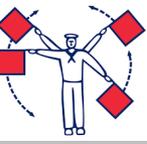


# An International Ship Finance Bankers' Survey evaluating the stated elimination from certain banks of financing for new coal mines and plants and its effects on the financing of coal transportation by DRY BULK vessels

conducted by Petrofin Research ©

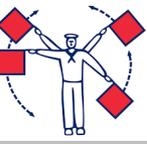
in co-operation with Lorentzen & Stemoco

February 2020



## The survey particulars:

The survey was conducted in February 2020 and we received responses from 26 banks. These were 10 responses from banks committed to exit new coal finance and 16 responses from other banks.



## Survey rationale:

In view of the current environmental concerns regarding coal, we posed three questions to two groups of banks:

Group A. Banks that have committed to exit new coal finance, and  
Group B. Banks that have not yet declared officially their policy on new coal finance.

The questions were posed from the perspective of COAL TRANSPORTATION, i.e. the coal trade of DRY BULK vessels.

The results are as follows:

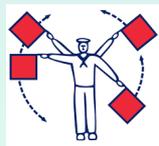
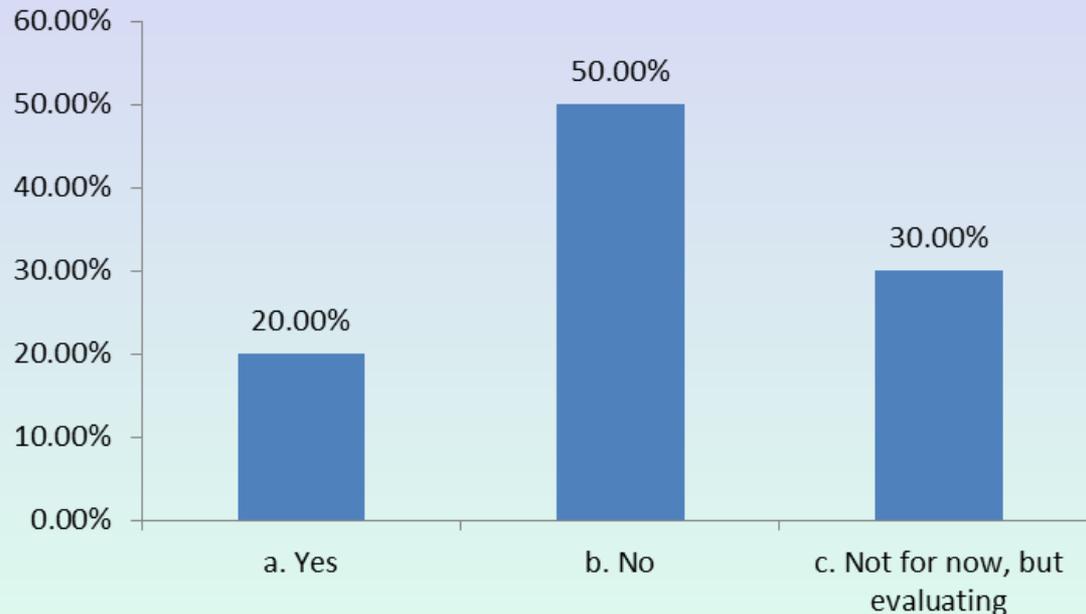


## Group A. Banks that have committed to exiting new coal financing

1. Given your announcement of exiting direct lending to new coal mines and plants, are you also planning to either restrict dry bulk ship lending or introduce relevant restricting clauses for coal transportation to the loan agreements?

