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Banks fail to stop financing fossil fuel industry

Large financial groups sign up to green initiatives but do not match their promises

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Global banks are not matching promises to address climate change by altering the way they do business, despite many signing up to influential initiatives promoting transparency and green finance.

Banks including HSBC, JPMorgan Chase and Goldman Sachs have publicly signalled their support for projects such as the Task Force on Climate-related Financial Disclosures, which encourages companies to spell out the risks of global warming to their business.

However the industry as a whole is failing to cut the funding available to the fossil fuel industry, according to a report from Boston Common Asset Management, a $2.4bn sustainability-focused US investment group which looked at 58 of the world's biggest lenders.

There has been a large number of investor-led initiatives designed to tackle climate change issues following the 2015 Paris agreement, but there are concerns some supporters from banking and elsewhere are using them as a figleaf instead of taking action.

"We are not really seeing the results of those policies yet," said Lauren Compere, director of shareholder engagement at Boston Common, who said banks must be willing to walk away from clients if this created conflict with their pledges.

The report said there has been "some gradual progress" in terms of TCFD adoption and other risk assessment and scenario tools.

But it added: "These actions have not accelerated the rate of decarbonising lending and investment portfolios, nor broadened the strategic adoption of low-carbon and green products and services.

"Risk assessment is not necessarily leading banks to restrict or end financing or investing," the report found.

It said 40 of the 58 banks have signed up to the TCFD, up from 32 last year, and about four in five carry out climate risk assessments, compared to less than half in 2018.

But it added there has been no decrease in global financing for the fossil fuel industry citing research from Rainforest Action Network, an environmental pressure group, which found financiers have provided $1.9tn to the sector between 2016 and 2018 in an analysis of 33 banks.

This surpasses the $1tn in green bonds that have been cumulatively issued since 2007.

JPMorgan topped the Banking on Climate Change ranking last year as the bank that provided the most fossil fuel financing, while HSBC and Goldman were in the top 15.

The Boston Common study, which will be sent to the banks on Monday urging them to adopt clearer strategies for decarbonising their business, also noted that only seven have asked clients to adopt the TCFD recommendations.

Some big global banks including Standard Chartered, BNP Paribas and Royal Bank of Scotland have stopped providing funding for new coal-fired power stations.

"Financial institutions are increasingly aware of their influence in the energy transition . . . however, policies and transparency should be reinforced to make sure that general corporate loans are not used for sensitive projects that further fuel climate change," said Vincent Kaufmann, chief executive of Ethos, a Swiss proxy adviser which helped formulate the study.

HSBC said it has not financed any new coal-fired power plants since updating its policy in 2018.

JPMorgan, which has stopped financing new coal mines and imposed restrictions on funding new coal-fired plants, said it "[works] to advance environmental sustainability within our business activities and facilities" and that it will "facilitate $200bn in clean financing" by 2025.

Goldman Sachs declined to comment.

Ms Compere said there were big geographic differences with virtually every European, Australian and Canadian-headquartered bank assessed a TCFD supporter in comparison to less than half of the US groups.

"Generally the European and Australian banks have really stepped up to the game," she said.