

# 2024

## Danske Bank's policy on fossil fuels – an example to follow.

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### About Danske Bank

Danske Bank is the largest bank in Denmark and among the 60 largest banks in the world. Its asset management holds more than 150 USD billion in assets under management (AUM), which makes it the 134th biggest asset manager in the world.

Danske Bank owns the second largest pension fund in Denmark, Danica Pension. The new policy also covers Danica's assets of around 80 bln USD.



### Consequences of the new Fossil fuel policy

Danske Bank's Asset Management and Danica Pension will exclude 1730 fossil fuel companies from their investment universe, while 170 fossil fuel companies remain. These companies cover the whole value chain of coal, oil and gas. We have estimated that the new exclusion policy results in divestment for more than 1 billion USD in upstream oil and gas companies expanding their exploration and production activities.

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# The exclusion criteria

As a general rule, Danske Bank will not finance nor invest in companies that expands its fossil fuel production. Here are the specific fossil fuel exclusion criteria:

**Table 1: Danske Bank's exclusion criteria:**

	Danske Bank will not provide financial services* to:	Danske Bank's Asset Management will not invest in:
Coal	Thermal coal mining companies	Companies that generate more than 5% of their revenues from thermal coal mining
	Companies that generate more than 5% of their combined revenues from coalfired and/ or peat-fired power generation and heating	Companies that generate more than 5% of their revenues from coal-fired or peat-fired power generation
	Companies that expand coal-fired or peat-fired power generation and heating	Utilities and mining companies linked to thermal coal expansion activities after 2021.
	Unabated fossil fuel projects	
Oil and Gas	Oil and gas E&P** companies that do not set a credible transition plan in line with the Paris Agreement. This includes a long-term 2050 net zero goal, ambitious short- and medium-term reduction targets on scope 1 and 2 emissions and a material scope 3 emission reduction target. In addition, it includes a commitment to <i>not expand supply of oil and gas beyond that which was approved for development by 31 December 2021.</i>	Upstream Oil & Gas companies that have IEA NZE expansion overshoot >5%  Upstream Oil & Gas companies fossil fuel expansion activities of at least USD 5 million after 2021
	unabated fossil fuel projects	
	E&P companies that generate more than 5% of their revenues from unconventional or frontier oil and gas	E&P companies that generate more than 5% of their revenues from tar sands

\*Financial services are defined as lnding, guarantees/underwriting, primary debt and equity capital markets activities.

\*\*Exploration & production companies (E&P) are defined as companies that explore for and produce oil or natural gas from sub-surface basins onshore or offshore. The definition covers pure-play companies, integrated companies, NOCs, INOCs, independents and majors.

# Still room for improvement

While Danske Bank's policy represents one of the best policies in the sector, there is still room for further improvement:

## Financing:

- Danske Bank allow ringfenced finance for renewable energy or carbon capture, utilisation and storage (CCUS) activities. This is a loophole, we advise Danske Bank to close, because it frees up cash flow for the company's fossil fuel activities.
- Danske Bank does not restrict financial services to companies in the upstream value chain that provide services to exploration and production companies, including but not limited to drilling companies, service companies, seismic companies and/ or engineering companies. We advise Danske Bank to include these companies in their restrictive lending policy as these companies play a vital role in oil and gas expansion.
- Danske Bank can still provide finance to oil- and gas mid and downstream companies. It would strengthen their policy if they also included these value chains in their restrictions.

## Investments:

- Currently, Danske Bank's investment policy covers 85% of AUM. External funds and emerging market debt are examples of products that is not included in the scope of the policy. We encourage Danske Bank to further increase the coverage of its investment policy
- Danske Bank has included one exception to their exclusion criteria on expansion. If a company achieve a 4STAR management assessment by TPI's framework, they will be included in the investment universe despite expansion activities. Danske Bank will then engage in time bound stewardship. Currently, two upstream oil and gas companies have received such an assessment, namely Eni and BP. This is companies engaged in massive expansion with substantial IEA NZE overshoot. Eni also expands in the arctic region. Furthermore, other companies could gain this assessment in the future without having aligned their practice with the Paris Agreement. We strongly urge Danske Bank to close this loophole.
- Based on TPI's framework and methodology, Danske Bank divides fossil fuel companies into four categories and exclude the two categories deemed not to be aligned or aligning with the Paris Agreement as well as companies that fail to align with Danske Bank's expansion criteria. The companies assessed as aligning towards a net zero pathway will undergo timebound engagement. Danske Bank ought to publicly set short deadlines for aligning fossil fuel companies to become aligned.
- Danske Bank defines a fossil fuel company as a company receiving more than 5% of revenue from fossil fuel activities (the whole value chain). We advise Danske Bank to ensure that their expansion criteria also cover fossil fuel companies below this revenue threshold. Expansion activities does not provide revenue until production has started. Therefore, Danske bank risks investing in companies below its revenue threshold, that still breach the Paris Agreement by engaging in expansion activities like building new coal power plants.
- In future, Danske Bank can strengthen its policy further by including upstream service companies in their exclusion criteria as well as oil and gas midstream and downstream.
- Furthermore, Danske Bank can strengthen its expansion criteria by lowering them to 0 % in IEA NZE overshoot and 0 USD in fossil fuel CAPEX

## Learn more

- [Danske Bank's press release: Danske Bank indfører strengere krav til investeringer i fossile selskaber](#)
- [Danske Bank's position statement on fossil fuels 2024](#)
- [Danske Bank's Net Zero Pathway Framework for Investee Companies: Net-Zero Pathway Framework for investee companies](#)
- [Danske Banks climate action plan 2023](#)
- [Danske Banks Climate Action Progress report 2023](#)

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Thank you for reading

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