LEADERS OR LAGGARDS?

Analyzing major US banks' net-zero commitments

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EXECUTIVE SUMMARY

The six major US banks—JPMorgan Chase, Bank of America, Citi, Wells Fargo, Goldman Sachs, and Morgan Stanley—have committed to reaching net-zero emissions across their financial portfolios by 2050. While those long-term goals are laudable, they are also the bare minimum for climate action and risk mitigation; what is most important now is the rapid, robust, and transparent implementation of those commitments.

This report aims to capture key elements of that implementation by examining the near-term emissions targets, exclusion policies, and climate-related disclosures of the six major US banks, as of this publication date. The analysis provides an update and refresh to a similar report published by the Sierra Club in November 2022.[1] Though the banks have published climate targets, policies, and disclosures across a range of sectors, the scope of this report is mainly focused on those practices for the fossil fuel sector, as the principal driver of the climate crisis and an outsized source of related financial risks.

EMISSIONS TARGETS

Since announcing their net-zero commitments, all six major US banks have published interim 2030 targets for reducing emissions from their financing of the energy and power generation sectors, among other high-polluting industries. Interim targets are intended to establish key metrics for the bank to benchmark progress on the way to achieving the goal of net-zero emissions by 2050.

For banks' 2030 emissions targets in the energy and power sectors to be considered robust, they must, at minimum, meet the following standards:

- Disclosure of the baseline year and emissions data that targets are based on;
- Targets must be based on a credible, publicly-available scientific scenario aligned with net-zero emissions by 2050 and limiting warming to 1.5°C;
- Separate targets for emissions from lending and underwriting (once baseline facilitated emissions are disclosed);
- Targets must use the carbon dioxide equivalent (CO_2e) metric;
- Targets for oil and gas sector emissions are separate from other energy sector targets;
- For the oil and gas sector, banks must set absolute emissions targets, in addition to emissions intensity targets;
- For the oil and gas sector, targets must cover the entire supply chain, including exploration and production (E&P), 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 correlate to a reduction in emissions on an absolute basis.

EXCLUSION POLICIES

The major US banks 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 banks' policies in the oil and gas sector to be considered robust, they must, at minimum, meet the following standards:

- Policy rules out project-level 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;[2]
- Policy phases out financing for the oil and gas sector overall on a 1.5°C-aligned timeline.

For banks' 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 (potential exceptions for financing the early closure of coal assets on a 1.5°C-aligned timeline);
- Policy excludes companies developing or planning to expand their activities in the thermal coal sector (including mining, electricity, infrastructure, and services);
- Policy begins immediately, 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.

CLIMATE-RELATED DISCLOSURES

In addition to targets and policies, some of the banks have disclosed information about their climate impacts and net-zero alignment strategies, including financed and facilitated emissions, client assessment frameworks, and energy financing data.

For banks' climate-related disclosures to be considered robust, they must, at minimum, meet the following standards:

- Disclosure of absolute financed emissions annually (starting with at least the energy sector), including methodology;
- Disclosure of facilitated emissions (starting with at least the energy sector), including methodology, and disclosed separately from financed emissions;

- Disclosure of an energy financing ratio specifying annual finance and facilitation ratio of fossil fuels to renewable energy;
- Disclosure of a client assessment framework, including assessment of planned high-carbon capital expenditures;
- Disclosure of client assessment scores, based on the disclosed framework; and
- Disclosure of a client alignment strategy, which should include phasing out exposure to clients not able or willing to align with a credible pathway to net-zero by 2050.

Based on these three categories and corresponding criteria, the report analyzes the six major US banks' performance to date, highlighting strengths and weaknesses to be addressed in order to more credibly implement the banks' climate commitments.

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INTRODUCTION

In recent years, there has been a growing focus on the role of financial institutions 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 overwhelming scientific consensus about the climate crisis, 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, Bank of America, Citi, Wells Fargo, Goldman Sachs, and Morgan Stanley. In addition to making these commitments, all six have joined the Net-Zero Banking Alliance (NZBA). All six major US banks have published interim targets for reducing emissions in key sectors, including energy and power generation, among others. In addition to 2030 targets, these banks have also adopted policies to restrict financing for some energy sub-sectors and high-risk geographies, including oil and gas development in the Arctic and the Amazon, coal mining, and coal-fired power generation.

However, the 2030 targets and sectoral policies of the major US banks fall short of what is required in order to meet global climate goals. Furthermore, since making these commitments, the banks have largely remained complacent, failing to strengthen their targets or even gone backwards — in late 2023, JPMorgan Chase overhauled its target for reducing emissions in the energy sector, drawing critiques that the new target is weaker and less transparent.[3] The banks have, for the most part, similarly failed to strengthen their financing exclusion policies or reversed course — in late 2023, Bank of America opted to scrap its outright restrictions for some fossil fuel financing, opting instead to subject such transactions to case-by-case review.[4]

Underlying their emissions reductions targets and exclusion policies are the banks' climate-related disclosures, which include information about their financed and facilitated emissions (the emissions attributed to bank lending and underwriting) and their approaches to engaging with and supporting the net-zero transition of high-emitting clients. These disclosures are important for helping stakeholders understand the underlying assumptions, methodologies, and strategies that banks are relying on to deliver on their climate commitments.

Overall, though there has been some modest progress with regard to climate-related disclosures, the last couple years have also brought about backsliding, delays, and inaction from this group of banks. Since initially adopting their net-zero commitments in 2021, several key developments have occurred which have altered the state of play for Wall Street banks, including:

1. **Growing daylight on quality and completeness of climate-related disclosures:** All things considered, the six major US banks are relatively equal when it comes to their progress toward net-zero. However, in the past two years, some of the banks have begun to differentiate themselves from the group by providing more comprehensive climate-related disclosures. These include more transparent reporting of emissions, energy financing, and client assessment and engagement strategies.

