by NN OFE in hard-coal and lignite mines, coal mining equipment manufacturers and coal-heavy utilities. As much as 85% of it has been invested in companies planning or constructing new coal power plants. The numbers are most likely only the tip of an iceberg as they do not include the amounts invested by Nationale Nederlanden Investment Partners in Poland, either directly or via one of hundreds of the investment funds managed by NN or one of its subsidiaries.

Involvement of NN Polish subsidiary in coal assets can be traced back to the first yearly report providing numbers for the [assets under management. As of 31 December 2005](#), little over PLN 36 mln (EUR 9,4 mln) in shares of German RWE and Polish ZEW Kogeneracja was reported. Then, only a year after the EU 2020 climate and energy package had been adopted, there was a turning point: at the end of 2010 ING OFE (prior to 2015 NN OFE has been functioning under ING OFE name) owned almost PLN 2,6 bln (over EUR 650 mln) worth of shares in companies dependent on coal. [Over PLN 1978 mln \(EUR 500 mln\) out of it accounted for the four problematic companies, three of which were](#) Polish state-owned utilities: ENEA S.A., PGE S.A. and Tauron S.A., each generating over 90% of their electricity from coal and preparing to construct new hard coal and lignite power plants with a joint capacity of 4200 MWe (currently all are under construction). Fourth was New World Resources (NWR) - a company whose shares have been taken off the London Stock Exchange, currently on the verge of bankruptcy, whose Czech subsidiary - OKD - has lately declared insolvency.

At the end of 2012 ING OFE held over PLN 3,1 bln (approx EUR 770 mln) in coal shares, out of which PLN 2,77 bln (EUR 677 mln) in companies pursuing new coal mines or power plants, among them the biggest polluters in Poland – PGE S.A., Tauron S.A., ENEA S.A. It was one year after [the largest European coking coal miner – JSW S.A.](#)- was listed on the Warsaw Stock Exchange and the same year when the State Treasury of Poland sold its shares in a lignite utility ZE PAK S.A., of which ING OFE became a [major](#) shareholder.

With the growing opposition to the social, environmental, health and climate impacts on coal, Polish citizens have come to Holland for the NN AGM to demand that the company takes clear commitments to divest from companies building or planning new coal infrastructure, as they're in no way compatible with the Paris agreement and the 2030 EU GHG reduction obligations.

## MORE COAL, MORE POWER, MORE PROBLEMS

Two companies – Zespół Elektrowni Pątnów-Adamów-Konin ([ZE PAK](#)) and Polska Grupa Energetyczne ([PGE](#)) – dominate the Polish lignite mining market and are currently embarking on securing concessions that could result in the extraction of 7,7 billion tons of lignite. This staggering amount is more than has ever been extracted and burned in Poland's history.

With 64 million tons of coal – the dirtiest of fossil fuels – mined in Poland in 2014, and as if the nine opencast mines already involved were not enough, ZE PAK and PGE have their eyes on opening further eight or nine mine installations, which contain more lignite reserves than in all those mines currently operating. How do these dirty aspirations fit in the CO2 emission cut of 186 million tons expected from Poland in order to reduce its carbon emissions by 2030, is not clear to anyone.

Moreover, amidst consistent and growing bad news for the coal industry globally, the largest energy utility in Poland – the state-owned PGE – registered a net loss of over PLN 3 billion (EUR 680 million) last year. PGE is now preparing for the worst and forecasting that 2016 will be a tough

year, given a decline in wholesale electricity prices and an increase in the amount of CO2 emission allowances the company needs to buy on the market.

Nationale Nederlanden invests Polish citizens' life savings in lignite utilities companies: ZE PAK and PGE, and profits from the stock dividends. NN owns 9,97% of ZE PAK shares – ZE PAK is a small lignite dependent utility deriving over 90% of its EBITDA from electricity generated by burning lignite in its outdated power plants - and therefore NN is an important stockholder that can influence directions of the company's development.

