Banking

US banks abandon 'bare minimum' environmental standards project, alarming climate groups

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Citi, BofA, JPMorgan Chase and Wells Fargo leave framework that assesses environmental, social and governance (ESG) financing

Critics say the banks are bending to pressure from climate-denying extremists. Photograph : Anadolu Agency/Getty Images

Four of the world's biggest banks have left the Equator Principles, a set of minimum industry standards and safeguards for financial institutions to address environmental and social risks in countries where they finance fossil fuel and mining projects.

The Equator Principles have been around for more than two decades, and while not enforceable, they provide a basic framework of environmental standards that banks agreed would underpin financing deals on pollution-causing extractive projects.

The American banks – Citi, Bank of America, JPMorgan Chase and Wells Fargo – are listed as having left the group of institutions that have signed the principles.

The news was condemned by climate groups as "shocking" and "cowardly".

"It is a very troubling move by some of the biggest fossil fuel financing banks in the world to abandon a bare minimum set of standards that banks themselves have set. It is both ethically shocking and financially irresponsible. It is becoming increasingly apparent these banks do not care about anything other than the bottom line," said Richard Brooks, the climate finance director at Stand.earth.

"This is yet another display of cowardice that shows how Wall Street is bending to pressure from climate-denier extremists rather than upholding some of their most basic climate and human rights commitments," said Adele Shraiman, the Sierra Club's fossil-free finance campaign senior strategist.

Spokespeople for the four banks all said they would continue to be informed by those principles, Reuters reported. But the banks' names have been removed from the Equator Principles list, which now includes 10 standards for aspects of projects ranging from initial due diligence to grievance mechanisms.

The move is part of an alarming trend among banks headquartered in the US of backpedaling on commitments on the climate and to vulnerable communities affected by their financing deals.

Republican states have increasingly targeted “woke capitalism” and moved to pass laws to boycott banks and investors that embrace environmental, social and governance (ESG) investments. BlackRock, the world’s largest asset manager, was once a vocal champion of ESG, but now talks about “transition investing”.

Bank of America has removed explicit bans on financing coal and Arctic drilling projects. JPMorgan Chase has introduced an “energy mix” for calculating its financed emissions, which will include renewable energy and make it harder to assess the environmental impact of projects.

The banks’ departure from the environmental standards benchmark is the latest example of major financial services companies leaving corporate environmental initiatives since US Republican politicians started suggesting participation could breach antitrust rules.

It’s unclear what impact the withdrawals will have, given that the banks in question are already the biggest funders of oil, gas and coal in the world, investing $1.4tn in fossil fuel projects globally between 2016 and 2022.

“The silent retreat from major US banks which are among the biggest financiers of fossil fuels globally from this initiative is deeply concerning,” said Aditi Sen, the climate and energy director at Rainforest Action Network. “It further undermines the rights of frontline and fence-line communities across the world who bear the brunt of impacts from toxic projects.”

Nina Lakhani and **Dominic Rushe** *in New York*

P.-S.

• The Guardian. Wed 6 Mar 2024 00.59 CET :
https://www.theguardian.com/business/2024/mar/05/us-banks-leave-esg-finance-climate-crisis

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