2. **Muddling emissions reductions targets for oil and gas:** In November 2023, JPMorgan Chase announced that it was replacing its original target for reducing financed emissions in the oil and gas sector. Instead, the bank has opted for a new “energy mix target” which combines financing for low-carbon energy — such as wind, biofuels, and solar — with financing for oil and gas. This makes it difficult to compare with other banks’ energy targets and could make it easier for the bank to appear to achieve emissions reductions toward this target without reducing financing for oil and gas.
3. **Obfuscation of full climate impacts of underwriting:** Though roughly half of bank financing for fossil fuels occurs through underwriting of bonds and equities[5] — as opposed to lending — banks have delayed disclosing and setting targets for reducing the emissions which result from these transactions, known as “facilitated emissions.” The most robust, transparent, and ambitious decarbonization strategies require the adoption of distinct targets for lending and underwriting. As of this publication, none of the major US banks have done this.
4. **Backtracking on fossil fuel exclusion policies:** In December 2023, Bank of America quietly rolled back its exclusion policy for thermal coal and Arctic oil and gas. The new policy scraps its previous pledge to not directly finance these activities, and opts instead for a policy of “enhanced due diligence.” The about-face makes it difficult to trust the credibility of the bank’s commitments and risk-management protocols.

These developments have made it more challenging for investors, clients, regulators, civil society, and other stakeholders to assess and compare the progress, or lack thereof, that these banking giants are making.

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.[6] 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, but it will also jeopardize the global economy, with current emission trajectories leading to estimates of massive losses in global economic value by mid-century.[7]

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 and exacerbates the climate crisis. In fact, the top three banks globally that provided the most financing to the top fossil fuel expansion companies from 2016-2023 were Citi, JPMorgan Chase, and Bank of America — with Wells Fargo, Morgan Stanley, and Goldman Sachs also ranking in the top 15 globally for funding the biggest fossil fuel expanders. [8]

Every year, it becomes even more critical to take ambitious actions to curb emissions in order to avoid catastrophic levels of warming. In fact, many scientists have stated that the goal of limiting global temperature rise to 1.5°C may soon be impossible.[9] Still, every fraction of a degree is exponentially important and worth fighting for in order to avoid the worst impacts of climate change. It is incumbent on the world’s largest banks — particularly the US majors — to help lead the financial sector’s move away from dangerous, climate-warming fossil fuels, and to a greener, low-carbon economy as quickly as possible.

Some major banks around the world, in Europe and elsewhere, have far outpaced the US banks on these measures and continue to raise the bar for global best practices. While US banks should be understood as relative climate laggards on the world stage, it is nonetheless important to compare and contrast them on their own as peers and rivals that are supervised by the same federal regulators and engage with many of the same shareholders, clients, and other key stakeholders that are increasingly concerned about how big banks are handling their role in the climate crisis.

COMPARING 2030 EMISSIONS TARGETS

All six major US banks have published 2030 targets for key high-emitting sectors, including two main fossil fuel sectors, energy 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 fall well short of what is needed in order to achieve the goal of net-zero emissions by 2050, though some are doing significantly better than others.

Key standards for banks' 2030 emissions targets:

- Disclosure of the baseline year and emissions data that targets are based on;
- Targets must be based on a credible, publicly-available scientific scenario aligned with net-zero emissions by 2050 and limiting warming to 1.5°C;
- Separate targets for emissions from lending and underwriting (once baseline facilitated emissions are disclosed);
- Targets must use the carbon dioxide equivalent (CO_2e) metric;
- Targets for oil and gas sector emissions are separate from other energy sector targets;
- For the oil and gas sector, banks must set absolute emissions targets, in addition to emissions intensity targets;
- For the oil and gas sector, targets must cover the entire supply chain, including exploration, production, 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 correlate to a reduction in emissions on an absolute basis.

Further explanation of these standards is provided below. **As of this publication, the major US banks' 2030 targets for the energy and power sectors do not meet all of these standards.**

Details of banks' targets in the following tables are sourced from publicly available bank publications, as of September 2024: Bank of America,[10] Citi,[11] Goldman Sachs,[12] JPMorgan Chase,[13] Morgan Stanley,[14] Wells Fargo.[15]

SPOTLIGHT: FINANCED & FACILITATED EMISSIONS TARGETS

Banks should set emissions reductions targets for all types of financing and services, including underwriting of bonds and equities. Energy companies seek financing both through bank loans and bond and equity issuances — in fact, for the top six US banks, nearly two thirds (61%) of all financing for fossil fuel expansion comes from underwriting bonds and equities.[16] In many cases, bond issuances account for a much larger portion of new capital for fossil-fuel companies than loans.[17] Because the bond market is subject to less public scrutiny and transparency, polluting companies have ready access to billions 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 essential for banks to set targets to reduce the emissions resulting from underwriting (facilitated emissions) and not just from lending (financed emissions).

In December 2023, the Partnership for Carbon Accounting Financials (PCAF), a global partnership of more than 450 financial institutions, published a long-awaited standard for how its signatory banks are expected to account for their facilitated emissions. The guidance was published after protracted debate over the best way for banks to disclose these emissions, and pressure from shareholders and advocacy groups for banks to disclose and set targets for reducing them. The guidance established a first-of-its-kind standard for measuring and reporting facilitated emissions, and provided detailed methodological guidance with the aim of supporting banks in producing consistent and comparable emissions disclosures. The final proposed methodology — which faced months of contentious debate — requires signatory banks to report their facilitated emissions using a 33% weighting factor and account for capital markets transactions in the year the facilitation occurs.

