LEADERS OR LAGGARDS?
Analyzing US banks’ net-zero commitments
EXECUTIVE SUMMARY

All six major US banks — JPMorgan Chase, Wells Fargo, Citibank, Morgan Stanley, Bank of America, and Goldman Sachs — have now committed to reaching net-zero financed emissions by 2050.

Since announcing this pledge, all six have published interim targets for reducing emissions in two key high-emitting sectors by 2030: oil and gas and power generation. These interim targets are intended to establish key metrics for the bank to benchmark progress on the way to achieving the goal of net-zero financed emissions by 2050. In addition to 2030 targets, the US majors have also set financing policies for high-risk sectors. These exclusion policies are separate — but related — to banks’ 2030 targets, and are intended to guide their financing activities for key sub-sectors and high-risk geographies.

For **2030 targets in both oil and gas and power generation sectors** to be considered robust, they must, at minimum, meet the following standards:

- Bank must disclose the baseline year and emissions data;
- Target must be based on a credible, publicly available scientific scenario aligned with net-zero emissions by 2050;
- Target must cover both lending and underwriting;
- Target must use the carbon dioxide equivalent (CO$_2$e) metric;
- For the oil and gas sector, banks must set an absolute emissions reduction target for 2030;
- For the oil and gas sector, targets must cover the entire supply chain, including exploration and production and midstream and services;
- For the oil and gas sector, targets must cover emission scopes 1 and 2 (operational emissions) and scope 3 (end use emissions);
- For the power generation sector, banks must be able to demonstrate that their emissions intensity target will lead to an overall reduction in financed emissions on an absolute basis aligned with a 1.5°C-aligned pathway.

For **exclusion policies in the coal sector** to be considered robust, they must, at minimum, meet the following standards:

- Policy applies to general corporate finance, and is not limited only to project finance;
- Policy is broad in scope and addresses the entire value chain of the coal sector;
- Policy excludes financing for companies that derive over 20 percent of their revenue from coal, with the ambition of gradually decreasing this threshold over time;
- Policy excludes companies developing or planning to expand their activities in the thermal coal sector (including mining, electricity, infrastructure, and services);
- Policy begins now, rather than becoming applicable at a later stage;
- Policy applies to all companies in the coal sector, including existing clients, rather than being limited only to new clients.
INTRODUCTION

Over the past several years, there has been a growing focus on the role of banks in driving the climate crisis. As the crisis intensifies, so too have the calls to hold the world’s largest banks accountable for their climate impacts, and the demands that they transform their practices to align with the goals of the Paris Climate Agreement.

In response to growing pressure and insurmountable scientific evidence, many of the world’s largest banks have pledged to reach net zero financed emissions by 2050. Among those who have made this commitment are the six largest banks in the United States: JPMorgan Chase, Citi, Wells Fargo, Bank of America, Morgan Stanley, and Goldman Sachs. In addition to making these commitments, all six have joined the Net-Zero Banking Alliance. The world’s preeminent climate scientists and energy experts have made it clear that in order to reach our global climate goals, we must rapidly and dramatically decrease our greenhouse gas emissions. In fact, the science on the necessary emissions reductions is quite clear— in order to meet our climate goals, we must slash emissions by around 45 percent by 2030. The net-zero commitments from Wall Street giants was indeed a significant step, but in the almost two years since each of the US majors committed to net-zero, their progress remains limited. While some banks have set targets and committed to new policies which are more aligned with the types of changes that will be necessary to reach their goals, as a whole, all six US majors fall significantly short.

Over the coming months and years, these banks will need to significantly increase the ambition of their targets in order to give us a real chance to keep global temperature rise below 1.5°C.

All six of the major US banks have published interim targets for reducing emissions in two key sectors by 2030: oil and gas and power generation. It is commendable that the banks have published these targets and begun disclosing important information about the methodologies, scientific scenarios, and key assumptions used to design these targets. In addition to 2030 targets, the US majors have also set some policies to guide their financing activities for key sub-sectors and high-risk geographies, including Arctic drilling, coal mining, and coal-fired power generation. However, the 2030 targets and sectoral policies of the US majors fall short of what is required in order to meet our global climate goals.

