Three More Banks Ditch UN-backed Net-zero Scheme

AP Images

Three more large banks have announced that they will be leaving the United Nations-backed Net Zero Banking Alliance (NZBA). Morgan Stanley, Bank of America, and Citigroup announced this week that they are leaving the climate-focused banking alliance amid pressure from states and Republicans in Congress.

The NZBA asks its member banks to sign a pledge committing them to move quickly away from fossil fuel interests in their lending. It also requires them to set measurable targets to reach "net zero" greenhouse-gas emissions by 2050. All members of the NZBA must submit annual reports about their progress toward their "net zero" goals.

Big Banks Jumping Ship

The three financial institutions join Goldman Sachs and Wells Fargo in a rapidly expanding list of high-profile departures from the NZBA in the past several weeks. All five of the banks, as well as JPMorgan, have been targeted by Republican lawmakers in the United States over their hostility to fossil-fuel interests and the agricultural sector.

Morgan Stanley claims that, despite leaving the NZBA, its net-zero goal remains intact, saying in a statement:

> Morgan Stanley's commitment to net-zero remains unchanged. We aim to contribute to real-economy decarbonization by providing our clients with the advice and capital required to transform business models and reduce carbon intensity."

Climate zealots believe the state needs to act to stem the exodus of banks from burdensome environmental, social, and corporate governance (ESG) schemes. In other words, the government needs to make the banks play ball.

"These exits reveal the inadequacy of voluntary commitments and underscore the urgent need for state-level leadership and regulation," said Vanessa Fajans-Turner of Environmental Advocates NY.

States Sue

In the United States, ESG investing and the attack on fossil fuels are facing battles on multiple fronts.

In November, 11 GOP-led states — Alabama, Arkansas, Indiana, Iowa, Kansas, Missouri, Montana, Nebraska, Texas, West Virginia, and Wyoming — filed suit against BlackRock Inc., Vanguard Group, Inc., and State Street Corp., alleging antitrust violations.

According to the suit:

> Defendants have leveraged their holdings and voting of shares to facilitate an output reduction scheme, which has artificially constrained the supply of coal, significantly diminished competition in the markets for coal, increased energy prices for American consumers, and produced cartel-level profits for Defendants.

Collusion

Republican lawmakers have advanced the idea that ESG funding schemes run afoul of antitrust laws by way of collusion. In September 2022, Federal Trade Commission Chair Lina Khan stated as much:

> As a general matter, collusion is unlawful…. We've seen firms come to us and try to claim an ESG exemption, and we've had to explain to them clearly that there is no such thing…. Certainly, those types of cooperation or agreements — inasmuch as they can affect competition — are always relevant to us.

In Congress, the House Judiciary Committee released a report that referred to aspects of ESG as a "climate cartel":

> The Biden-Harris Administration emboldened and recruited investors for the climate cartel. In early 2021, the climate cartel 'look[ed] to capitalise on the momentum created by the [Biden-Harris Administration's] … climate policy.' … In particular, the Biden-Harris Administration's Special Presidential Envoy for Climate, John Kerry, 'help[ed] recruit investors for' Ceres, an activist nonprofit organization and leading member of the climate cartel."

The NZBA sprang out of the Glasgow Financial Allowance for Net Zero. That group came from the dust of COP26 in Scotland. Those shady, backroom climate deals are now facing the disastrous results of sunlight shining upon them as these high-profile financial institutions continue to defect.