Morgan Stanley, Citi, and Bank of America were members of a group of banks serving on the PCAF working group to develop this methodology, and all have pledged to 'work toward' including facilitation in their targets once the PCAF guidance was final.[18] However, since the guidance was published in 2023, none of these three have published their underwriting target or publicly announced a timeline for when they plan to do so.

It is worth noting that the NZBA updated guidelines, issued in April 2024, state that all signatory banks are required to include capital markets activities (underwriting) in their targets by November 2025.[19] As signatories of the NZBA, Morgan Stanley, Citi, and Bank of America are expected to comply. Still, the concern is not only about *when* the banks will adopt such targets, but also the *approach* they will take for setting them. JPMorgan Chase, Wells Fargo, and Goldman Sachs, to their credit, have all included underwriting in their emissions reductions targets since 2021. However, because these targets are not based on any standardized methodology — such as the one proposed by PCAF — it is difficult to evaluate their credibility and level of ambition, or to make comparisons within the industry.

Emissions reductions targets should be tailored for specific asset classes. The most credible approach for target-setting tailors emissions reduction strategies by asset class, thus reflecting the unique characteristics which differentiate loans and securities, and banks' role in these transactions. Morgan Stanley, Citi, and Bank of America — all of which have yet to set a target for reducing facilitated emissions — should adopt this approach. JPMorgan Chase, Goldman Sachs, and Wells Fargo — which have set combined targets covering both financing (lending) and facilitation (underwriting) — should re-evaluate this approach and follow the best practice of setting separate targets for financed and facilitated emissions reductions.

Emissions reductions targets should be based on a carbon dioxide equivalent (CO_2e) metric. A CO_2e 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.[20] For the oil and gas sector, the use of a CO_2e metric is most critical for operational emissions (Scopes 1 and 2).

Emissions reductions targets should be based on credible scientific scenarios aligned with 1.5°C. There are several primary scientific scenarios which lay out the path for reaching the goal of net-zero emissions by 2050 and limit global temperature rise to 1.5 degrees Celsius. Most notably, this includes the IEA's Net Zero by 2050 Roadmap for the Global Energy Sector, which makes clear that fossil fuel expansion is fundamentally at odds with reaching our climate goals.[21] Credible targets must be grounded in the best available science, such as the IEA or Intergovernmental Panel on Climate Change (IPCC), and not on privately-sourced and unverified alternatives. In addition, it is necessary 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.

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Emissions Targets: Oil and Gas

2030 EMISSIONS TARGETS: OIL & GAS SECTOR				
Bank	**Sectors & Emissions Scopes**	**Financing Type**	**Baseline Emissions (& Year)**	**Reduction Target**
BANK OF AMERICA	E&P, refining: Scopes 1-2 **(Not midstream or services)**	Lending	7.5 g CO_2e / MJ (2019)	✗ -45% in emissions intensity (4.1 g CO_2e / MJ)
	E&P, refining: Scope 3 **(Not midstream or services)**	Lending	60.6 g CO_2 / MJ (2019)	✗ -29% in emissions intensity (43.1 g CO_2 / MJ) *Not CO_2e metric
CITI	E&P, refining, midstream, services: Scopes 1-3	Lending	143.8 M mt CO_2e (2020)	✓ -29% in **absolute** emissions (102.1 M mt CO_2e)
GOLDMAN SACHS	E&P, refining: Scopes 1-3 **(Not midstream or services)**	Lending & Underwriting	72 g CO_2e / MJ (2019)	✗ -17-22% in emissions intensity (56-60 g CO_2e / MJ)
JPMORGAN CHASE	E&P, refining: Scopes 1-2 **(Not midstream or services)**	Lending & Underwriting	4.9 g CO_2e / MJ (2019)	✗ -45% in emissions intensity (g CO_2e / MJ)
	"Energy Mix": Scope 3	Lending & Underwriting	45.9 g CO_2 / MJ (2019)	✗ -36% in emissions intensity (29.5 g CO_2 / MJ) *Not CO_2e metric
MORGAN STANLEY	E&P, refining, services, storage, transportation: Scopes 1-3	Lending	2,010 t CO_2e / $1MM (2019)	✗ -29% in lending intensity (t CO_2e / $1MM)
WELLS FARGO	E&P: Scopes 1-3; Refining: Scopes 1-2 **(Not midstream or services)**	Lending & Underwriting	97.7 Mt CO_2e (2019)	✓ -26% in **absolute** emissions (72.3 Mt CO_2e)

According to the 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.[22] 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. The Science-Based Targets Initiative (SBTi) guidance for financial institutions specifies that interim emissions reductions targets must use an absolute emissions metric.[23]

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 emissions intensity targets. Because they allow for an increase in new finance for oil and gas, emissions intensity targets for this sector are fundamentally misaligned with a 1.5°C pathway.

In addition to targets for reducing absolute financed emissions, another best practice emerging among major global banks is the adoption of near-term targets for reducing *lending exposure* to oil and gas exploration and production. For example, two of Europe's largest banks — BNP Paribas[24] and Societe Generale[25] — have adopted targets for slashing credit to the sector. Such targets are an important reflection of the fact that continued financing of oil and gas expansion is incompatible with the world's climate goals and banks' net-zero commitments. Thus far, no major US bank has adopted a similar target for reducing credit exposure to the sector.

It is also essential that targets apply across the entire oil and gas supply chain. Most of the major US banks 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.

