



Mr Michael Bloomberg and Dr Mark Carney
Co-Chairs
Glasgow Financial Alliance for Net Zero

cc: steering groups, advisors, secretariats and convenors of GFANZ and its member alliances

21 April, 2022

Dear Mr Bloomberg and Dr Carney

We are writing to you on the first anniversary of the launch of Glasgow Financial Alliance on Net Zero. We note the impressive contribution that both of you have made to the cause of decarbonizing finance, and in particular your role, Mr Bloomberg, in supporting the global movement to end coal power. We also commend you, Dr Carney, for [your statements](#) recognizing the need to accelerate the transition away from fossil fuels and toward a clean economy, and for putting together such a large alliance of financial firms committed to playing their role in cutting global emissions by [50% by 2030](#) as an essential step in aligning the global economy with 1.5°C.

However, we are concerned that without further strong leadership from both of you, GFANZ is at risk of becoming a smokescreen to hide the finance sector's foot dragging on decarbonization. As you have [recently warned](#), Dr Carney, we are now "dithering towards climate disaster." Without a major increase in ambition, it is hard to see how the GFANZ alliances and initiatives will halve their financed, facilitated and insured emissions within the next eight years, especially given [the disturbing news](#) that global energy-related emissions soared to their highest ever level in 2021.

In the past year we have seen very few indications that the major members of GFANZ are serious about withdrawing financial services from the fossil fuel industry, despite repeated extreme weather disasters, a further three alarming reports from the IPCC, and the stark illustration of the link between fossil-fuel dependence and brutal authoritarianism given by Putin's invasion of Ukraine.

The litmus test for credible climate policies was made clear just one month after GFANZ's launch when the IEA's [special report](#) on how to transition to a net-zero energy system concluded that there is no room in the tightly constrained 1.5°C carbon budget for any further investments in new fossil fuel supply

projects. The Net-Zero Asset Owner Alliance [lobbied for](#) the IEA to undertake its 1.5° scenario, and four of the other GFANZ alliances mention this report in their criteria and guidelines. Yet no GFANZ

alliance has taken meaningful steps to require its members to act upon the IEA's findings and insist that the companies they support cease their investments in fossil expansion.

The absolute minimum expected of a 1.5°C-aligned financial institution should be to end finance to the developers of new coal projects, and to any company that lacks 1.5°C-aligned coal phase-out plans. Yet the [Coal Policy Tool](#) shows that, as of April 2022, only 60 out of 240 of the largest GFANZ members have any policy excluding support for coal companies developing new coal projects. Of these 60 financial institutions, just 11 have adopted robust policies to end financial services for all companies building new coal mines, plants and related infrastructure. In addition, only 18 of these 240 GFANZ members require companies to which they provide financial services to adopt 1.5°-aligned coal phase-out plans. And even these policies may be having little impact. The Reclaim Finance [Coal Companies Watchlist](#) shows that the financial institutions that require their clients to adopt coal phase-out plans have so far almost completely failed to take action against companies with non-existent or inadequate plans.

While GFANZ members' actions on coal are shockingly inadequate, those on oil and gas are even worse. Out of 74 of the largest members of GFANZ analyzed by the [Oil and Gas Policy Tracker](#), only la Banque Postale has a strong policy ending support to oil and gas companies developing new supply projects, but this applies only to its banking division and not its asset management arm. Only four others have policies with any mention of restricting some support for oil and gas supply expanders. The overwhelming majority of GFANZ members lack any meaningful restrictions on oil and gas financing.

The result of GFANZ members' resistance to adopting credible fossil fuel policies is that billions of dollars are continuing to flow from GFANZ members to fossil fuels. [Research by urgewald and Reclaim Finance](#) shows that six of the eight top holders of stocks and bonds in the global coal industry as of November 2021 were GFANZ members (through the Net Zero Asset Managers initiative). The value of these assets at the time of the research was \$299 billion. The biggest coal investor, BlackRock (a member of the GFANZ Steering Group), held over \$34 billion in companies developing new coal infrastructure, including mines and power plants.