According to the International Energy Agency (IEA), in order for the world to limit warming to 1.5°C (2.7°F) by 2050, there should be no additional investment in new fossil fuel supply. This finding is critical because it means new fossil fuel development is fundamentally incompatible with meeting global climate goals—and indeed, with the goals set by the banks themselves. Surpassing this threshold is perilous not only for Earth’s climate, ecosystems, and communities, it will also jeopardize the global economy, with current emission trajectories estimating at least 10 percent of total global economic value could be lost by 2050.

By far the most essential action that banks must take to reach their net-zero goals is to commit to ending support for expansion of fossil fuel production. But today, the world’s biggest banks continue to finance and facilitate billions of dollars every year into new fossil fuel expansion that directly undermines their own commitments. In fact, the four banks in the world pouring the most money into financing fossil fuel expansion are US giants. The remaining two major US banks round out the top 15.

Though all six major US banks have thus far failed to commit to phasing out financing for fossil fuel expansion, there are some other indicators that can be examined in order to assess overall progress toward their net-zero goals. Most notably, we can evaluate the interim targets banks have set for 2030, and the financing policies they have adopted to guide their business practices in high-risk sectors.

The coming year will be pivotal in determining our ability to curb catastrophic climate impacts. It is incumbent on the world’s largest banks, chief among them the US majors, to lead the financial sector’s move away from dangerous, climate-warming fossil fuels, and to a greener, low-carbon economy.
COMPARING 2030 TARGETS
All six major US banks have published 2030 targets for two key high-emitting sectors: oil & gas, and power generation. The targets vary in the level of ambition and the quality of methodology and disclosures underpinning them.

As a whole, all six major US banks’ 2030 targets fail well short of what scientists say is needed in order to actually meet the goal of net-zero emissions by 2050, though some are doing significantly better than others.

STANDARDS FOR 2030 TARGETS:

- Bank must disclose the baseline year and emissions data;
- Target must be based on a credible, publicly available scientific scenario aligned with net-zero emissions by 2050;
- Target must cover both lending and underwriting;
- Target must use the carbon dioxide equivalent (CO₂e) metric;
- For the oil and gas sector, banks must set an absolute emissions reduction target for 2030;
- For the oil and gas sector, targets must cover the entire supply chain, including exploration and production and midstream and services;
- For the oil and gas sector, targets must cover emission scopes 1 and 2 (operational emissions) and scope 3 (end use emissions);
- For the power generation sector, banks must be able to demonstrate that their emissions intensity target will lead to an overall reduction in financed emissions on an absolute basis.

As of this publication, the US majors’ 2030 targets for these two sectors do not meet all of these standards.

One of the most essential standards for 2030 targets in both oil and gas and power generation sectors is that the target must cover both lending and underwriting. Energy companies seek financing both through bank loans and bond and equity issuances — in fact, the majority of bank fossil fuel financing over the last six years came in the form of bond and equity underwriting (51 percent), as opposed to lending (49 percent). In many cases, bond issuances account for a much larger portion of new capital for fossil-fuel companies than loans. Because the bond market is subject to less public scrutiny and transparency, polluting companies have ready access to trillions of dollars of debt, and banks can appear to be limiting financing for high-carbon sectors without actually doing so. For this reason, it is only logical that banks should include both lending and underwriting in their targets. Morgan Stanley, Citi, and Bank of America are working with the Partnership for Carbon Accounting Financials to develop a standard methodology for including underwriting in emissions reductions targets, and the banks have stated they will work toward including facilitation (underwriting) in their targets once this work is completed. The development of this industry-wide standard should spur action from banks to broaden their targets to include both lending and underwriting.

Another essential standard for 2030 targets in these sectors is the use of a carbon dioxide equivalent (CO₂e) metric. A CO₂e metric is used to compare the emissions from various greenhouse gasses on the basis of their global-warming potential, by converting amounts of other gasses to the equivalent amount of CO₂. Targets should use this metric simply because they should aim to reduce all greenhouse gas emissions, not just CO₂. This is especially important because of the prevalence of methane emissions as a result of activities in both the oil and gas and power generation sectors. Methane is the second most abundant greenhouse gas, and is more than 25 times as potent as CO₂ at trapping heat in the atmosphere. For the oil and gas sector, the use of a CO₂e metric is most critical for operational emissions (scopes 1 & 2).

High-quality 2030 targets should be based on credible scientific scenarios that are aligned with reaching net-zero emissions by 2050 and limiting temperature rise to 1.5°C. In addition, it is essential for banks to disclose the baseline financed emissions data upon which their targets are based.