SPOTLIGHT: JPMORGAN CHASE "ENERGY MIX" TARGET OBSCURES LACK OF OIL & GAS PROGRESS

When the first edition of this report was published in November 2022, all six major US banks had set energy sector targets specifying a narrow focus on oil and gas. Since then, JPMorgan Chase, the world's largest financier of fossil fuels, reversed course on its previous emissions reduction target. In a report published in November 2023, JPMorgan Chase announced that it was scrapping its target for reducing end-use emissions in the oil and gas sector in favor of a new "Energy Mix" target, which broadens the scope to include solar, wind, hydro, biomass, nuclear, and geothermal — in addition to oil and gas.

Previously, JPMorgan Chase had a relatively weak 15% financed emissions intensity reduction target for oil and gas clients' end-use (Scope 3) emissions. Though the bank claims that the updated target represents an increase in ambition, the reality is that this new target may actually be a concerning step backwards.

By changing the scope of the target, it may be easier for the firm to report progress on the target by increasing financing for low-carbon energy without decreasing — or even while increasing — financing for oil and gas expansion. Of course, such financing for clean energy is needed, but providing such financing does not replace the need to also decrease financing for oil and gas.

In response to a shareholder resolution filed by the New York City pension systems, JPMorgan Chase agreed in March 2024 to disclose its relative levels of financing for low-carbon energy versus fossil fuels — also known as an energy supply financing ratio.[26] This should give much-needed clarity into the bank's financing activities, and further emphasizes the arbitrary nature of the bank's decision to adopt its concerning "Energy Mix" target.

As of this publication, JPMorgan Chase is the only bank to alter its emissions reduction target in this way. Distinct targets for Scope 3 emissions in the oil and gas sector, specifically tailored by asset, offer the greatest transparency, ambition, and cross-sector comparability.

Emissions Targets: Power Generation

2030 EMISSIONS TARGETS: POWER GENERATION SECTOR				
Bank	**Sectors & Emissions Scopes**	**Financing Type**	**Baseline Emissions (& Year)**	**Reduction Target**
BANK OF AMERICA	Power Generation: Scope 1	Lending	336.4 kg CO_2 / MWh (2019)	-70% in emissions intensity (100.9 kg CO_2 / MWh) *Not CO_2e metric
CITI	Power Generation: Scope 1	Lending	313.5 kg CO_2e / MWh (2020)	-63% in emissions intensity (115 kg CO_2e / MWh)
GOLDMAN SACHS	Power Generation: Scope 1	Lending & Underwriting	417 kg CO_2e / MWh (2019)	-48-65% in emissions intensity (147-219 kg CO_2e / MWh)
JPMORGAN CHASE	Power Generation: Scope 1	Lending & Underwriting	342.6 kg CO_2 / MWh (2019)	-69% in emissions intensity (105.3 kg CO_2 / MWh) *Not CO_2e metric
MORGAN STANLEY	Power Generation: Scopes 1-3	Lending	1,320 t CO_2e / $1MM (2019)	-58% in lending intensity (t CO_2e / $1MM)
WELLS FARGO	Power Generation: Scope 1	Lending & Underwriting	273 kg CO_2e / MWh (2019)	-63% in emissions intensity (102 kg CO_2e / MWh)

According to the IEA, the transformation of the power sector is a critical component of the clean energy transition for two key reasons.[27] 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 an increasingly clean-powered 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 energy expert groups around the world 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 unabated coal by 2030 and cancel any new development of upstream fossil fuel projects.[28]

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 CO_2e per megawatt hour of electricity produced.

However, these **targets for reducing emissions intensity are only credible only when they correlate to demonstrable reductions in absolute emissions.** Indeed, SBTi specifies that for financial institutions setting emissions reduction targets for the power generation sector, intensity targets are eligible only when they are modeled using an approved 1.5°C sector pathway applicable to companies' business activities.[29] 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 major US 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 correlate to absolute reductions in financed emissions is not credibly aligned with the net-zero by 2050 goal.

Approaches to Offsets in Targets

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 that may 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. Carbon removal refers to technologies that capture and sequester carbon that has been emitted by an industrial process before it can be released in to the atmosphere, or those that directly remove carbon from the atmosphere itself.

There are numerous serious concerns about the use of carbon offsets and removal as reliable indicators of companies' emission trajectories and net-zero commitments. While forest preservation and regrowth is certainly an important part of any climate mitigation strategy, and carbon removal may have a role to play in addressing emissions from sectors that are difficult to decarbonize, incorporating them into net-zero projections can present major challenges with regard to reliability and accuracy.[30] Moreover, many companies that have indicated vaguely at plans to pursue these strategies do not follow through with them, and they often cannot show that they have the capability of implementing them at the scale needed to achieve the emission reductions that are needed to meet their commitments.

Therefore, the most ambitious 2030 targets should be based only on actual emissions reductions, and not rely on speculative efforts at implementing carbon offsets or removal.

Of the major US banks, 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, to date, has not specified its position.

Other Sectoral Targets

The six major US banks have all set targets for other sectors — in addition to energy production and power generation — including auto manufacturing, cement, aviation, and iron and steel production. The NZBA guidelines say that members should set emissions targets "for all, or a substantial majority of, the carbon-intensive sectors," which also includes agriculture, aluminum, real estate, and transport. Some of the metrics for evaluating the credibility of targets in the power and energy sectors are applicable to these other sectors, including absolute emissions, carbon equivalent metrics, and comprehensive asset coverage.

Along with their sectoral targets, the banks have a number of additional sustainability initiatives, including targets for increasing “sustainable finance” — which includes capital and services provided for renewable energy and other climate technologies, as well as a broad range of eligible sectors including education, housing, and healthcare. Further, some of the banks have specified climate initiatives, such as JPMorgan Chase’s work focused on reducing methane emissions and flaring in the oil and gas sector.[31] Though they are certainly notable, a full assessment of additional targets and initiatives is beyond the scope of this report.