### Bankers' responses

- a) Yes 20%
- b) No 50%
- c) Not for now, but evaluating 30%





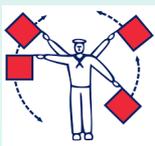
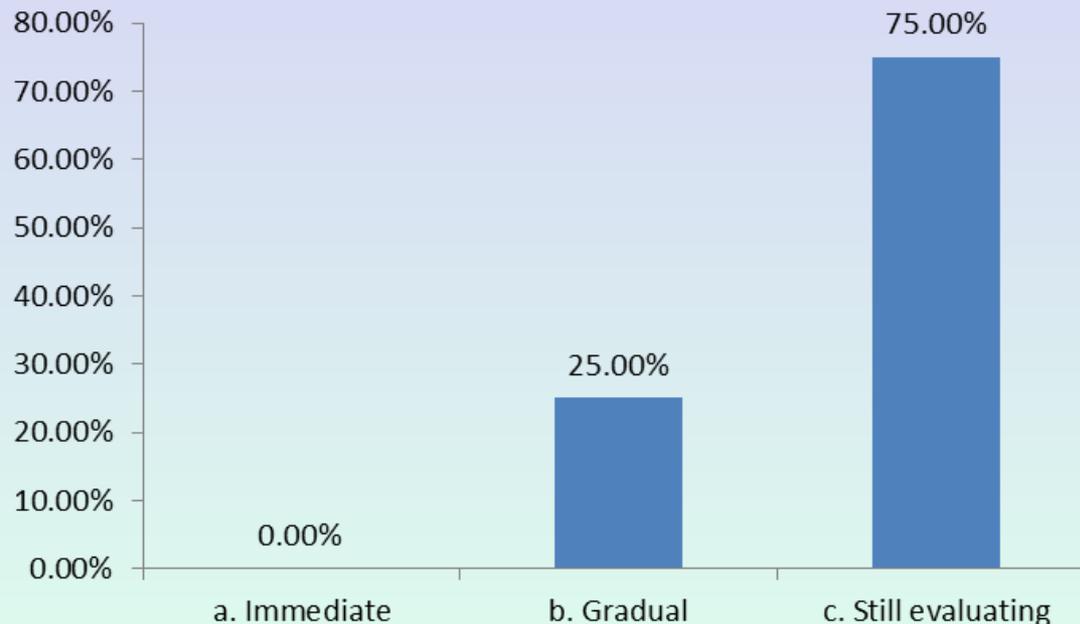
## Group A. Banks that have committed to exiting new coal financing

2. If you are considering limitations to dry bulk shipping transporting coal cargoes, would the process / implementation be:

**A small number of banks responded as N/A and were, therefore, not included in the calculation of this question's response percentages**

### Bankers' responses

- |                     |     |
|---------------------|-----|
| a) Immediate        | 0%  |
| b) Gradual          | 25% |
| c) Still evaluating | 75% |



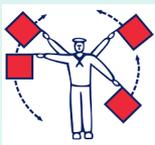
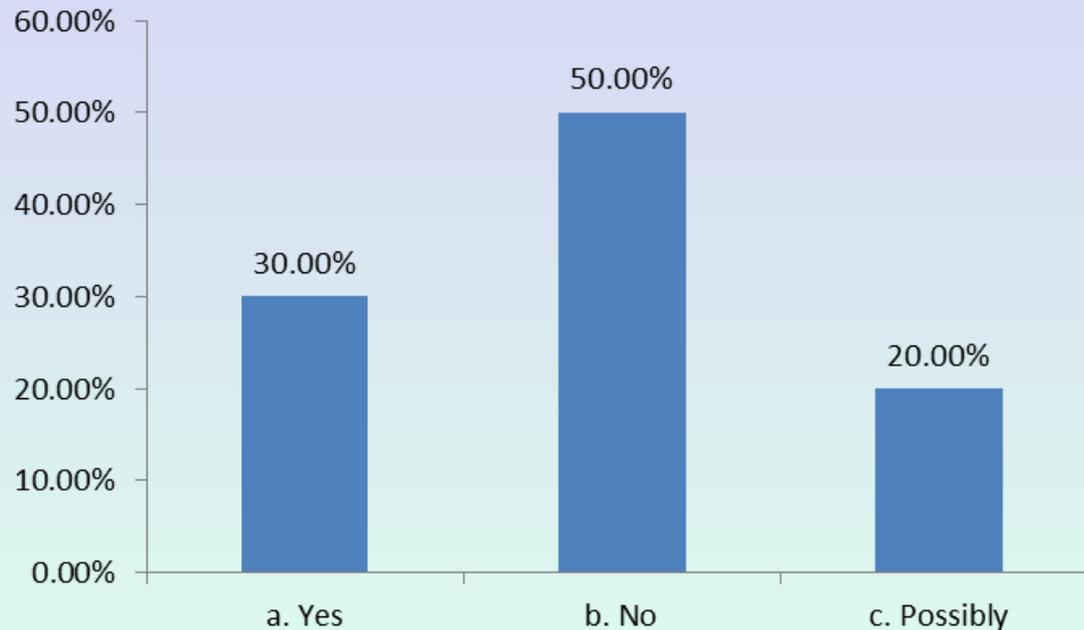