These standards ensure that targets are comparable and robust, limit loopholes and methodological errors, and most importantly, lead to real reductions in emissions.

Oil and Gas
According to the International Energy Agency (IEA), in order to reach the global goal of keeping temperature rise below 1.5°C, rapid, wide-scale transformations of the oil and gas sector are necessary. In its “Net Zero by 2050” roadmap, the IEA makes clear that no exploration or development of new oil and gas fields are required. Between 2020 and 2050, global demand for oil and gas falls 75
percent and 55 percent respectively. Simply put, this need for steep and rapid decline in oil and gas production requires a similar decrease in new financing to the sector.

For this reason, by far the most essential metric for ambitious oil and gas targets is absolute emissions reductions, which refers to a reduction in the total amount of emissions — as opposed to intensity-only emissions reductions — which sets emissions targets relative to the total dollars financed or units of energy produced. Among the US banks, only Wells Fargo and Citi have made commitments to reduce absolute emissions in the oil and gas sector. The remaining four have set only intensity targets. Because they allow for an increase in new finance for oil and gas, intensity targets for this sector are fundamentally misaligned with a 1.5°C aligned pathway.

Bank of America and JPMorgan Chase have each elected to differentiate their emissions intensity targets based on end use (scope 3 emissions) and operational (scopes 1 and 2). While the distinction itself adds transparency to where emissions reductions are actually coming from, in reality, end use emissions make up the great majority of oil and gas lifecycle emissions. By focusing the majority of their reductions targets on operational emissions, Bank of America and JPMorgan Chase intentionally sidestep the highest emitting part of the oil and gas supply chain and diminish the impact of their targets.

It is also essential that targets apply across the entire oil and gas supply chain. Most of the US majors limit coverage to exploration and production, while excluding midstream and services in their targets, creating a significant gap. Notably, midstream activities include the storage, processing, and transportation of petroleum products, meaning that the exclusion of this part of the supply chain could lead to increased emissions resulting from financing for infrastructure like pipelines, export facilities, and tanker ships.

### 2030 Oil and Gas Sector Targets

<table>
<thead>
<tr>
<th>Bank</th>
<th>Sector</th>
<th>Assets</th>
<th>Target</th>
<th>Scope</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>BANK OF AMERICA</strong>&lt;sup&gt;11&lt;/sup&gt;</td>
<td>Exploration &amp; production</td>
<td>✓</td>
<td>Business Lending</td>
<td>End use: 43.1 g CO₂/MJ&lt;br&gt;29% reduction in emissions intensity (end use)</td>
</tr>
<tr>
<td></td>
<td>Refining</td>
<td>✓</td>
<td>NOT underwriting</td>
<td>Operational: 4.1 g CO₂e/MJ&lt;br&gt;42% reduction in emissions intensity (operational)</td>
</tr>
<tr>
<td></td>
<td><strong>NOT midstream or services</strong></td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Lending</td>
<td>✓</td>
<td>NOT underwriting</td>
<td></td>
</tr>
<tr>
<td><strong>CITIBANK</strong>&lt;sup&gt;12&lt;/sup&gt;</td>
<td>Exploration &amp; production</td>
<td>✓</td>
<td>Lending</td>
<td>102.1 million mt CO₂ e&lt;br&gt;29% reduction in absolute emissions</td>
</tr>
<tr>
<td></td>
<td>Refining</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Midstream &amp; services</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td><strong>GOLDMAN SACHS</strong>&lt;sup&gt;13&lt;/sup&gt;</td>
<td>Exploration &amp; production</td>
<td>✓</td>
<td>Lending</td>
<td>56-60 g CO₂e/MJ&lt;br&gt;17-22% reduction in emissions intensity</td>
</tr>
<tr>
<td></td>
<td>Refining</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>NOT midstream or services</strong></td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Debt &amp; equity underwriting</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Other on-balance sheet debt &amp; equity investments</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td><strong>JPMORGAN CHASE</strong>&lt;sup&gt;14&lt;/sup&gt;</td>
<td>Exploration &amp; production</td>
<td>✓</td>
<td>Lending</td>
<td>End use: 66.5 g CO₂/MJ&lt;br&gt;15% reduction in emissions intensity (end use)</td>
</tr>
<tr>
<td></td>
<td>Refining</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>NOT midstream or services</strong></td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Debt &amp; equity underwriting</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Operational: 6.1 g CO₂e/MJ&lt;br&gt;35% reduction in emissions intensity (operational)</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td><strong>MORGAN STANLEY</strong>&lt;sup&gt;15&lt;/sup&gt;</td>
<td>Exploration &amp; production</td>
<td>✓</td>
<td>Lending</td>
<td>No metric for emissions intensity disclosed&lt;br&gt;29% emissions lending intensity</td>
</tr>
<tr>
<td></td>
<td>Refining</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Services Storage &amp; Transportation</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td><strong>WELLS FARGO</strong>&lt;sup&gt;16&lt;/sup&gt;</td>
<td>Exploration &amp; production</td>
<td>✓</td>
<td>Lending</td>
<td>72.3 million mt CO₂ e&lt;br&gt;26% reduction in absolute emissions</td>
</tr>
<tr>
<td></td>
<td>Refining</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>NOT midstream or services</strong></td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
</tbody>
</table>
Power Generation
According to the IEA, the transformation of the power sector is a critical component of the clean energy transition for two key reasons. First, the power sector itself is a large greenhouse gas emitter with power generation accounting for 36 percent of energy-related CO₂ emissions. Second, transitioning to a clean electric grid allows for other sectors to reduce emissions, for example as the transportation and buildings sector electrify and are powered by that clean electric grid. In all of IEA’s climate scenarios that limit warming to 1.5°C, the share of electricity in final energy consumption grows steadily through 2050, as the power sector reduces emissions rapidly and unlocks the potential for emissions reductions in other sectors. Numerous international energy expert bodies have made clear that in order to achieve this, significant reductions in coal and gas-fired power generation will need to be coupled with rapid growth in renewable electricity. In IEA’s net-zero analysis, developed countries like the US must phase out coal by 2030 and cancel any planned build out of new fossil fuel infrastructure.

