

November 2, 2022

Dear Undersecretary Liang and Climate Counselor Morton:

The undersigned environmental, public interest, human rights, and economic justice organizations understand that you are engaging “external stakeholders who play an essential role in the net zero transition” to find ways to meet the administration’s climate goals.<sup>1</sup> As external stakeholders working closely on issues at the nexus of finance and climate change, we would like to share our concerns about the current state of climate finance and net zero plans, offer specific recommendations for actions Treasury should take to ensure a transition aligned to science and the Paris Agreement, and request an immediate meeting with the signatories of this letter, which include climate advocates and frontline communities most impacted by climate change.

Climate-driven extreme weather events like Hurricane Ian continue to devastate communities around the world, with current estimates of insured losses from Ian alone totaling more than \$60 billion.<sup>2</sup> Uninsured losses, especially in low-income, Indigenous, and Black and brown communities, are also profound. Beyond the tangible physical losses associated with climate change, financial institutions face immense transition risk as society makes the inevitable transition to a clean energy economy.

We know what is driving climate change: fossil fuels and deforestation. Reports by the Intergovernmental Panel on Climate Change and corroborating scientific research unequivocally show that keeping global average temperature rise below 1.5°C—the temperature at which we can avoid the most catastrophic impacts—requires deep and immediate cuts in the production of and use of fossil fuels, the complete phaseout of fossil fuel use before mid-century, and drastic reductions of emissions from industries, including not only the fossil fuel industry but also in industries like agribusiness whose current business models rely on deforestation.<sup>3</sup> Despite financial institutions, companies, and governments pledging to achieve net-zero greenhouse gas emissions by 2050, scientists estimate that, based on current policies, the world is on track to warm to 2.7°C by the end of this century.<sup>4</sup>

<sup>1</sup> Department of Treasury. “READOUT: U.S. Department of the Treasury Hosts Discussion with Banks on Enhancing the Impact of Net-Zero Finance Commitments,” October 3, 2022.

<https://home.treasury.gov/news/press-releases/jy0989>

<sup>2</sup> Christopher Flavelle. “Hurricane Ian’s Financial Toll Threatens Florida’s Real Estate Market.” *New York Times*, October 13, 2022.

<https://www.nytimes.com/2022/10/13/climate/florida-real-estate-hurricane-ian.html?referringSource=articleShare>.

<sup>3</sup> IPCC, 2019: Climate Change and Land: an IPCC special report on climate change, desertification, land degradation, sustainable land management, food security, and greenhouse gas fluxes in terrestrial ecosystems.

<https://www.ipcc.ch/site/assets/uploads/2019/11/SRCCL-Full-Report-Compiled-191128.pdf>.

<sup>4</sup> Climate Action Tracker. “Glasgow’s 2030 Credibility Gap: Net Zero’s Lip Service to Climate Action Wave of Net Zero Emission Goals Not Matched by Action on the Ground,” November 2021.

[https://climateactiontracker.org/documents/997/CAT\\_2021-11-09\\_Briefing\\_Global-Update\\_Glasgow2030CredibilityGap.pdf](https://climateactiontracker.org/documents/997/CAT_2021-11-09_Briefing_Global-Update_Glasgow2030CredibilityGap.pdf).

**Yet US banks, insurance companies, and asset managers continue to top the charts as the world's largest financiers of the corporations driving climate chaos.** In the five years since the Paris Agreement was signed, the four largest US banks were the world's top funders of fossil fuels, collectively financing \$976 billion, which comprised more than 25% of the total fossil fuel funding from the world's 60 biggest banks.<sup>5</sup> Asset managers BlackRock and Vanguard are the biggest holders of coal, oil, and gas company bonds.<sup>6</sup> This is completely at odds with the International Energy Agency's roadmap to limit global warming to 1.5°C and to reach net zero emissions by 2050; To achieve both scenarios, the report affirms that there can be no investments in new fossil fuel supply projects.<sup>7</sup>

To date, the majority of US financial firms' are at best paying lip service to taking action on climate, with many reneging their commitments when pressed to actually reduce emissions. When asked at a recent congressional hearing if JPMorgan Chase has a policy on financing new oil and gas, Chase CEO Jamie Dimon responded "[a]bsolutely not and that would be the road to hell for America."<sup>8</sup> Some US banks are even threatening to leave the Glasgow Financial Alliance for Net Zero now that the association is pushing for near-term benchmarks and concrete decarbonization.<sup>9</sup> Meanwhile, the Bank Policy Institute calls banks' climate commitments only "aspirational",<sup>10</sup> and BlackRock and Vanguard have told the UK government that they plan on maintaining long-term fossil fuel investments.<sup>11</sup> What's more, CA100+, an investor-led initiative to mitigate climate change, said efforts to tackle Scope 3 emissions—the majority of greenhouse gas emissions for over 90% of companies—are largely absent from strategies to achieve net zero.<sup>12</sup>

<sup>5</sup> Rainforest Action Network et al. "Banking on Climate Chaos 2022." Banking on Climate Chaos, March 23, 2021. <https://www.bankingonclimatechaos.org/>.

