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EDITO

The super profits that oil and gas majors such as BP, Shell, and TotalEnergies distributed to their shareholders during the crisis were not enough to convince PFZW, the 10th largest pension fund in the world, to retain its investments in oil and gas companies. Noting these companies' lack of willingness to change and their inability to adopt a serious transition plan, despite years of engagement towards this end, it announced last week its divestment from hundreds of companies in the sector.

This decision sheds light on the debate over what constitutes a good transition plan. After the success of "carbon neutrality" as a marketing tool - with no fewer than 920 listed companies committed to such objectives - it is likely that "transition plans" will emerge as the new benchmark for companies wishing to demonstrate their green credentials.

Except that simply claiming to have a transition plan does not mean that a company is actually in transition.

After analyzing 26 public methodological frameworks related to the design and evaluation of transition plans, Reclaim Finance has identified the essential indicators to guarantee that these plans are credible. To be considered robust, a transition plan must include emission reduction targets, a decarbonization strategy, an engagement strategy, reporting and governance, a consideration of biodiversity, and a just transition.

But some red lines must also be respected. Failure to adhere to them is enough to disqualify a plan, and also to indicate that the company cannot be considered to be in transition. Obviously, one of these red lines for the energy sector is the continued expansion of fossil fuels.

According to the NGO, Urgewald's Global Oil and Gas Exit List, 96% of oil and gas-producing companies continue to open new fields. Among them are the oil and gas majors, who are particularly active in developing liquefied natural gas. Each of these projects compromises the goal of limiting warming to 1.5°C just as much as any new coal-fired power plant.

Against this backdrop, PFZW's decision appears to be a lucid, common sense decision. It is futile to hope that oil and gas companies will transition while they are still developing new carbon bombs. Consistent and rigorous climate action requires suspending all new financial services to these companies immediately.

Lucie Pinson,
Director of Reclaim Finance

MUST-READS

Transition plans: robust standards needed to avoid greenwashing

As more and more financial institutions are expected to adopt “transition plans”, Reclaim Finance warns in a new report that the lack of a standardized approach risks significant greenwashing.

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Between engagement and divestment, is there a third way?

Between divestment and commitment, Reclaim Finance proposes a third way : halting the purchase of new bonds while using power as a shareholder to block companies’ climate-wreaking strategies.

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6:1, a ratio to successfully transform our energy system

To ensure this transformation, Reclaim Finance calls on banks to seize the 6:1 ratio to allocate six dollars to sustainable power supply for each dollar allocated to fossil fuels.

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MONTHLY SELECTION

Barclays’ climate strategy = greenwashing and business as usual

Barclays oil and gas policy may seem to show a keen understanding of the urgent need to move away from fossil fuels, but turns out to be disappointing after reading in full.

Call for a radical shift in engaging oil and gas companies

In an open letter, Reclaim Finance asks a group of 50 large investors to radically change their climate-related engagement strategies with oil and gas companies.

Liquefied natural gas: top banks’ policies not solid enough

Even though they are a threat to the climate, the environment and local communities, LNG facilities still are strongly supported by the financial sector, including banks.

Decarbonizing steel: ING first bank to act

Dutch bank ING has become the first major bank globally to stop providing dedicated finance for new unabated steel blast because of climate impacts.

Greening the Eurosystem collateral framework

The ECB should enact strong policies to tackle the carbon bias in its collateral framework by excluding assets from fossil fuel developers.

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