Importantly, this necessary growth in power generation makes setting emissions reduction targets in the power sector different from targets in other sectors. Most notably, it means that emissions intensity targets are an important element for understanding how the bank will finance the growth in power generation forecasted in all net-zero scenarios. Simply put, electric utilities will need to massively increase their overall generation, meaning that banks setting targets for this sector can calculate intensity targets specifying a reduction in CO₂e per unit (typically kilowatt hour) of electricity financed. However, these targets for reductions in emissions intensity must still result in an absolute reduction in financed emissions aligned with a 1.5°C pathway. This is because new power generation should come primarily from low and zero-emission energy sources. This is an important piece which is missing from banks’ current power sector targets—in all scenarios in which emissions hit net-zero in 2050, as all six banks have pledged to achieve emissions from the power generation sector decline continuously through mid-century. An emissions target for the sector which does not lead to absolute reductions in financed emissions is not aligned with a net-zero goal.

<table>
<thead>
<tr>
<th>BANK</th>
<th>SECTOR</th>
<th>ASSETS</th>
<th>TARGET</th>
<th>SCOPE</th>
</tr>
</thead>
<tbody>
<tr>
<td>BANK OF AMERICA</td>
<td>Power Generation</td>
<td>Business lending</td>
<td>100.9 kg CO₂/MWh (not CO₂e metric) 70% reduction in emissions intensity</td>
<td>Scope 1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>NOT underwriting</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CITIBANK</td>
<td>Power Generation</td>
<td>Business lending</td>
<td>115 kg CO₂e/MWh 63% reduction in emissions intensity</td>
<td>Scope 1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>NOT underwriting</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GOLDMAN SACHS</td>
<td>Power Generation</td>
<td>Lending, Debt &amp; equity underwriting</td>
<td>147-219 kg CO₂e/MWh 48-65% reduction in emissions intensity</td>
<td>Scope 1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Other on-balance sheet debt &amp; equity investments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>JPMORGAN CHASE</td>
<td>Power Generation</td>
<td>Lending, Debt &amp; equity underwriting</td>
<td>115.4 kg CO₂/MWh (not CO₂e metric) 60% reduction in emissions intensity</td>
<td>Scope 1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>NOT underwriting</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MORGAN STANLEY</td>
<td>Power Generation</td>
<td>Lending</td>
<td>No metric for emissions intensity disclosed 58% reduction in emissions lending intensity</td>
<td>Scope 1, 2, &amp; 3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>NOT underwriting</td>
<td></td>
<td></td>
</tr>
<tr>
<td>WELLS FARGO</td>
<td>Power Generation</td>
<td>Lending, Debt &amp; equity underwriting</td>
<td>102 kg CO₂e/MWh 60% reduction in emissions intensity</td>
<td>Scope 1</td>
</tr>
</tbody>
</table>
Approach to Offsets
One critical piece for evaluating the legitimacy of banks’ net-zero commitments and interim targets is their reliance on offsets and carbon removal. Offsets broadly refer to actions taken to supposedly reduce carbon emissions — often through forest protection or restoration or investments in low carbon energy and industrial processes — to compensate for emissions which occur elsewhere. There are numerous serious concerns about the use of carbon removal and offsets as a way to achieve emissions reductions, including human rights abuses and breaches of Indigenous sovereignty, as well as serious difficulties with the reliability, accuracy, and efficacy of such projects.

