Bank climate pledges in doubt after U.S. giants sit out global agreement

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Wells Fargo spokesperson E.J. Bernacki said the bank only set its net-zero goal in March. | CX Matiash, File/ AP Photo

A new financial sector climate change initiative unveiled Wednesday included notable absences from Wall Street, raising questions about whether some of the biggest U.S. banks will follow through on sweeping sustainability pledges.

JPMorgan Chase, Goldman Sachs and Wells Fargo weren't among the initial signatories for the so-called Net-Zero Banking Alliance, even though counterparts Morgan Stanley, Bank of America and Citigroup enlisted. The banking group is part of the broader Glasgow Financial Alliance for Net Zero chaired by former Bank of England Governor Mark Carney, now the UN Special Envoy on Climate Action and Finance.

All six of the largest U.S. banks have previously agreed to achieve net-zero emissions by 2050 or to execute Paris Climate Agreement-aligned targets. But Wednesday's announcement revealed that half of them were not ready to join a common framework for tracking and verifying those emissions, setting interim targets for 2030 and identifying ways to reduce financing for sectors like oil and gas.

The absence of major U.S. banks set off alarms among climate advocates, who have warned that lenders' climate pledges may amount to "greenwashing" that delivers more of a PR bump than help to combat global warming.

"In the absence of optimal transparency and accountability, clients should be questioning how much and what is really taking place behind the scenes," said Vanessa Fajans-Turner, executive director at BankFWD, which aims to end fossil fuel financing.

The absence of the biggest U.S. banks from the global sustainability push underscores the tensions at play as the Biden administration and other governments try to leverage financial firms to help fight climate change.

The banking alliance led by Carney commits 43 banks with assets totaling $28.5 trillion to align “climate commitments with the Paris Agreement goals with collaboration, rigour and transparency,” according to a statement by the group. The Paris Climate Agreement aims to get all countries to set national targets to prevent global temperatures from crossing a tipping point of 2 degrees Celsius — and, ideally, 1.5 degrees Celsius — above pre-industrial levels.

The news comes on the eve of President Joe Biden’s climate summit, where the U.S. on Thursday and Friday will unofficially re-enter the global climate arena — after retreating in the Trump era — amid the company of 40 invited heads of state.

U.S. climate envoy John Kerry has focused on securing new pledges and specifics from banks, especially on nearer-term targets.

“Ultimately, their commitment of capital and assets, as well as adherence to high standards and reporting, will accelerate the transition to this new economy, create a massive number of new jobs and increase our collective ability to tackle the climate crisis,” Kerry said in a statement.

The rash of recent U.S. bank announcements to hit net-zero emissions by 2050 amounted to a “read-the-tea-leaves” moment when Biden won the election, as lenders sensed a more aggressive round of regulation to steel the financial system against climate change, said Ivan Frishberg, director of impact policy at Amalgamated Bank.

That any of the six largest U.S. banks were on the rollout of a climate change initiative should be applauded, but many still have work to do ahead of climate change talks this November in Glasgow, Scotland, said Frishberg, who was involved in setting the guidelines for the Net-Zero Banking Alliance.

Some, like JPMorgan, were “not ready to follow a global rule set,” he added.

Wells Fargo spokesperson E.J. Bernacki said the bank only set its net-zero goal in March and that it is “doing the work right now in trying to operationalize the goal we committed to, which is very similar structurally” to the alliance framework. He did not rule out joining at a later date.

Goldman Sachs spokesperson Andrew Williams said the bank is communicating with teams at the United Nations and officials handling the Glasgow conference. “[C]ollaborative efforts like this one are important in addressing climate change and measuring progress towards long term targets,” Williams said.

JPMorgan spokesperson Steve O’Halloran said the bank has committed to $2.5 trillion of clean energy and sustainable financing over the next decade and that it is “already taking steps to drive toward net zero carbon emissions by 2050.” He said the bank would release its own methodology next month, “which will cover financing in some of the most carbon-intensive sectors.”

But agreeing to a common framework provides much needed transparency beyond those numbers, said Fajans-Turner with BankFWD.

While she said boosting clean energy finance is laudable, JPMorgan — the largest U.S. bank — still financed $51.3 billion of fossil fuel projects last year, nearly matching the $55 billion it devoted to clean energy, according to Rainforest Action Network.

The alliance has another weakness: it doesn’t explicitly call for ending fossil fuel finance, said Valerie Rockefeller, the great-great-granddaughter of Standard Oil Co. founder John D. Rockefeller and whose family’s assets are largely held by JPMorgan. Her family’s affiliated non-profits, including the Rockefeller Foundation, Rockefeller Brothers Fund and WinRock, on Wednesday agreed to put its $13 billion in assets behind BankFWD’s pledge urging banks to phase out fossil fuel financing, advocate for climate policy and that people move assets out of banks that insufficiently address climate change.

Rockefeller said any financing for energy projects that expand the use of fossil fuels is largely inconsistent with a net-zero target given those assets last decades, rely on more nascent carbon capture or removal technology or depend on offsets that do not reliably account for emissions reductions.

“Comparable metrics are a challenge that we all need to be working on together,” Rockefeller said of JPMorgan. “My fear is that they are avoiding accountability."

Some Wall Street leaders have warned about economic risks from withdrawing financing for industries that contribute to climate change. JPMorgan CEO Jamie Dimon said earlier this month that "the solution is not as simple as walking away from fossil fuels."

"We will need resources such as oil and natural gas until commercial, affordable and low-carbon alternatives can be developed to meet all of our global energy needs," he said.

Frishberg predicted more U.S. banks will join the net-zero alliance later in the year, noting there’s a natural “tension” between activists that want to see immediate details after climate commitments and the time it actually takes to develop a plan.

In the meantime, banks are getting some cover from Republicans in Congress.

A dozen GOP senators said in a letter to Kerry on Wednesday that they were concerned he is "pressuring banks to make extralegal commitments regarding energy-related lending and investment activities."

"Misusing government power to influence bank lending and investment practices will distort capital allocation, raise energy costs for consumers, and slow economic growth," said the Republicans led by Sen. Pat Toomey of Pennsylvania, the top GOP senator on the Senate Banking Committee.