## Group A. Banks that have committed to exiting new coal financing

3. In the financing sector overall in Europe do you believe dry bulk transportation of coal will have an increasingly difficult time obtaining finance from banks?

### Bankers' responses

- a) Yes 30%
- b) No 50%
- c) Possibly 20%





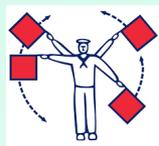
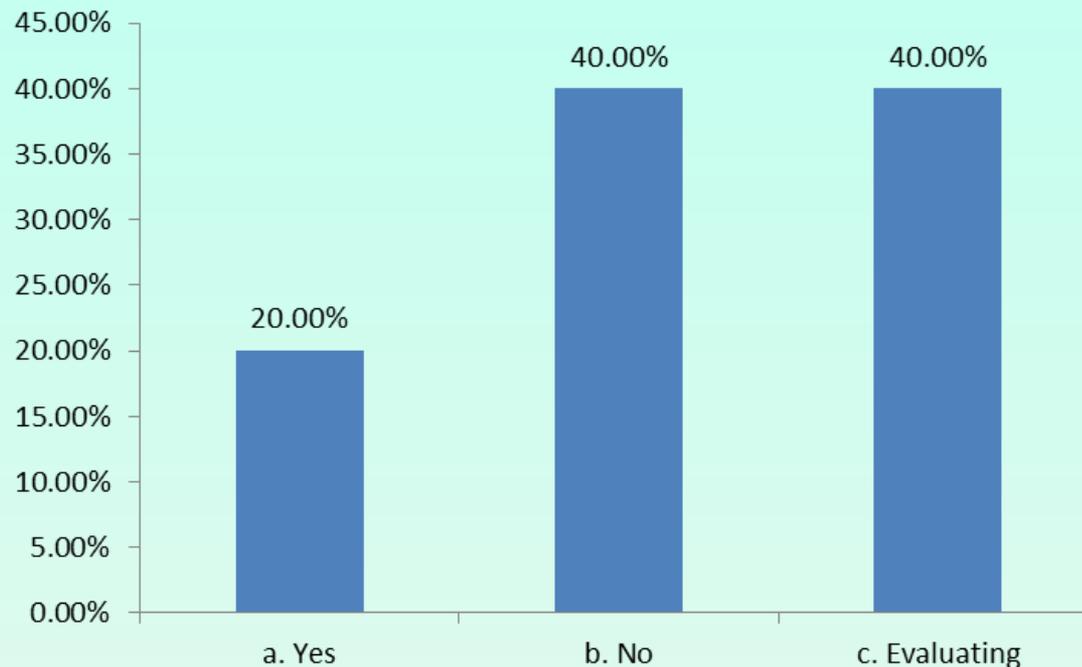
## Group B. Banks that have not committed to exit new coal financing

1. In view of the declaration by some banks that they will exit direct lending to the coal industry, are you considering doing the same?