The most ambitious 2030 targets should be based only on actual emissions reductions, and not rely on carbon removal or offsets. Offsets and unproven carbon removal technologies cannot substitute for serious, systemic reductions in emissions from all sectors.

In addition, over-reliance on future emissions removal technologies is generally problematic. This is because most carbon offset and negative emissions technologies remain thus far unproven or unworkable at scale. New technologies like Carbon Capture, Utilization and Storage (CCUS) are unlikely to yield meaningful emissions reductions, at least in the near and medium terms. As of this writing, of those which have been completed, most CCUS projects have failed to reach projected targets. There is little evidence to suggest that any future projects would meet the threshold at which they would be legitimate. Beyond this, the frequent use of CCUS as justification for increasing production of fossil fuels is a serious concern.

Of the group, only Wells Fargo has explicitly stated that it does not include offsets in its 2030 targets. Goldman Sachs, Citi, and JPMorgan Chase have stated that their 2050 targets allow for — and in some cases necessarily will require — the use of carbon removal and offsetting. Bank of America specifies that it intends to apply carbon removal credits to its 2030 targets. Morgan Stanley has not specified its position.

Other Sector Targets
Four out of the six banks have set targets for reducing financed emissions in the auto manufacturing sector. Only Citi and Wells Fargo have yet to release auto sector targets. Goldman Sachs has a slight edge in the group, with the highest emissions reduction commitment, but all four targets are relatively close, and each include Scopes 1, 2, and 3.

In the coming months and years, the major US banks are expected to publish 2030 targets for additional sectors, which may include steel, aviation, and agriculture.
COMPARING EXCLUSION POLICIES

Beyond setting sector-specific emissions reductions targets, the big six US banks have also established some financing policies that delineate which types of projects they will finance within the fossil fuel industry.

Exclusion policies are an essential element of a bank’s climate strategy. These policies provide important guidance on financing for some of the most high-risk sectors, and are necessary for operationalizing a bank’s long-term emissions targets. While there has been some important progress, the entire group falls seriously short of what is needed to meet global climate goals.

Oil and gas

Some global banks have adopted exclusion policies which restrict a range of projects within the oil and gas industry, including fracking, tar sands, and ultra deep water drilling. International leaders have also established exclusion policies which restrict financial services for upstream and midstream oil and gas, and exclude financing for companies expanding oil and gas. By comparison, the US majors fall behind these international best practices. The only exclusion policy for the oil and gas sector that has been adopted by any of the major US banks is an Arctic project exclusion policy, and even those policies remain inadequate.

STANDARDS FOR OIL AND GAS EXCLUSION POLICIES:

- Policy rules out project financing for any oil and gas projects;
- Policy excludes corporate-level financing for companies expanding oil and gas as defined in the Global Oil and Gas Exit List®;
- Policy phases out financing for the oil and gas sector overall on a 1.5°C-aligned timeline.

