

Bond portfolio fossil exposure review: PFA Pension

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Anthropocene Fixed Income Institute has been asked to review PFA Pension's fixed income portfolio after an external flagging that PFA was the third biggest bond holder in Japan Bank for International Co-operation (JBIC) bonds. JBIC has landed in controversy for its 29 Dec announcement to finance the construction on the Vung Ang II coal expansion in Vietnam. Danish PFA is ranked #48 by AUM among global pension funds.¹

Despite its intermediate AUM size, PFA is a top global bond holder in three out of four SSA issuers that we opine should be completely excluded from any portfolio due to climate financial risks and negative impact.² Coal power construction- and tar sand lending are the main portfolio choices driving this.

Figure 1. PFA bond portfolio holdings. "Portfolio size rank" refers to the rank order in PFA's portfolio. "Global bond holder rank" refers to PFA's position rank across all non-domestic holders, as indicated from publicly available information. For example, the Albert #2 rank means that PFA is the second biggest investor in the world in terms of Alberta's non-CAD bonds. Source: AFII, Bloomberg. Calculations may differ on time stamps.

Issuer	MV (DKK)	Portfolio weight	Portfolio size rank	Global bond holder rank
Province of Alberta (ALTA)	1141	2.40%	#2	#2
Export-Import Bank of Korea (EIBKOR)	687	1.45%	#6	#7
EnQuest PLC (ENQLN)	445	1.00%	#9	#1
Japan Bank for International Cooperation (JBIC)	278	0.60%	#17	#3

Comment: With more than 75% of global tar sands, the Province of Alberta is deeply entrenched in fossil positive policies, e.g. protesting the cancellation of KeystoneXL pipeline,³ and is also a core position of PFA's portfolio with DKK1.1bn (USD187mn, 2.5% of the portfolio, rank #2 by size, #2 global lender in non-CAD currency) invested.⁴ Second, there is core exposure to new coal fired power (Vung Ang II⁵) through the lending to JBIC (DKK278mn/USD45mn, 0.6% of portfolio, #17 rank, #3 lender) as well as co-financier Export-Import Bank of Korea (DKK678mn/USD112mn, 1.45% of the portfolio, #7 lender). We further note that PFA holds a core position as the largest financier of EnQuest Plc, an independent North Sea/Malaysia oil producer.

¹ "Top 100 Largest Public Pension Rankings by Total Assets", SWFI, 15 Feb 2021.

² See "The reformed SSA trader: New Year's exclusions", AFII, 6 Jan 2021.

³ See for example "The ECB and Alberta's oil production tax holiday", AFII, 26 Oct 2020. For a KeystoneXL update, see e.g. "[Premier] Kenney wants 'reprisals' for blocking Keystone", CBC, 21 Jan 2021.

⁴ The portfolio dated December 2020 is available [here](#) and is organised by issuer rather than security.

⁵ The financing announcement for Vung Ang II is available here: "[Project Financing for Vung Ang 2 Coal-Fired Power Generation Project in Vietnam.](#)", JBIC homepage, 15 Feb 2021. It shall be noted that JBIC very recently committed to stop coal financing in after Vung Ang II.

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