

BIG WIN:**Bank of England applies climate criteria to collateral framework**

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Really?

The Methane Bond That Is Not Yet Written

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Central banks are tightening on coal corporate bonds. The methane those mines release continues to vent. A green bond standard for coal mine methane abatement is the architecture not yet built — and the category most ready for it.

By Juneia Mallas

Positive Money called it a big win, and on the terms the campaign has been fighting on for years, it is. The Bank of England moved this month to drop bonds issued by thermal coal mining companies from its collateral framework, following similar tightening at the Bank of France and the European Central Bank. Thermal coal corporate paper is no longer welcome in the financial plumbing the major European central banks oversee.

On the surface, this looks like the energy transition reaching the financial system at last. Regulators pushing coal exposure out of central-bank balance sheets; the architecture of money beginning to align with the trajectory of climate policy. I wanted to know whether it was.

What I found, when I looked closely, was that the picture inverts the more you examine it. The coal mines whose bonds are being excluded from central-bank collateral are still operating. The methane they release into the atmosphere — roughly eighty-two times more potent than carbon dioxide over a twenty-year horizon — continues to vent. The financial architecture that could finance the abatement of that methane at scale has not been built. The Bank of England news is one signal in a structural picture in which the regulation of coal as a corporate exposure is moving while the financing of coal mine methane abatement as a climate intervention is not. This article is about why.

What is being excluded, and what is not

There is no financial instrument called a coal bond. The phrase is shorthand for corporate bonds issued by companies whose business activities include coal — pure-play thermal coal mining companies, diversified miners with coal exposure such as Glencore, metallurgical coal producers, coal-fired electricity utilities, and infrastructure businesses that depend on coal transport. Their bonds are general-obligation corporate debt, underwritten by major investment banks, syndicated to institutional investors, and traded in the secondary market. The bondholder takes exposure to the issuer's overall credit; the coal exposure is one component of that, embedded in the company's broader business.

This is the structure the Bank of England is now restricting. Not coal itself, but the corporate paper of companies whose revenue includes coal. The same logic underpins the parallel moves at the Bank of France and the ECB. The regulators are tightening the financial system's appetite for coal as a corporate exposure.

What this leaves untouched is the bond market for coal companies as a whole. According to the annual fossil fuel finance research that tracks underwriting flows, bond financing for fossil fuel companies rose to roughly four hundred billion dollars in 2024, up from two hundred and eighty billion in 2023. The major global investment banks — JPMorgan, Bank of America, HSBC, Barclays, Deutsche Bank, ING, Santander among them — continue to participate in the underwriting at scale. The collateral exclusions are real. The underwriting flows are larger.

The capital that crosses borders



The City of London — exited coal as an industry, still holds it as exposure.

When I looked at where the capital that funds coal actually flows, what I found ran against the surface story. The United Kingdom closed its last deep coal mine in 2015 and its last coal-fired power station in September 2024. There is no domestic coal industry. And yet the City of London is one of the world’s principal venues for coal corporate debt. UK-based investment banks underwrite coal bonds for international issuers. UK pension funds and insurance companies hold global corporate bond indices that include coal exposure mechanically, through index-tracking mandates that pick up the issuers without selecting them. The Bank of England’s collateral move targets exactly this exposure — not UK coal activity, which has effectively ended, but UK financial-system exposure to international coal corporate paper.

London is the sharpest example because the contrast between domestic exit and financial-system exposure is so clean. But the same logic runs across Europe. European countries are phasing out domestic coal-fired generation faster than most other regions. European banks continue to underwrite international coal bonds. The ECB’s collateral changes are the regulatory response on the continent, mirroring what the Bank of England has done.

The phase-out narrative is a domestic-industry story, told at the level of plants closing and mines shutting. The transition-finance story is a global-capital-flows story, and the capital has been more reluctant to move away from coal than the political rhetoric of the past decade has suggested.

The two bonds that share a name

A coal corporate bond is exposure to a coal business — to its mines, its sales, its overall credit. A climate bond designed to finance the abatement of methane at coal mines is something else entirely: exposure to a specific activity that reduces what those mines emit. The two share a vocabulary, not a climate impact. One funds the continued production of coal. The other would fund the work that prevents the methane that production releases. The piece that follows is about why the second instrument has not yet been built.

The methane orphan

Among the methane abatement categories the carbon market has built financial architecture around — landfill, manure and biogas, oil and gas — coal mine methane is the conspicuous absence. The other categories each have constituencies that champion them. The waste sector has its developers and municipal authorities. Agricultural methane has its farm cooperatives and biogas industries. Oil and gas methane reduction has the major oil companies themselves, the regulators they negotiate with, and the environmental NGOs that have made the oil and gas methane question their priority. Coal mine methane has none of these.