<sup>6</sup> Hoepner, A., McQuade, M. and Schneider, F., 2022: "Toxic Bond List". GreenWatch Working paper, University College Dublin (UCD).

<sup>7</sup> International Energy Agency. "Net Zero by 2050: A Roadmap for the Global Energy Sector," May 2021. <https://www.iea.org/reports/net-zero-by-2050>.

<sup>8</sup> Rachel Koning Beals. "Jamie Dimon Says Stopping Oil and Gas Funding Would Be 'Road to Hell for America.'" *MarketWatch*, September 24, 2022. <https://www.marketwatch.com/story/jamie-dimon-says-stopping-oil-and-gas-funding-would-be-road-to-hell-for-america-11663851347>.

<sup>9</sup> Marsh, Alastair and White, Natasha. "JPMorgan, Morgan Stanley Signal Doubts on Carney's Climate Group." *Bloomberg*, September 21, 2022. <https://www.bloomberg.com/news/articles/2022-09-21/jpmorgan-morgan-stanley-signal-doubts-on-carney-s-climate-group>.

<sup>10</sup> Sam Knight. "Wall Street Lobbyists Admit Big Banks Don't Plan to Honor Their Climate Pledges." *Truthout*, October 12, 2022.

<https://truthout.org/articles/wall-street-lobbyists-admit-big-banks-dont-plan-to-honor-their-climate-pledges/>.<sup>11</sup> Marsh, Alastair. "BlackRock, Vanguard Tell UK They Won't Phase Out Fossil Fuels." *Bloomberg*, October 18, 2022.

<https://www.bloomberg.com/news/articles/2022-10-18/blackrock-vanguard-tell-uk-they-won-t-phase-out-fossil-fuels>

<sup>12</sup> Climate Action 100+. "Net Zero Company Benchmark," October 13, 2022.

<https://www.climateaction100.org/net-zero-company-benchmark/>.

**The net zero concept leaves the door open for business as usual masked by the appearance of progress.** The Net Zero Banking Alliance allows reliance on offsets to balance residual emissions *only* after banks reduce all scopes of emissions in alignment with climate science.<sup>13</sup> Unfortunately, there is ample evidence<sup>14</sup> that the umbrella term of ‘net zero’ is being used to allow false solutions, such as forest offsets, rather than stopping the expansion of the causes of climate change.<sup>15</sup> In fact, UN Secretary General Antonio Guterres has identified such serious credibility gaps that he established a High Level Expert Group on net zero, tasking it with assessing non-state entity commitments.<sup>16</sup> Additionally concerning is the fact that a net zero scenario reliant on carbon capture, utilization, and storage, or other false, unproven, and unjust solutions, will lead to massive amounts of carbon being transported through frontline communities already shouldering the toxic burden of fossil fuels.<sup>17</sup> Carbon markets are often promoted as a climate solution, as Secretary Yellen herself has noted,<sup>18</sup> but as a recent letter to the Commodity Futures Trading Commission (CFTC) signed by a group of US senators cautions, carbon offsets are “a convenient and profitable way to market climate consciousness without requiring real action to reduce emissions.”<sup>19</sup>

**Climate change mitigation is impossible without the protection of biodiversity hotspots like the Amazon rainforest, boreal forests, the Congo Basin, and others—and protection of these areas relies heavily on the recognition and respect of Indigenous and tribal people’s rights, especially land rights.**<sup>20</sup> Yet net zero plans rarely, if ever, address this.

Biodiversity is declining globally at alarming rates unprecedented in human history; the rapid loss of species we are seeing today is estimated by experts to be between 1,000 and 10,000 times higher than the natural extinction rate.<sup>21</sup> Human-induced stress on tropical and temperate forests, wetlands, peatlands, coral reefs, and other ecosystems are further aggravated by steadily rising global average temperatures due to accelerating climate change.