**A small number of banks responded as N/A and were, therefore, not included in the calculation of this question's response percentages**

### Bankers' responses

- a) Yes 20%
- b) No 40%
- c) Evaluating 40%





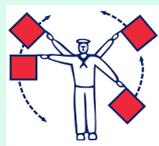
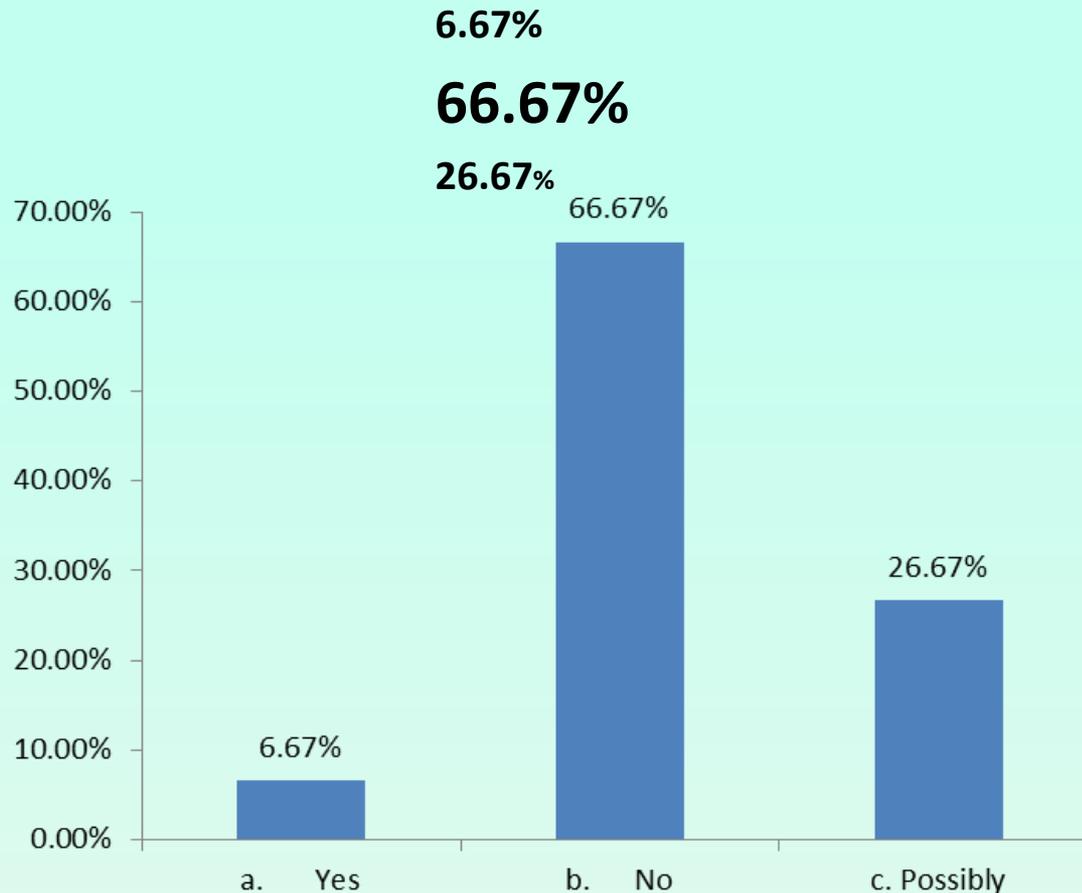
## Group B. Banks that have not committed to exit new coal financing

2. If you are considering limitations to lending to the coal industry would you be considering adding relevant restricting clauses in loan agreements for DRY BULK shipping

**A small number of banks responded as N/A and were, therefore, not included in the calculation of this question's response percentages**