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COMPARING EXCLUSION POLICIES

Beyond setting sector-specific emissions reductions targets, the big six US banks have also established some policies that delineate which types of projects and companies they will not finance within the fossil fuel industry.

Exclusion policies are a critical 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. Researchers have found that global banks' exclusion policies with coal companies, for example, have had tangible impacts on coal retirements, and by extension, greenhouse gas emissions.[32]

As of this publication, the major six banks have set only modest restrictions on financing in some high-emitting sectors, including oil and gas (particularly in the Arctic region), and coal mining and power generation. Meanwhile, major banks in other countries have made significant progress in restricting financing for coal, oil, and gas. BNP Paribas, the largest bank in the European Union, now no longer provides financing dedicated to the development of new oil and gas fields,[33] and recently announced it would no longer underwrite bonds for oil and gas producers.[34] As for the US firms, much work remains to be done to broaden the scope of these exclusion policies to restrict financing for the polluting companies failing to align with a net-zero by 2050 decarbonization pathway. *Details of banks' policies in the following tables are sourced from publicly available bank publications, as of September 2024: Bank of America,[35] Citi,[36] Goldman Sachs,[37] JPMorgan Chase,[38] Morgan Stanley,[39] and Wells Fargo.[40]*

SPOTLIGHT: BANK OF AMERICA ROLLS BACK POLICIES FOR COAL & ARCTIC DRILLING

When the first edition of this report was published in November 2022, all six major US banks had adopted a limited exclusion policy restricting direct project financing for oil and gas in the Arctic. In December of 2023, Bank of America quietly rolled back their policy excluding financing for Arctic oil and gas, as well as coal. The original policy explicitly stated that the bank would not directly finance oil and gas projects in the Arctic, new or expanded coal-fired power plants, and new or expanded thermal coal mines. The new policy now states that such projects, among others, will go through "enhanced due diligence" and senior-level review, placing them under a new category of "business escalations". The previous policy placed these types of projects under the category of "business restrictions" and stated that the bank was "unable to engage" in these activities.

In November 2020, Bank of America became the last of the six largest US banks to commit to not finance Arctic drilling projects,[41] which was reflected in its policy update the following year, along with its commitment to not finance coal-fired power plants.[42] Bank of America's policy to not finance thermal coal mining projects dates back to 2015.[43] The five other major US banks all have explicit exclusions on financing Arctic drilling, thermal coal mining, and coal-fired power projects. Many other global banks also have restrictions on financing for the oil and gas[44] and coal sectors.[45]

Exclusion Policies: Oil and Gas

Some global banks have adopted exclusion policies which restrict financing for a range of projects in the oil and gas industry, including tar sands, offshore drilling, fracking, gas pipelines and export terminals, and more. Banks in other jurisdictions have forged ahead with industry-leading practices, adopting exclusion policies which restrict financial services for upstream and midstream oil and gas, and in some cases exclude financing for companies expanding oil and gas altogether. By comparison, the major US banks fall behind these international best practices.

Key standards for oil and gas financing exclusion policies:

- Policy rules out project-level 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;[46]
- Policy phases out financing for the oil and gas sector overall on a 1.5°C-aligned timeline.

FINANCING POLICIES: OIL & GAS

Bank	Financing Exclusions	Sectoral Activities in Exclusion	Excluded Geographic Scope
BANK OF AMERICA	✗ **Project level:** No exclusion; enhanced due diligence for the Arctic ✗ **Corporate level:** No exclusion; enhanced due diligence for the Arctic and oil sands	**Arctic:** N/A (oil and gas exploration and production)	**Arctic and oil sands:** N/A, not specified
CITI	✓ **Project level:** No project financing in the Arctic and the Amazon ✗ **Corporate level:** No exclusion; due diligence for clients operating in the Amazon, oil sands, frontier exploration, LNG terminals, midstream pipelines	**Arctic:** Oil and gas exploration, development or production **Amazon:** Expansion of oil and gas operations	**Arctic:** Arctic Circle **Amazon:** Not specified
GOLDMAN SACHS	✓ **Project level:** No direct financing for projects in the Arctic ✗ **Corporate level:** No exclusion; enhanced due diligence for transaction with conventional and unconventional oil and gas, oil sands, and Arctic oil	**Arctic:** New upstream oil exploration or development (gas not specified)	**Arctic:** Not specified
JPMORGAN CHASE	✓ **Project level:** No project financing or other forms of asset-specific financing in the Arctic ✗ **Corporate level:** No exclusion; enhanced review for clients operating in the Arctic or involved in oil sands	**Arctic:** New upstream, midstream or downstream oil and gas assets in the Arctic, or the acquisition, expansion and/or refinancing of existing upstream, midstream or downstream oil and gas assets	**Arctic:** 10°C July Isotherm boundary (explicitly includes the Arctic National Wildlife Refuge)
MORGAN STANLEY	✓ **Project level:** No direct financing for projects in the Arctic ✗ **Corporate level:** No exclusion; enhanced due diligence for transactions in the Arctic, oil sands, ultra-deepwater, fracking, pipelines, and LNG terminals	**Arctic:** New oil and gas exploration and development in the Arctic	**Arctic:** Not specified (explicitly includes the Arctic National Wildlife Refuge)
WELLS FARGO	✓ **Project level:** No project financing in the Alaskan Arctic region ✗ **Corporate level:** No exclusion; enhanced due diligence for clients engaged the Arctic, fracking, offshore, and midstream operations	**Arctic:** Oil and gas	**Arctic:** Alaskan Arctic region

Arctic Oil and Gas Policies

The only exclusion policy for the oil and gas sector that has been previously adopted by all of the major US banks is for project financing in the Arctic, but even those policies are inconsistent and lacking.