GFANZ members are similarly deeply involved in financing oil and gas expansion. In 2021, the 44 largest members of the Net-Zero Banking Alliance [provided \\$143.6 billion](#) in lending and underwriting for the 75 companies doing the most to expand oil and gas. This included \$11.6 billion to QatarEnergy (the company with the biggest oil and gas expansion plans), \$13 billion to Saudi Aramco (third biggest expander), and \$10 billion to ExxonMobil (fourth biggest expander). In October 2021, JPMorgan Chase, Mizuho and Unicredit joined the NZBA. The following month they participated in a syndicate that underwrote the sale of \$580 million in bonds for Gazprom (second biggest expander).

GFANZ needs to ensure that its member alliances act with the urgency necessary to halve emissions by 2030. In addition to ceasing finance for companies with plans to expand the supply of fossil fuels and massively increasing finance for the clean economy, all the alliances need to require their members to:

- *Set interim milestones before 2030*

Interim milestones are necessary in order to ensure a sense of urgency and to monitor progress toward the target of halving emissions by 2030. The Net-Zero Asset Owner Alliance, which insists that its members set 2025 targets, is the only GFANZ alliance with pre-2030 targets.

- *Ensure that carbon intensity targets are complemented by absolute emission targets*

The great majority of GFANZ members' targets that have been published so far are based solely on intensity metrics. The inadequacy of only using intensity metrics, in particular for the energy sector, is strikingly illustrated by the fact that "emissions" from fossil fuel companies measured in CO₂e per unit of revenue are currently tumbling — but only because of the spike in fossil fuel prices.

- *Ensure that fossil fuel and power company targets include their Scope 3 emissions*

The alliances allow their investees and clients to decide whether to set targets for their Scope 3 emissions (caused by the use of their products). While for some sectors Scope 3 data may not be available and may not be material to companies' overall climate impacts, this is clearly not the case for the fossil fuel and power sectors, for which Scope 3 targets must be mandatory.

- *Exclude the use of offsets in meeting the 50% by 2030 target*

While the GFANZ alliances' criteria and guidelines mention in various ways some of the key critiques of offsets, none of them have set clear and enforceable limits on the volume and quality of offsets that their members can use in meeting their targets. Such limits are needed to avoid weakening, potentially significantly, the integrity of the alliance's targets through a flood of low quality, non-additional offsets. The alliances should follow the position of the Science-Based Targets initiative that offsets should not be used to meet targets on the way to net zero.

GFANZ also needs to ensure that its member alliances put in place processes to ensure that financial institutions which do not comply with alliance policies face meaningful sanctions, ending with exclusion from GFANZ.

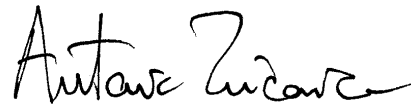
We have seen in the corporate and financial sector's responses to Putin's invasion of Ukraine that when the stakes are perceived to be sufficiently high, financial institutions understand that meaningful action requires divestment. And we have also seen, for example in [BlackRock's response](#) to the invasion, that when investors want passive indices to exclude bad actor companies, this can be done. These examples call into question the repeated arguments that have been made by GFANZ alliances and their members on the supposed superiority of engagement versus divestment, and on why they cannot exclude even coal companies from passive funds. GFANZ should draw the lesson, and make the lesson clear to its members, that [effective engagement](#) requires an escalation process and a time-bound threat of divestment.

Putin's invasion has only served to give even more urgency to the already pressing need to transition to a clean, efficient and just energy economy. We are writing to you, Dr Carney and Mr Bloomberg, to ask that in GFANZ's second year you step up your efforts and provide the leadership that will propel the members of GFANZ to hit the ambitious but essential goal of a 50% cut in emissions by 2030, as a key step on the path to aligning with 1.5°C.

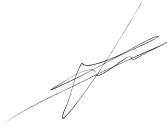
Sincerely,



Lucie Pinson
Executive Director
Reclaim Finance



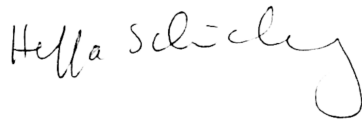
Antonio Tricarico
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Fundación Chile Sustentable	Chile
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Kiko Network	Japan
Leadnow	Canada
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Private Equity Stakeholder Project	USA
Public Citizen	USA
Rainforest Action Network	USA

RapidShift Network	USA
ShareAction	UK
Shift: Action for Pension Wealth & Planet Health	Canada
Sociedad Amigos del Viento	Uruguay
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Women's Earth and Climate Action Network	USA