<sup>13</sup> UN Environment Programme. “Net Zero Banking Alliance Frequently Asked Questions.” October 14, 2022. [https://www.unepfi.org/wordpress/wp-content/uploads/2022/08/FAQ-General\\_public-facing-1.pdf](https://www.unepfi.org/wordpress/wp-content/uploads/2022/08/FAQ-General_public-facing-1.pdf)<sup>14</sup> Amazon Watch. “The Amazon Rainforest-Sized Loophole in Net Zero,” July 2021.

<https://amazonwatch.org/assets/files/2021-the-amazon-rainforest-sized-loophole-in-net-zero.pdf>.<sup>15</sup> “Special Report on Climate Change and Land — IPCC Site.” Accessed June 8, 2022. <https://www.ipcc.ch/srccl/>.<sup>16</sup> United Nations, “Secretary-General Will Push Business, Investors, Cities to ‘Walk the Talk’ on Net-Zero Pledges, Launching Expert Group as Climate Crisis Worsens,” March 31, 2022, <https://press.un.org/en/2020/sga2109.doc.htm>.

<sup>17</sup> Friends of the Earth International et. al., *The Big Con: How Big Polluters are advancing a “net zero” climate agenda to delay, deceive, and deny*, 10 June 2021, <https://www.foei.org/publication/net-zero-big-con-climate-report/>.

<sup>18</sup> “POLITICO Pro: Yellen: Treasury Exploring Development of Carbon Markets.” Accessed October 26, 2022. <https://subscriber.politicopro.com/article/2022/10/yellen-treasury-exploring-carbon-markets-00063154>.<sup>19</sup> Camilla Hodgson. “US Senators Push for Regulator Crackdown on Carbon Offsets Market.” *Financial Times*, October 14, 2022.

<sup>20</sup> Food and Agriculture Organization of the United Nations. “Forest Governance by Indigenous and Tribal Peoples. An Opportunity for Climate Action in Latin America and the Caribbean,” 2021. <https://doi.org/10.4060/cb2953en>; Asyl Undeland. “Indigenous Land Rights -- a Critical Pillar of Climate Action Strengthening Communal Land and Forest Tenure for Climate Action.” Blog. World Bank, November 19, 2021.

<sup>21</sup> International Panel on Biodiversity and Ecological Services. “Global Assessment Report on Biodiversity and Ecosystem Services.” IPBES secretariat, 2019. <https://ipbes.net/global-assessment>.

And while Indigenous Peoples' rights are well-established in international law—as enshrined in the UN Declaration on the Rights of Indigenous Peoples, supported by the US, and the principle of Free, Prior, and Informed Consent, is a recognized global standard<sup>22</sup>—financial institutions continue to turn a blind eye towards respecting the original stewards of the earth. Furthermore, recent research shows that companies—and their financiers—stand to lose sizable investments when they fail to respect Indigenous peoples' right to self-determination.<sup>23</sup>

**Given the urgency of the moment, as the climate crisis continues to unfold in the gulf South and across the world, we urge Treasury to act more swiftly and concretely.** Until Wall Street firms are held to account, no amount of investment in renewables can credibly undo the damage that their fossil fuel financing does to the climate, to US climate leadership, and to our chances of meeting the goals of the Paris Agreement.

As such, we ask that Treasury clearly and publicly communicate that it expects financial firms to rapidly transition their business to support and advance a green economy. These expectations should include:

- Direction to financial firms that the transition plans they are developing relate not only to their own transition risks, but also to risks banks pose to the health of our planet—health necessary for the health of other financial entities and the financial system. Transition plans must be aligned to credible scientific scenarios,<sup>24</sup> not just aligned to the needs of the institution creating the plan.
- Transition plans must be consistent with achieving a rapid phase-out of fossil fuels and deforestation and include the following: an immediate end to financing for fossil fuel expansion; a complete exit from sectors such as coal mining, coal power, tar sands oil, extractive industries in the Arctic and Amazon, fracked oil and gas, offshore oil and gas, and liquified natural gas; and a phase-out of all financing for existing fossil fuel projects and companies.
- Clarification to banks that net zero plans cannot rely on forest offsets, unproven carbon capture and storage technologies, and removal and trade schemes to “compensate”—falsely—for a lack of emissions reductions.