In 2015 ZE PAK operated at a loss of PLN 1,88 billion (€440 million). Withdrawal of NN OFE funds would assure the company is forced to abandon its plans to open new lignite pit-mines and thus prevent human suffering, environmental and health impacts they would cause and the risk of losing money on a company that is most likely to share the faith of other CEE lignite or coal overexposed utilities.

### **WORLD GETS RID OF COAL. WILL NN DO, TOO?**

Unlike NN's former owner [ING Bank, who declared in November 2015 to stop all new coal investments, or Dutch health industry pension fund PFZW](#) and its direct competitor AEGON, which only last week has [taken commitment to divest from the largest thermal coal miner](#), Nationale Nederlanden has no coal-specific divestment commitments.

As more and more asset managers withdraw their money from the coal sector as part of a worldwide divestment phenomenon, it is time to ask a question when the Nationale Nederlanden will follow its peers.

In the last years both AXA and Allianz have taken [first steps](#) towards cleaning their coal climate footprint and more asset managers are likely to follow suit. Energy utilities are also in a hurry to get rid of their coal and lignite assets – with Swedish Vattenfall, French Engie and EDF putting their coal and lignite assets in Europe on sale.

[With 524 institutions committed to full or partial divestment with an estimated assets worth of USD 3,4 trillion](#), the domino effect is spreading among the financial institutions, and as the example of AEGON's commitment shows, the numbers are likely to keep on growing at an increasing rate.

The realization that coal does not pay off, that it's harmful to their public image and that financing coal is risky is also spreading like wildfire among the biggest TNCs - 60% of largest American corporations transform to renewable energy sources; 58 large international companies - including Google, IKEA or BMW, have declared to go 100% renewable. Tesla Motors – a producer of electric cars – becomes the world leader of innovative energy technologies.

### **GLOBAL WARMING KNOCKS COAL OUT**

Energy production units in Poland are getting old and are being successively shut down. But they are not being replaced with enough new power sources. The government blocks development of renewables (new RES and prosumers law, new wind turbines law etc.), claiming that renewable sources are not stable enough to guarantee steady power production.

Thus Polish authorities want to launch new coal power units, as they cling on to their false belief that "*Poland is based [and should rely] on coal*". But 2015 extreme heatwave has proved that it's the coal energy that is unstable and unsecure, because it's dependent on water resources.

In August 2015 due to water shortage and high water temperatures many conventional power units had to be turned off - including the ones in the largest Polish power plant, Bełchatów. There was a threat of massive blackout in Poland. Now, the 2016 summer is coming with April 2016 being the warmest April in Poland since measurements begun. Will the same situation happen again? And if so, does Nationale Nederlanden want to be responsible for it?

## **DIVESTMENT FROM COAL - BABY STEPS FOR BEGINNERS**

The first step NN needs to take already during its upcoming AGM to get in line with its peers in the financial sector is to commit to divest from the most problematic coal utilities, miners and mining equipment manufacturers around the world. There are a number of tools to make it happen and the best one is a combination of four criteria which together assure that NN is not complicit in supporting financially the companies that endanger people's livelihoods, health and the climate. These are:

- Divest from all companies planning new coal infrastructure (coal or lignite mines or power plants) as these plans are not compatible with Paris agreement and the Paris Pledge to Action that NN has signed to implement.
- Divest from all utilities whose energy production is based on coal and lignite in more than 50% by the end of 2016
- Divest from all companies who mine, sale or trade in more than 20 million tons of coal a year
- Divest from all companies who derive 30% or more of their turnover from coal (hard coal or lignite) mining, coal trading, sales of coal-generated electricity or sales of coal mining equipment.

## **NN AGM - WHAT WILL HAPPEN?**

Coal impact is not limited to CO2 emissions. Extraction and combustion of lignite causes losses and damage to people and environment. Large-scale wastage of water resources, damage of unique natural habitats, agricultural draughts, air pollution, destruction of life accomplishments and possessions of thousands of people - have all caused mass protests against lignite extraction.

Today the investors know that buying the mine, they buy local communities' protests and huge problems. Nationale Nederlanden also knows it. The question is what will NN do with that knowledge?