Following years of concerted pressure from Indigenous People (led by the Gwich'in Nation), environmental groups, and investors, all six major US banks committed to rule out financing for projects in the Arctic. This was and remains 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. For one, there is some inconsistency in how banks define "Arctic." This should be easy to resolve — policies should apply to the entire onshore and offshore region within the Arctic Circle.

The most serious issue with the banks' Arctic policies is that all apply to project financing only. This means that banks have no policies restricting financing for companies that are involved in expanding oil and gas production in the Arctic. Considering the vast majority of bank financing for oil and gas is corporate financing — rather than project-specific — these policies essentially create a massive loophole.

At minimum, all six US 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 the Arctic in order to ensure more complete coverage in this highly sensitive and risky region.

Photo: iStock/Miguel Perfectti

Exclusion Policies: Thermal Coal

The major US banks are among the roughly 300 financial institutions around the world that have adopted policies restricting financial services to the coal sector.[47] Bank of America's recent decision to eliminate its coal exclusion policy puts it strictly at odds with the majority of the world's largest banks. Coal exclusion policies address a range of elements within the thermal coal 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. As is the case with much of their climate policies, the US bank coal policies lag far behind the best practices on coal financing set by international leaders.

Key standards for coal financing 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 (potential exceptions for financing the early closure of coal assets on a 1.5°C-aligned timeline);[48]
- 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.

In addition to thermal coal policies, it is important to note that global banks are also being called upon to stop financing for new *metallurgical* coal production.[49] While thermal coal is used for electricity generation, metallurgical coal is predominately used for steelmaking and is refined into coke, a material combined with iron ore in a blast furnace to produce primary steel. While some US banks now have emissions targets for financing steel, none appear to have policy restrictions on funding metallurgical coal.

Project Finance Exclusions: Coal Mining and Power

Five of the six major US banks still have a policy in place excluding financing for new and expanded thermal coal mines and plants. However, 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.[50]

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. 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. Further, Citi makes an exception for transactions pursued in the context of a low-carbon transition strategy. This exception could leave room for financing that supports the managed phaseout of coal assets, but it could also be used to justify investments in CCS for coal plants, which is not aligned with credible scenarios for 1.5°C.

Corporate Finance Exclusions: Thermal Coal Mining

FINANCING POLICIES: THERMAL COAL MINING

Bank	Financing Exclusions	Phase-out Timeline
BANK OF AMERICA	**Project level:** No exclusion for thermal coal mines; transactions subject to enhanced due diligence **Corporate level:** No exclusion for coal mining companies; companies with ≥25% of revenue from thermal coal mining subject to enhanced due diligence	**No commitment to phase out financing** for thermal coal mining (but states it is on a trajectory to phase out clients with ≥25% of revenue from thermal coal mining by 2025)
CITI	**Project level:** No project-related financing for new or expanded thermal coal mines **Corporate level:** No current exclusion for coal mining companies; plans to phase out clients deriving ≥25% of revenue from thermal coal mining	**Commitment to phase out financing** for companies deriving ≥25% of revenue from thermal coal mining, as follows: - By the end of 2025, reduce credit exposure by at least 50% from a 2020 baseline - After 2025, no capital markets transactions or mergers and acquisition advisory and financing - By the end of 2030, all remaining exposure reduced to zero
GOLDMAN SACHS	**Project level:** No financing for new thermal coal mines or any mountaintop removal mining **Corporate level:** No exclusion for coal mining companies; transactions subject to enhanced due diligence	**Commitment to phase out financing** for thermal coal mining companies with no diversification strategy within a "reasonable" timeframe
JPMORGAN CHASE	**Project level:** No financing for new coal mines, or acquisition, expansion and/or refinancing of existing coal mines **Corporate level:** No financing for clients deriving the majority of their revenues from coal extraction, clients involved in mountaintop coal mining	**Commitment to phase out exposure** to companies with >50% of revenue from coal mining by the end of 2024
MORGAN STANLEY	**Project level:** No financing for mountaintop removal mining; no financing for new thermal coal mines or expansion of existing mines **Corporate level:** No financing for companies with more than a limited portion of annual coal production from MTR, or companies without plans to eliminate existing MTR operations; plans to phase out clients deriving >20% of revenue from thermal coal mining	**Commitment to phase out financing** for companies with >20% of revenue from thermal coal mining, as follows: - By 2025, no financing unless they have a public diversification strategy or the transaction facilitates diversification - By 2030, phase out remaining credit exposure
WELLS FARGO	**Project level:** No financing for new coal mines or the expansion of existing mines **Corporate level:** No direct financing for companies deriving majority of revenues from coal extraction or from mountaintop removal coal operations	**No commitment to phase out financing** for coal mining

When it comes to policies restricting financing for coal mining companies, the big six US banks begin to differentiate themselves. However, all six fall short of the best practices set by international leaders. **A robust exclusion policy for coal mining companies should restrict financing for companies that derive over 20 percent of their revenue from coal mining, with the ambition of gradually decreasing this threshold over time. It is essential that the policy not only apply to new clients, but to existing clients as well.**

Citi and Morgan Stanley have both made commitments to phase out financing for companies deriving around a quarter or more of their revenue from thermal coal mining by 2025. Morgan Stanley and Citi have also provided timelines for their phase out of thermal coal mining, with the end goal reaching zero exposure to coal mining companies meeting or exceeding the 20-25 percent revenue threshold by 2030. Goldman Sachs and JPMorgan Chase have the weakest policies of the group for coal mining companies. The most serious issues with their policies are the ambiguity and high revenue thresholds that make the policies almost entirely ineffective. Wells Fargo, for its part, states that it currently does not directly or indirectly provide new financing, or is in the process of exiting existing relationships or reducing our exposure as contracts expire, for the coal industry. However, this is not a clear or detailed enough policy to accurately gauge its credibility.