<sup>22</sup> Marcus Colchester. “Free, Prior and Informed Consent: Making FPIC Work for Forests and Peoples.” The Forests Dialogue. Yale University School of Forestry and Environmental Studies, July 2010, available at <https://theforestsdialogue.org/publication/free-prior-and-informed-consent-making-fpic-work-forests-and-peoples>. Note: Most human rights, such as those in the Universal Declaration of Human Rights, are inalienable and thus cannot be given up or diminished by consent.

<sup>23</sup> See, e.g., Moira Birss and Kate Finn. “The Business Case for Indigenous Rights (SSIR).” *Stanford Social Innovation Review*, May 30, 2022.

<sup>24</sup> Anne M. Perrault and Gael Giraud. “Trickle-down Climate Risk Regulation.” *Science* 377, no. 6610. <https://doi.org/10.1126/science.ade2017>, September 1, 2022.

- Support for a precautionary approach to managing climate-related financial risk, as the uncertainty inherent in the effects of the climate crisis make it unsuitable for managing via risk modeling and quantification alone.
- Guidance to ensure banks adopt strong, binding policies to respect Indigenous peoples' right to sovereignty and self-determination. Guidelines must make clear that financial firms have a responsibility to ensure that corporations both consult and obtain the consent of potentially impacted Indigenous communities before any proposed activity occurs on community lands.

**Frontline groups that signed this letter request to meet with key leadership and staff to discuss these recommendations.** Further, we recommend the department engage the newly formed Advisory Committee on Racial Equity and in-house Counselor for Racial Equity on issues related to climate change, systemic risk, and the subsequent impacts on Indigenous peoples and communities of color. The lived experiences of communities of color should be centered in Treasury's climate-related decision-making, and the department should leverage its existing resources to facilitate this process.

The urgency of the climate crisis cannot be understated. Climate change is not a far-off threat—it's impacting communities and our economy now. Treasury plays a critical role in fulfilling the goals of President Biden's executive order on climate-related financial risk and ensuring that financial institutions' net zero goals are achievable and reduce greenhouse gas emissions without relying on false or unproven solutions. We look forward to meeting with you to discuss these matters further.

Sincerely,

Accelerate Neighborhood Climate Action  
Action Center on Race & the Economy  
AFGE Local 704  
Amazon Watch  
American Friends Service Committee  
Association of Young Americans  
Businesses for a Livable Climate  
Call to Action Colorado  
CatholicNetwork US  
CCAG  
Center for International Environmental Law  
Chispa Texas  
Citizen's Alliance for a Sustainable Englewood  
Citizens for Clean Air and Water in Brazoria County, Texas  
Coastside Jewish Community  
Community for Sustainable Energy

Divest Ed  
Divest Oregon: Reinvest in a Fossil Free Future  
Earth Ethics, Inc.  
Extinction Rebellion Phoenix  
Extinction Rebellion San Francisco Bay Area  
FreshWater Accountability Project  
Friends of the Earth US  
Greater New Orleans Housing Alliance  
Green America  
Green Faith  
Healthy Gulf  
Honor the Earth  
I-70 Citizens Advisory Group  
Indivisible Ambassadors  
Larimer Alliance for Health, Safety and Environment  
Long Island Progressive Coalition  
Mayfair Park Neighborhood Association Board  
Montbello Neighborhood Improvement Association  
MoveOn.org Hoboken  
NC Climate Justice Collective  
New Mexico Climate Justice  
North American Climate, Conservation and Environment  
North Range Concerned Citizens  
Oil and Gas Action Network  
Port Arthur Community Action Network  
Positive Money US  
PSR Arizona  
Public Citizen  
Rainforest Action Network  
RapidShift Network  
Revolving Door Project  
Rise St. James  
Save EPA  
Scientists Rebellion Arizona  
Sierra Club  
Small Business Alliance  
Society of Native Nations  
Southwest Organization for Sustainability  
Spirit of the Sun, Inc.  
System Change Not Climate Change

Terra Advocati  
Texas Campaign for the Environment  
The Green House Connection Center  
The Greenlining Institute  
Tipping Point UK  
Turtle Island Restoration Network  
U.S. PIRG  
Unite North Metro Denver  
Wall of Women  
Western North Carolina Climate Action Coalition  
Western Slope Businesses for a Livable Climate  
Womxn from the Mountain  
Working for Racial Equity  
198 methods  
350 Bay Area Action  
350 Conejo / San Fernando Valley  
350 New Orleans  
350 Wisconsin  
350 Brooklyn  
350 Colorado  
10 Votes  
198 methods