Arctic Project Exclusion Policies

Following years of concerted pressure from Indigenous and environmental groups, all six US majors committed to rule out financing for projects in the Arctic. This is a monumental victory in the movement to protect the Arctic, and specifically the Arctic National Wildlife Refuge, from industry exploitation. However, there are a few issues with the banks’ Arctic policies as written. First, there is some inconsistency in how banks define “Arctic.” This is easy to resolve—policies should apply to the entire onshore and offshore region within the Arctic Circle. The most serious issue with the policies as written is that all six policies specify project financing only. This means that banks have no policies restricting financing for companies that are involved in exploration and production in the Arctic. Considering the vast majority of bank financing for oil and gas is corporate financing—rather than project-specific—these exclusion policies essentially create a massive loophole. At minimum, all six banks should tighten their Arctic exclusion policy to restrict corporate financing for any company expanding in Arctic oil and gas production, and broaden their definition of ‘Arctic’ in order to ensure more complete coverage.
Coal

The six major US banks are among the 300 financial institutions that have adopted policies restricting financial services to the coal sector. These policies address a range of elements within the sector, including financing for specific projects, like new mines and plants, and company-level financing, including for coal mining and coal-fired power generation companies. It is notable that the US majors have begun adopting stronger exclusion policies to restrict their financing for the coal sector. However, the US bank coal policies lag far behind the best practices set by international leaders.

STANDARDS FOR COAL EXCLUSION POLICIES:

- Policy applies to general corporate finance, and is not limited only to project finance;
- Policy is broad in scope and addresses the entire value chain of the coal sector;
- Policy excludes financing for companies that derive over 20 percent of their revenue from coal, with the ambition of gradually decreasing this threshold over time;
- Policy excludes companies developing or planning to expand their activities in the thermal coal sector (including mining, electricity, infrastructure, and services);
- Policy begins now, rather than becoming applicable at a later stage;
- Policy applies to all companies in the coal sector, including existing clients, rather than being limited only to new clients.

Coal Projects

All six major US banks have established a policy excluding financing for new and expanded thermal coal mines and plants. However, in reality, these exclusion policies for coal projects have limited impact. This is because the coal industry is mostly financed through general purpose corporate finance, as opposed to project finance. In fact, research shows that for coal plant developers, corporate funding far outweighs direct project funding, which only amounts to about five percent of financing. By only restricting project financing, US banks have given themselves a major loophole which allows them to continue financing coal companies that are planning to develop new coal power plants, mines, and infrastructure through general corporate funding.
In addition, a closer look at the banks’ coal project exclusion policies also reveals that not all coal project exclusions are created equal. Bank of America, Goldman Sachs, and JPMorgan Chase make an exception for projects that use Carbon Capture and Sequestration (CCS), leaving a potentially massive loophole in their exclusion policy.
Coal Mining Company Exclusion Policies

<table>
<thead>
<tr>
<th>BANK</th>
<th>COMPANIES COVERED</th>
<th>ASSETS COVERED</th>
<th>TIMELINE</th>
<th>EXCEPTIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>BANK OF AMERICA</td>
<td>Companies deriving ≥ 25% of their revenue from thermal coal mining</td>
<td>All financing including:</td>
<td>BY 2025</td>
<td>Unless the company has a public commitment to align its business (across Scope 1, 2 and 3 emissions) with the goals of the Paris Climate Agreement and the transaction would be facilitating the diversification of the company’s business away from thermal coal. All companies &lt;25% coal mining.</td>
</tr>
<tr>
<td>CITIBANK</td>
<td>Companies deriving ≥ 25% of their revenue from thermal coal mining</td>
<td>Financing</td>
<td>By end of 2025: halve credit exposure to these companies from 2020 baseline After 2025: no longer underwrite or advise on M&amp;A for these companies By end of 2030: reduce to 0 all remaining exposure to these companies</td>
<td>All companies &lt;25% coal mining</td>
</tr>
<tr>
<td>GOLDMAN SACHS</td>
<td>Companies that derive a significant portion of their revenue from coal mining, within a reasonable timeframe Definition of “significant” not specified</td>
<td>Financing</td>
<td>Not specified</td>
<td>Companies that have a diversification strategy All non-significant coal miners</td>
</tr>
<tr>
<td>JPMORGAN CHASE</td>
<td>Companies deriving ≥ 50% of their revenue from coal extraction</td>
<td>• Lending</td>
<td>By 2024, phase out remaining credit exposure to majority coal mining companies</td>
<td>All companies &lt;50% coal mining</td>
</tr>
<tr>
<td>MORGAN STANLEY</td>
<td>Companies deriving &gt;20% of their revenue from thermal coal mining</td>
<td>• Lending</td>
<td>By 2025: No financing for companies &gt;20% coal mining By 2030: phase out remaining credit exposure to &gt;20% coal mining companies</td>
<td>Unless such company has a public diversification strategy or the transaction being provided by our lending, capital markets or advisory services facilitates diversification All companies ≤20% coal mining</td>
</tr>
<tr>
<td>WELLS FARGO</td>
<td>N/A</td>
<td>Financing</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Coal Power Companies

Banks also have choices about how to adopt exclusion policies for coal power companies. Robust exclusion policies for coal power companies would, at a minimum, exclude companies that derive over 20 percent of their revenues or power generation from coal-related activities. In addition, the policy should include an absolute threshold which excludes companies that produce more than 10 million tonnes of coal per year or have more than five gigawatts of coal capacity. Importantly, the policy must apply to all clients, including existing clients.