Corporate Finance Exclusions: Coal Power

FINANCING POLICIES: COAL POWER

Bank	Financing Exclusions	Phase-out Timeline	Exclusion Exceptions
BANK OF AMERICA	✗ **Project level:** No exclusion; only enhanced due diligence for new or expanded coal-fired power plants ✗ **Corporate level:** No exclusion for companies building or operating coal-fired power plants	✗ **No commitment to phase out financing for coal power**	Enhanced due diligence exemption for coal plants using CCS
CITI	✓ **Project level:** No financing for new or expanded coal-fired power plants, including refinancing ➡ **Corporate level:** No new clients with plans to expand coal-fired power generation; no new clients with ≥20% of power generation from coal-fired power plants (unless clients disclose their emissions and pursue a Paris-aligned transition strategy)	**Commitment to phase out financing, as follows:** After 2025: No financing for clients without a Paris-aligned transition strategy; no new clients involved in power generation that do not align with a Paris-aligned pathway After 2030: No financing for clients in OECD countries with ≥5% of power generation from coal; no financing for non-OECD clients without a transition plan to reduce power generation from coal to <5% by 2040	After 2025: Possible exception for regulated utilities or state-owned entities that are constrained by legal or regulatory requirements; or if the transaction is being pursued as part of a low-carbon transition strategy or managed phaseout
GOLDMAN SACHS	➡ **Project level:** No financing for new coal-fired power plants ✗ **Corporate level:** No exclusion for companies with a significant portion of generation from coal; subject to enhanced due diligence	✗ **No commitment to phase out financing for coal power**	Coal power plants using CCS
JPMORGAN CHASE	✓ **Project level:** No financing for new coal plants, or acquisition, expansion and/or refinancing of existing coal plants ✗ **Corporate level:** No exclusion for companies with operations involving coal-fired power, only subject to enhanced review	✗ **No commitment to phase out financing for coal power**	Coal power plants using CCS and financing to support transition away from coal are considered on a case-by-case basis
MORGAN STANLEY	✓ **Project level:** No financing for new or expanded coal-fired power generation or for stand-alone coal-fired power plants ✗ **Corporate level:** No exclusion for coal-fired power generation; transactions subject to enhanced due diligence	✗ **No commitment to phase out financing for coal power**	Coal power plants with CCS or carbon emissions reduction technology
WELLS FARGO	✓ **Project level:** No financing for new or expanded coal-fired power plants ✗ **Corporate level:** No exclusion for coal-fired power generation	✗ **No commitment to phase out financing for coal power**	Coal power plants with CCS considered on a case-by-case basis

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 exclusion 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.**

In addition to its exclusion policies, Citi is the only bank in this group to set a target for reducing financed emissions in the thermal coal sector: In 2023, the bank announced that it planned to slash its absolute financed emissions from the sector 90% by 2030. In 2024, Citi reported that it had drastically reduced its exposure to the thermal coal sector, and as a result, its financed emissions in the sector had been cut nearly in half since 2021.[51]

The remaining five banks have yet to meet Citi's level of ambition on coal financing policies and targets. However, while Citi's commitments are stronger than those of its US peers, they fall 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.[52]

Photo: iStock/Urbanscape

COMPARING CLIMATE DISCLOSURES

In addition to targets and policies, some of the banks have disclosed information about their climate impacts and net-zero alignment strategies, including financed and facilitated emissions, client assessment frameworks, and energy financing data. Climate-related disclosures are an important baseline upon which a bank's net-zero strategy is built.

There are several critical pieces of information that banks should disclose to regulators, investors, and other stakeholders in order to ensure sufficient transparency that helps guide the firm's net-zero strategy and provides more external clarity on its risk management practices.

It is important to stress that improved disclosures are a necessary preliminary step, but are in no way a replacement for actions that actually make progress toward a bank's climate commitments. Even still, there is daylight between the disclosure practices of the major US banks that warrants clear evaluation. Though this report does not include a comprehensive list of all climate-related disclosures, the following are among the most important.

Key standards for climate-related disclosures:

- Disclosure of absolute financed emissions annually (starting with at least the energy sector), including methodology;
- Disclosure of facilitated emissions (starting with at least the energy sector), including methodology, and disclosed separately from financed emissions;
- Disclosure of an energy financing ratio specifying annual finance and facilitation ratio of fossil fuels to renewable energy;
- Disclosure of a client assessment framework, including assessment of planned high-carbon capital expenditures;
- Disclosure of client assessment scores, based on the disclosed framework; and
- Disclosure of a client alignment strategy, which should include phasing out exposure to clients not able or willing to align with a credible pathway to net-zero by 2050.

Further explanation of these standards is provided in the following pages. As of this publication, none of the major US banks' current disclosures meet all of these standards.

Details of banks' disclosures in the following table are sourced from publicly available bank publications, as of September 2024: Bank of America,[53] Citi,[54] Goldman Sachs,[55] JPMorgan Chase,[56] Morgan Stanley,[57] and Wells Fargo.[58]

