To the CEOs
of the world's leading fossil fuel insurers

May 28, 2020

Unfriend Coal/Insure Our Future recommendations to the insurance industry

Dear Madam/Sir,

The COVID-19 crisis holds the world in its grip. The pandemic has so far caused more than 300,000 premature deaths, has put almost half the global workforce at risk of losing livelihoods, and is expected to generate economic costs of up to $4 trillion.[1]

In spite of these impacts we must not allow COVID-19 to let us lose sight of the escalating climate emergency. The Science Advisory Group of the 2019 UN Climate Action Summit has found that "climate impacts are hitting harder and sooner than climate assessments indicated even a decade ago", and UN Secretary General Antonio Guterres has warned that "the social and economic devastation caused by climate disruption will be many times greater than the current pandemic".[2]

COVID-19 has spurred governments and international organizations to invest unprecedented resources into mitigating the fallout of the pandemic and rebuilding economies. These efforts provide a historic opportunity to create a more sustainable, fair and resilient future.

The energy sector offers a stark example of the disruptions caused by COVID-19 and the opportunities to rebuild a better future and manage the transition from fossil fuels to renewable energy technologies. The International Energy Agency (IEA) projects that global energy demand will fall by 6% in 2020 – seven times the decline after the 2008 global financial crisis. Coal is hit particularly hard by the slump in demand, while renewables are the only energy source projected to grow this year.[3]

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[1] ILO Monitor: COVID-19 and the world of work, third edition, April 29, 2020; ADB, Asian Development Outlook 2020, April 2020

[2] United in Science, High-level synthesis report of latest climate science information convened by the Science Advisory Group of the UN Climate Action Summit 2019; Secretary-General Pledges to Support Island States Mired in Multiple Crises, Calling for Focus on Climate amid Pandemic, UN press release, April 20, 2020

[3] IEA, Global Energy Review 2020, April 30, 2020

Fatih Birol, the IEA's Executive Director, recommends that governments should be "putting clean energy technologies – renewables, efficiency, batteries, hydrogen and carbon capture – at the heart of their plans for economic recovery. Investing in those areas can create jobs, make economies more competitive and steer the world towards a more resilient and cleaner energy future."[4]

As the world's professional risk managers insurance companies have a strong understanding of pandemics as well as the climate emergency. As governments plan the recovery from the COVID-19 crisis insurers need to champion the transition to a sustainable, fair and resilient future as underwriters, investors and corporate citizens.

Three years ago, the organizations of the Unfriend Coal campaign first called on the insurance industry to stop insuring coal, the biggest single source of CO2 emissions. Since then 19 leading insurance companies have ended or limited their cover for coal projects and companies, and twice as many have divested from the coal industry. The carriers with coal restrictions on their underwriting accounted for 13.6% of direct non-life insurance premiums and 47.6% of non-life reinsurance premiums in 2018.[5]

The insurance industry's shift away from the coal sector is encouraging. It has been applauded by climate campaigners, corporate insurance customers, Moody's Investors Service and the UN Secretary General alike. However, many coal exit policies still need to be strengthened and several leading insurers have not adopted any policies on coal at all.

Yet the shift away from coal is just one part of the low-carbon transition that the world needs to undertake. The combustion of coal accounted for 40.3 percent of global CO2 emissions not including emission from land use changes (for which no recent data exist) in 2018. In comparison, the combustion of oil and gas accounted for 55.6% in the same year.[6]

The IPCC has warned that even half a degree of warming beyond 1.5°C would significantly worsen the risks of drought, floods, extreme heat and poverty for hundreds of millions of people. According to the Panel's 1.5ºC report, oil consumption will have to decrease by 37% by 2030 and 87% by 2050, and gas consumption by 25% by 2030 and 74% by 2050 without relying on carbon capture and storage technologies that have not proven to be viable.[7]

COVID-19 is irreversibly reshaping the energy and power sectors, and the massive disruption of the coal, oil and gas markets offers a great chance for insurance companies to reposition themselves for a low-carbon future. The reduced revenues from fossil fuel operations and the surge of renewable energy sources provide a perfect time for adopting or strengthening fossil fuel exit policies, divesting from fossil fuel companies not engaged in rapid decarbonization processes, and advocating for the shift away from fossil fuels as corporate citizens.

Insurers have a responsibility to support international climate targets and align their businesses with the Paris Agreement. At this stage the undersigned organizations ask you to undertake the following measures:

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[4] Ibidem. Birol's position is remarkable because the IEA has in the past often not aligned its recommendations with the Paris Agreement.

[5] Peter Bosshard, What will 2020 bring for coal insurance, Environmental Finance, January 15, 2020

[6] Global Carbon Project, http://www.globalcarbonatlas.org/en/CO2-emissions, accessed on May 7, 2020

[7] IPCC, Global Warming of 1.5ºC, Summary for Policymakers, October 2018. All reductions are compared to 2010 levels.

1. Immediately cease insuring new coal projects and coal companies, unless they are engaged in a rapid transition process away from coal to clean energy of no more than two years.[8]
2. Immediately cease insuring new oil or gas expansion projects.[9]
3. Commit to phasing out insurance for oil and gas companies in line with a 1.5ºC pathway.
4. Divest all assets from coal companies and oil and gas companies that are not in line with a 1.5ºC pathway, including assets managed for third parties.
5. Bring stewardship activities, membership of trade associations and public positions as a shareholder and corporate citizen more broadly in line with a 1.5ºC pathway in a transparent way. This must include forceful advocacy for a green and just recovery from COVID-19.

We ask you to inform us about the measures you have taken in response to this letter by September 15, 2020. Like every year, your response will form the basis of our annual fossil fuel insurance scorecard report. We will share detailed guidance on how we will assess your responses with your ESG team in the coming weeks.

With the expanded scope of our activities we are also changing the name of our campaign. Going forward we will no longer operate under the label, Unfriend Coal, but will rename ourselves the Insure Our Future campaign, the label under which we have already operated in the United States since 2018.

Thank you for your interest. We will be happy to answer any questions you may have and look forward to your response.

Yours sincerely,

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[8] Coal companies are defined as those that that:

- generate at least 20% of their revenue from mining and transporting coal at least 20% of their electricity from burning coal
- produce at least 10 million tons of coal per year, or operate at least 5 GW of coal-fired power stations;
- are planning new coal mining, power, or other infrastructure projects.

These thresholds will need to be revised, consistent with the climate imperative to exit coal by 2030 in EU/OECD countries and by 2040 globally. This coal exclusion should not include workers' compensation and existing mine reclamation surety bonds.

[9] New oil and gas expansion projects are defined as those that result in an increase in developed reserves, or infrastructure projects that drive expanded extraction.

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