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Banks risk public ire after $742B fossil fuel investment following climate pledges

Article

The news: The world's biggest banks invested $742 billion in coal, oil, and gas companies last year despite extensive public climate commitments, per a report that casts doubt on the substance of their climate pledges.

The report was produced by a coalition of environmental groups, led by the Rainforest Action Network (RAN).

By the numbers: The report exposes banks' failure to cut fossil fuel financing.

- The banking industry has financed **$4.6 trillion for fossil fuels** since the 2016 Paris Agreement.
- US-based **JPMorgan Chase**, **Wells Fargo**, **Citi**, and **Bank of America** were the biggest lenders to fossil fuel projects, accounting for one quarter of total fossil fuel financing in the past six years.
- Banks did **invest slightly less in fossil fuel projects last year**, down 1.1% from $750 billion in 2020 and 10.6% below $830 billion in 2019.

Guilty of greenwashing? The disparity between banks' climate pledges and the reality of their financing is obvious.

- Some banks have **set vague climate targets** or ignored targets altogether. Out of the 44 banks in the report committed to net-zero financed emissions by 2050, 27 still don't have a "meaningful no-expansion policy for any part of the fossil fuel industry."
- **Fossil fuels are still highly lucrative** for banks, which earned $16.6 billion in fees from the energy sector (including oil and gas) between 2016 and 2020, versus just $7.4 billion from green debt, per Bloomberg.

Why banks need to prioritize sustainability:

1. **Declining consumer confidence:** Banks with weak sustainability efforts and empty promises risk alienating clients. More than 60% of respondents to Deloitte's Better Banking Survey said they'd ditch their bank if they discovered it contributed to "social or environmental harm."
2. **Demographic shift:** Younger consumers have stronger environmental concerns. Research shows that 18- to 24-year-olds are almost twice as likely to switch banks based on ESG credentials than those aged 55 and older, per Kearney.
3. **Revenue opportunity:** Sustainability-based banking products present vast potential extra revenue streams for industry first-movers. Banks with a "very good" ESG rating

have a higher net interest income and net fee and commission income than peers with lower ratings, per BearingPoint.

4. **Harsher regulations:** Tougher sustainability legislation is poised to hit the banking industry. To avoid fines and bad publicity, banks should preempt oversight by embracing sustainability practices early.

The big takeaway: Banks' inaction in cutting fossil fuel financing is disappointing, especially considering reputational damage done by previous "greenwashing" incidents. The Ukraine war is exacerbating a looming energy crisis and worryingly high demand may support more short-term fossil fuel production. Reports like RAN's, public opinion, and growing concerns over environmental damage will keep this issue in play and keep banks accountable for backing up PR campaigns with action.