CLIMATE-RELATED DISCLOSURES

Bank	Absolute Financed Emissions (Oil & Gas)	Facilitated Emissions (Oil & Gas)	Energy Financing Ratio	Client Assessment Framework	Client Assessment Scores	Client Alignment Strategy
BANK OF AMERICA	Yes – using PCAF methodology	Forthcoming	No	Yes – mentions broad factors in "Climate and Environmental Risk Assessment" score, but not how they are measured (including CapEx, but only for "net-zero transition")	No	No
CITI	Yes – using PCAF methodology	Yes – separates lending & capital markets; PCAF methodology	Forthcoming	Yes – explains factors in "Net Zero Review Template" including clients' emissions and decarbonization plans (including CapEx, but only for "transition-related activities")	Yes – preliminary results for energy & power sector clients	No
GOLDMAN SACHS	No	Yes – combines lending & capital markets; non-PCAF methodology	No	No published framework	No	No
JPMORGAN CHASE	Yes – using non-PCAF & PCAF methodology	Yes – 100% weight, 3-year rolling average for capital markets; non-PCAF methodology	Forthcoming	Yes – explains factors in "Carbon Assessment Framework" to score clients on quantitative & qualitative factors (including CapEx, but only for "decarbonization")	No	No
MORGAN STANLEY	Yes – using PCAF methodology	Forthcoming	No	Yes – explains factors in "Climate Strategy Assessment Framework" for clients' transition plans & commitments (including CapEx, but only for "low-carbon")	No	No
WELLS FARGO	Yes – using non-PCAF methodology; combines lending & capital markets	Yes – combines lending & capital markets; 100% weighting, 5-year amortization; non-PCAF methodology	No	No published framework	No	No

Emissions disclosures: It is essential that banks disclose their absolute financed emissions, including methodology and relevant information about data quality. Additionally, banks should disclose facilitated emissions, and the same accompanying information, separately. These practices are recommended by the PCAF.[59] The NZBA requires banks to disclose absolute financed emissions, and disclosure of facilitated emissions will be required by November 2025.[60]

Energy financing ratio: The disclosure of this metric is a relatively new trend, which has spread partly in response to growing investor demand for greater transparency from banks on their energy financing activities. Research from BloombergNEF has shown that in order to meet climate goals, financing for renewable energy must reach a 4:1 ratio relative to fossil fuel financing by 2030.[61] In 2024, the New York City Comptroller filed a shareholder resolution requesting banks disclose their energy financing ratio. To date, of the US banks, only Citi and JPMorgan Chase have agreed to begin disclosing this figure.

Client assessment frameworks: Several banks have disclosed some form of client assessment framework, which specifies how it is evaluating clients in high-polluting sectors, including on their emissions disclosures, reduction targets, and decarbonization plans. Not all assessment frameworks are created equal, though as is generally the case, the more comprehensive disclosures are most useful for investors, regulators, and other stakeholders. One critical component is an evaluation of high-carbon capital expenditures — put simply, banks should evaluate their clients based on their past and planned spending on high-carbon activities. For example, oil and gas companies should be evaluated not just on their investments in renewable energy projects, but also on their continued or new investments in oil and gas projects.

Client assessment scores: In addition to this framework, banks should disclose how their clients are performing relative to the assessment framework that is disclosed. Thus far, Citi is the only major US bank which has done this — its most recent climate-related disclosures report disclosed, for the first time, percentages of energy and power sector clients deemed to have “Strong, Medium Strong, Medium Low, or Low” scores, along with short definitions for each category by sector. However, Citi only disclosed those percentages for *assessed* clients, and did not indicate how many of its clients in those sectors were assessed, nor did it disclose the relative size of those clients or the bank’s exposure to them.

Client alignment strategy: This is a core accountability mechanism for implementing and operationalizing client assessment frameworks. This is an emerging area of focus on the financial sector, and there is a growing body of research on transition plans, which serve this very purpose. The alignment strategy should detail the expectations the bank is placing on high-carbon clients, including how they are communicating these expectations and their plan for escalating engagements with clients failing to meet these expectations. Such escalations could include measures such as raising borrowing rates, including use-of-proceeds restrictions in loan agreements, or declining further transactions for clients who fail to improve their assessment scores within a specified time frame. The client alignment strategy is closely linked to the bank's exclusion and phaseout policies, and establishes a general plan for how banks will actually implement and achieve their climate goals. As of yet, none of the six US banks have disclosed a credible client alignment strategy.

Meanwhile, some global peers have begun to take proactive steps in the right direction on client alignment strategies. For example, in January 2024, HSBC, the largest bank in Europe, published its first-ever transition plan, detailing its plan for operationalizing and achieving its emissions reduction targets. Though the bank stopped short of committing to fully restrict financing for polluting sectors, the plan clearly states the bank’s intention to reconsider ongoing financing and services to clients who after repeated engagement are deemed incompatible with the firm's targets and commitments.[62]

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 the world's goal of limiting global warming to 1.5°C.

In fact, reaching this goal will require an enormous transformation of our global energy system. One of the most consequential findings in the IEA's Net Zero Roadmap 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 since the Paris Agreement.[63] Meanwhile, those six banks 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. In general, the targets and exclusion policies of the major US banks fall far behind international best practices and what is required in order to achieve their own climate commitments.

With some exceptions, the major US banks have generally kept up with one another with their policies, targets, and disclosures. 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. Additionally, Citi has exceeded this peer group with more transparent disclosures, with JPMorgan Chase following close behind with its own disclosures. Despite some small bright spots, across the board, all six major US banks are significant 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. This includes the following steps, among others:

1) Raise ambition of 2030 targets: Ambitious 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.

3) Improve transparency and comprehensiveness of disclosures: Robust disclosures are a key pillar for credible net-zero plans. Banks must transparently disclose financed and facilitated emissions, which are necessary for providing a clear understanding of emissions reductions targets and progress toward achieving them. Though emissions disclosures are the most elemental aspect of climate plans, several of the major US banks are still not hitting the mark. Additionally, much improvement needs to be made regarding banks' client assessment frameworks, and the accompanying disclosures of client scores and alignment strategies. Without clear information about the expectations banks are communicating to their high-carbon clients, and their plans for ensuring these expectations are actually met, banks' net-zero commitments remain entirely aspirational.

Photo: iStock/Dmitry Vinogradov

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