The operators do not champion it because the methane is a safety-driven byproduct rather than a product line they market. The environmental NGOs do not champion it because the cultural reluctance to engage with anything coal-adjacent has hardened across forty years of climate advocacy. The voluntary carbon market does not champion it at category level because each project is assembled bespoke, with no developer incentivised to build the category-level architecture that would let it scale. And the bond market does not champion it because bonds attach to issuers rather than to activities, and the operators in coal are not where transition-finance flows are heading.

“They don’t want to be connected to coal mining,” Jonathon Porritt, the foundational environmental figure who has been close to the climate movement for four decades, told the Brief recently. “And they’re pretty suspicious about credits, about carbon markets in general. So it’s a hard ask, let’s be honest.”

What replaced the CDM

The category was not always orphaned. Coal mine methane abatement had an institutional home once, under the United Nations’ Clean Development Mechanism — the carbon market scheme defined under the 1997 Kyoto Protocol and operational from 2006. Through the late 2000s, the work ran.

Then the politics broke. Copenhagen in 2009 failed to produce a Kyoto successor, and the international consensus for treaty-based crediting fractured. The credit market collapsed in 2012 in what economists later called the carbon panic.

The Kyoto Protocol’s second commitment period expired at the end of 2020. The successor mechanism under Article 6.4 of the Paris Agreement was only operationalised in 2025 — and coal mine methane has not yet been picked up into it in a way that creates durable institutional standing.

California’s Mine Methane Capture protocol kept a narrow door open in the US compliance market. The voluntary market continued to handle some projects on a bespoke basis. But the durable global institutional home that the CDM had provided was never replaced for this category.

The science survived. The venue did not, slowly. Through each of those years the methane was venting, the capture technology existed, the economics worked, and the architecture that would have financed the deployment at scale was being dismantled without replacement.

The methane keeps venting

This is not a transition-period problem awaiting resolution. The methane will keep venting because the coal will keep being mined — for several reasons, each running on its own timeframe.

Thermal coal still anchors power generation in major economies that show no signs of phasing it out. India's coal-fired power pipeline runs to mid-century, supported by tax policy that runs to 2047. China continues to add coal-fired capacity. The United States, under the current administration, has invoked emergency authorities to keep ageing coal plants open, with rising data centre electricity demand cited as the justification. Where the energy demand is rising fastest, coal-fired generation is in some jurisdictions the marginal source of new power.

Metallurgical coal anchors steel production, with no scaled alternative on relevant timeframes. “Metallurgical coal is undoubtedly something which is not going to be phased out in the next decade,” Porritt observed in his conversation with the Brief. “Oh, decades.” Green steel through hydrogen is, in the same exchange, “impossible” to scale affordably at present. The coking coal mines that supply the global steel industry release methane in the same way thermal coal mines do, and the abatement technology — regenerative thermal oxidisers, the same equipment that the most advanced operators have already deployed — works as well on metallurgical coal mines as on thermal ones.

Eighty-two times the potency of carbon dioxide. A twelve-year half-life in the atmosphere. The methane vented at working coal mines today is doing concentrated warming over the exact horizon that the warming budget cannot afford. Waiting for any of these demand drivers to find an alternative is not a strategy.

The bond that has not been written

What would close the gap is not another treaty, another campaign, another moment of political consensus. It is an extension of architecture the climate finance world has already built.

The Climate Bonds Initiative — the standard-setter behind much of the work that defines what counts as a credible green or transition bond — has brought methane abatement inside its transition-finance frameworks. The methodologies have been written. The certification pathways exist. The instruments are now standard products in the institutional bond market. Coal mine methane is the one major source still outside this architecture. Not excluded on the merits — the additionality case for coal mine methane is in fact the cleanest of any methane category, with observable counterfactuals, causally necessary financing, and contemporaneous measurement at the meter. Simply not yet mapped. The work is less invention than extension.

The measurement foundations exist. Methodologies for coal mine methane abatement were developed under the CDM in the 2000s; California's Mine Methane Capture protocol is functioning in the US compliance market today; and the technical work for assessing

additionality, quantifying abatement, and verifying the resulting credits is mature — most recently consolidated in the 2025 UNECE Best Practice Guidance on Ventilation Air Methane Mitigation, lead-authored by Richard Mattus, the Swedish industrial emissions expert who has spent four decades inside this work.

The demand from sophisticated institutional capital exists, in the pension funds and life insurers whose mandates already carry considerable coal exposure through global bond indices and who would, if a credible coal mine methane abatement bond existed, have an instrument they could rotate into without compromising their duration, yield, or credit-risk requirements. The same capital, repositioned. The same fundamentals — long-duration cash flow against verified abatement — but with climate effect that runs the other way from the corporate paper such mandates currently hold mechanically.

The Bank of England is signalling. The coal bonds continue to cross borders. The orphan still has no home. The methane keeps venting. The fifteen years that have passed without the architecture being built will become twenty, then thirty, unless something changes. The bond that would close the gap is not yet written. It is buildable now.