Citi distinguishes itself as the only major US bank to set a corporate financing target for coal power companies. The bank has pledged not to accept any new clients who generate more than 20 percent of power from coal, or companies with plans to expand coal-fired power generation. After 2025, Citi will end financing for clients that don’t have a policy to end coal power in Organisation for Economic Co-operation and Development (OECD) countries in 2030 and non-OECD countries in 2040. In addition, after 2025, the bank will not accept any new clients with more than five percent of power generation from coal or plans to expand coal-fired power generation. Finally, Citi has pledged that after 2030, it will not provide financing for clients with coal power. However, Citi’s policy applies only to new clients, and does not apply to existing clients. This is a major loophole which means that the bank can still finance its existing clients that plan to develop new coal projects.
The remaining five banks have yet to meet Citi’s level of ambition on coal financing targets. Still, even Citi’s target, though ahead within this group, falls well below global best practice, which is a commitment to fully phase-out financing for coal companies by 2030 in OECD countries, and 2040 worldwide.

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<tr>
<th>COAL POWER COMPANY EXCLUSION POLICIES</th>
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<td>BANK</td>
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CONCLUSION & RECOMMENDATIONS

This decade is pivotal in the global effort to tackle the climate crisis. The IEA made it clear that there remains a massive gap between the action that has been taken so far and our global goal of limiting global warming to 1.5°C.

In fact, reaching this goal will require a complete transformation of our global energy system. The most essential finding in the IEA report makes clear that in order to meet the goal of net-zero by 2050, we must end the expansion of new fossil fuel exploration and production.

Despite the clarity of the science, US banks continue to pour billions of dollars into fossil fuels every year. In fact, four of the six major US banks are the top four largest financiers of fossil fuels in the world. Meanwhile, the six US majors have all made commitments to reach net-zero financed emissions by 2050, and set some interim targets and exclusion policies to restrict financing in the most high-emitting sectors. Though there has been some progress, in general, the targets and exclusion policies of the major US banks fall far behind international best practices and what scientists tell us will be required in order for us to actually meet our climate goals.

With some exceptions, the US majors have generally kept pace with their actions. Citi and Wells Fargo, for example, set themselves apart by being the only two majors to set absolute emissions reductions targets for the oil and gas sector. And Citi, for its part, has the strongest exclusion policies for the coal sector among this group, though it too falls seriously short of the standards adopted by international banks. Across the board, all six major US banks are severe laggards when compared to the global best practices set by some of their counterparts abroad.

The major US banks have serious improvements to make in order to ensure their 2030 targets and financing policies are truly aligned with the goal of reaching net zero by 2050.

1. RAISE AMBITION OF 2030 TARGETS.

Robust 2030 targets for the oil and gas and power generation sectors must be broadened in order to cover all asset classes. At present, some banks limit their sectoral targets to cover lending, but exclude underwriting, creating a massive loophole through which billions of dollars can still be poured into heavily emitting sectors and projects. In addition, targets in these sectors must lead to an overall reduction in absolute emissions consistent with a 1.5°C pathway. Other important components of robust 2030 targets include high quality disclosures of baseline data and sound methodology and metrics.
2. STRENGTHEN SECTORAL EXCLUSION POLICIES.
Credible sectoral exclusion policies must cover general corporate finance, not just project finance. For example, current US bank sectoral exclusion policies for Arctic oil and gas leave a major loophole by applying only to project finance, meaning that billions of dollars are still made available to companies expanding exploration and production in the Arctic. But the US banks must go far beyond their existing sectoral exclusion policies. In order to align with their stated goals of net-zero by 2050, the banks will have to adopt policies which commit to phasing out general corporate-level finance for companies expanding fossil fuels.

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Endnotes
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