### Bankers' responses

- a) Yes
- b) No
- c) Possibly



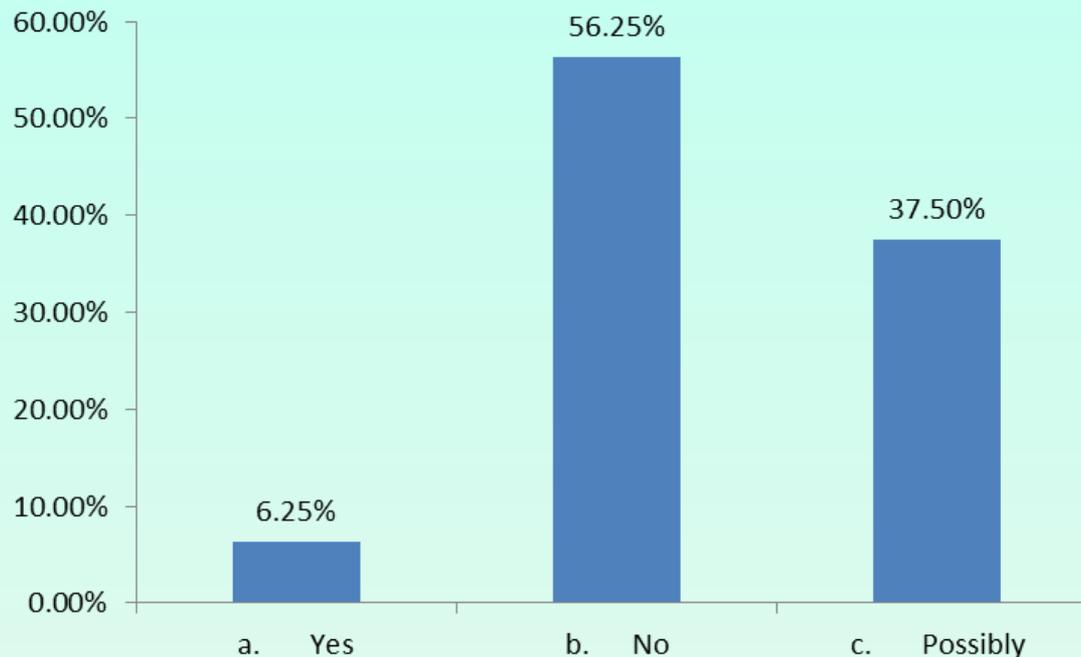


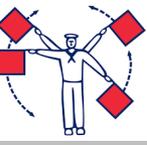
## Group B. Banks that have not committed to exit new coal financing

3. Do you think that there would be an overall restriction to DRY BULK shipping finance, as a result of reduced lending to the coal industry?

### Bankers' responses

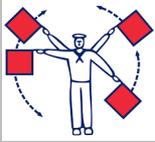
- a) Yes 6.25%
- b) No 56.25%
- c) Possibly 37.50%





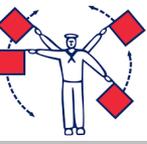
## Main conclusions and observations:

The survey provides evidence that the issues of financing the coal industry and the associated policy towards coal transportation in dry bulk vessels is receiving banks' attention. However, the majority of banks are not expanding restrictions to dry bulk transportation or finance at this time.



## Main conclusions and observations:

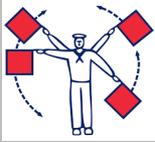
The first group of banks vary more in their response as to whether dry bulk transportation of coal shall affect owners obtaining finance from banks with 30% believing that it will, but 50% responding no and 20% being uncertain.



## Main conclusions and observations:

The second group of banks are considering or evaluating not financing coal by 60%. However, 66.67% are not considering restrictive clauses in dry bulk shipping and only 6.67% believe that such clauses shall be added in lending restrictions.

Similarly only 6.25% in Group B believe that there will be restrictions in dry bulk shipping finance whereas 30% believe so in Group A



## Main conclusions and observations:

Overall, our research indicates that restrictions to coal transportation and dry bulk ship finance, although not imminent, is becoming a relevant topic for several banks. At a time when there is restricted lending to shipping by European lenders, the coal issue may in time be a factor for ship owners.

Clearly the dry bulk sector remains vulnerable in the future from restrictions by banks as global environmental concerns rise and these are increasingly shared by the banking industry.

It will be interesting to conduct this survey in the future to monitor the change of attitude of banks to this issue.