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Major European banks are becoming predictable. In February, Barclays caught up with its peers on climate commitments by excluding direct support for new oil and gas fields. The biggest provider of fossil fuel financing in Europe since the Paris Agreement is the fourth to make such an announcement in the past six months. In total, a dozen major banking groups have aligned with this new standard. However, it is safe to say that a policy that only covers 5% of financial services to the fossil sector (i.e., project financing) effectively means business as usual for Barclays and its peers.

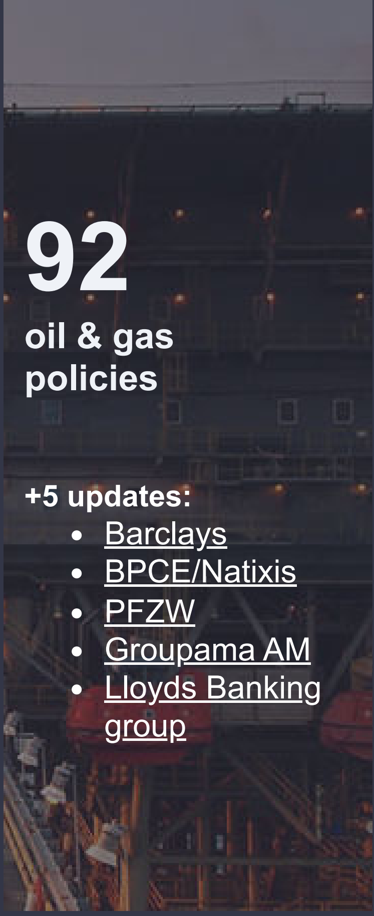
Barclays' policy features the exclusion of midstream infrastructure related to new hydrocarbon fields, but it is unclear whether this includes new liquefied natural gas (LNG) terminals. Even if it does, that will not be much to celebrate. As the January issue of this newsletter highlighted, these misleading announcements that banks like to copy off of each other are full of loopholes. The announcement might sound good, but is unlikely to prevent Barclays from profiting from the climate-wreaking LNG boom.

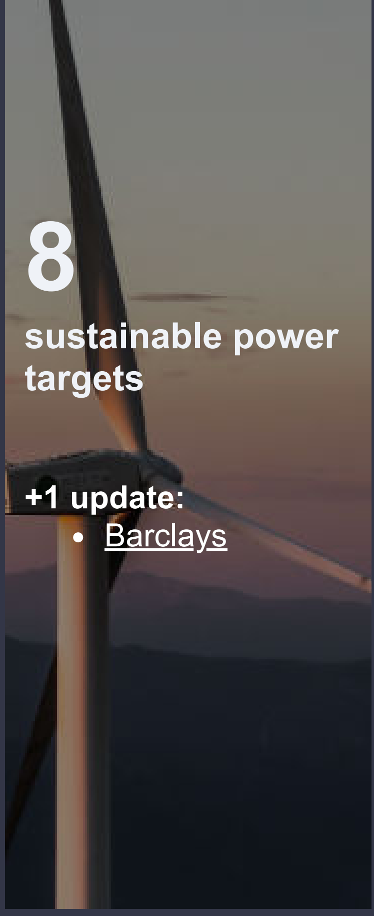
Barclays also joins the lineup of banks tying future financial support to the adoption of transition plans by their clients. But like other banks, Barclays is not asking oil and gas companies for a guaranteed reduction in real-world greenhouse gas emissions. Simply requiring clients to pledge to cut scope 1 and 2 emissions or showing willingness to tackle methane reduction is simply not enough. A company planning to bring new oil and gas resources into production simply cannot claim to be in a transition. Yet, the red line outlawing expansion is never drawn in oil and gas policies.

In a sense, the announcement made by the Dutch investor, PFZW, the 10th largest European pension fund, does acknowledge this scientific necessity. The pension fund is divesting US$2.8 billion worth of oil and gas company shares and bonds. After years of fruitless engagement, the Dutch investor lost faith in the ability of heavyweights like TotalEnergies, Shell, and BP to align with climate science. We call on other investors and banks to also face the facts and take action accordingly.

Noam-Pierre Werlé, Policy Analyst at Reclaim Finance

New policies & updates





Focus on sector policies and transition plans

A growing number of financial institutions are demanding transition plans from their clients. In the absence of a regulatory framework requiring adherence to minimum criteria, this trend primarily amounts to greenwashing, risking the long-term credibility of what is an essential approach to ecological planning.

What should be expected from a transition plan?

Adopting a transition plan is imperative to guide a gradual exit from fossil fuels. However, it is crucial that such a plan truly deserves its name and includes elements to guide the transformation of business models towards alignment with a 1.5°C pathway. 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 absolute 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.

How do financial institutions currently use transition plans?

However, these basic elements are not included in the majority of frameworks adopted by financial institutions to analyze their clients' transition plans. Financial institutions' requirements are sometimes far too weak to ensure any semblance of credibility for these "plans." That is the case with Barclays. The bank lists several criteria, some of which are relevant, but there are very few minimum requirements to remain a client and those that exist are far too vague and insignificant to show a genuine transformation of their business models.

When oil and gas expansion plans are assessed, as is the case with Barclays and HSBC, new fossil fuel projects do not automatically trigger the exclusion of the company. In most existing policies referring to transition plans, as is the case with AXA's policy, this science-based red line is not even mentioned. Other financial institutions, like CaixaBank, NatWest or UBS, are weaker still, using the adoption of a transition plan as justification for not implementing exclusion measures. To top it off, they fail to specify the minimum criteria to be met to be considered as having a transition plan.

Find out more

Latest news

A financing ratio to monitor the energy transition.

The climate crisis requires acting on two parallel fronts. Fossil fuels must be phased out, and sustainable energy sources massively phased in to replace them. Banks have a role to play in this process: for each dollar going to fossil fuels, they must allocate six dollars to sustainable power supply. **Read more**

MACSF: another life insurer takes a stand against LNG expansion.

The healthcare professionals' life insurance provider has become the second French life insurer to restrict new investments in companies expanding oil and gas, including pipelines and LNG terminals. The biggest French banking and insurance groups must urgently follow this path. **Read more**

A third way to conciliate engagement and sanctions?

Halfway between lax engagement, sometimes a synonym for complicity, and total divestment, Reclaim Finance is proposing a third path for investors to follow: stop purchasing new bonds from companies failing to show any willingness to transition, while using shareholding as a means to sanction them. **Read more**

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Find out more about our recommendations for financial institutions to adopt robust fossil fuel policies.