

Report : French banks' colossal carbon footprint: a matter of State

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EXECUTIVE SUMMARY

On 23 September 2019, Emmanuel Macron said at the United Nations Climate Summit: "On the financial side, we need to be consistent with our actions. This concern for coherence is to stop financing infrastructure projects that emit carbon outside our country. We cannot say here, we are in favour of fighting global warming, to protect biodiversity, and continue to finance infrastructures in other countries that pollute, increase CO₂ emissions, and do exactly the opposite."

As Climate Finance Day opens in Paris on 29 November 2019, Friends of the Earth France and Oxfam France unveil the colossal carbon footprint of French banks, which represents more than four times the greenhouse gas emissions of the entire country. In 2018, greenhouse gas emissions from the financing and investment activities of the four main French banks - BNP Paribas, Crédit Agricole, Société Générale and BPCE - in the fossil fuel sector reached more than 2 billion tonnes of CO₂ equivalent, or 4.5 times France's emissions that same year. Each of the top three French banks alone has a carbon footprint larger than France itself. These new data also show that different options are possible: Société Générale and BNP Paribas' carbon intensities, relative to the size of the banks, are three times higher than those of the BPCE group.

The climate crisis is not a future threat, it is visible and already has devastating impacts on the world's most vulnerable people today. Without ambitious climate action, 100 million people could fall into extreme poverty by 2030¹. The Intergovernmental Panel on Climate Change (IPCC) special report on a global warming of 1.5°C demonstrated the need to drastically reduce greenhouse gas emissions by 2030, and to continue these efforts to achieve carbon neutrality by 2050. The success of this rapid, profound and unprecedented transformation of our economies depends on our ability to redirect finance flows in a very short period of time.

Yet the four major French multinational banks, which appear in the top 20 worldwide² and in the top 10 in Europe³, support and aggravate the global energy system's addiction to coal, oil and gas⁴. At the heart of the economy, these key financial players still direct 70% of their energy financing towards fossil fuels⁵, which are responsible for 80% of global CO₂ emissions⁶. They are thus moving us further away from the objectives of the Paris Agreement day after day, and are leading us towards uncontrollable and irreversible climate change. For example, major French banks have invested heavily in major oil and gas companies. With €5.6 billion in new shares of Total purchased in 2018, the cost of these transactions by French banks is staggering in terms of greenhouse gas emissions, totalling nearly 18 million tonnes of CO₂ equivalent, or the equivalent of the carbon footprint of 5.6 million petrol cars.

Beyond the climatic and human consequences, this dependence on fossil fuels represents a risk that can be very costly for the economy, and for finance itself. In the short term, climate impacts are already transforming the financial system. Forest fires, floods, hurricanes... The climate has a direct physical impact on the real economy, and therefore on the financial actors who hold the value of these assets or who must

¹ World Bank (2015) *Global Warming Can Add 100 Million Poor People By 2030* :

www.banquemonde.org/fr/news/opinion/2017/09/14/global-warming-can-add-100-million-poor-people-by-2030

² S&P Global (2019) The world's 100 largest banks :

<https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/50964984>

³ S&P Global (2019) Europe's 50 largest banks by assets :

<https://www.spglobal.com/marketintelligence/en/news-insights/trending/7NsXjB8GspSSHkvF0LqYA2>

⁴ Rainforest Action Network, BankTrack, Sierra Club, Oil Change International, Honour The Earth, Indigenous Environmental Network (2019) *Report Card Banking On Climate Change* :

www.ran.org/wp-content/uploads/2019/03/Banking_on_Climate_Change_2019_vFINAL1.pdf

⁵ Oxfam France (2018) *Banques françaises, les fossiles raffent la mise* :

www.oxfamfrance.org/wp-content/uploads/2018/11/BanquesFrancaises_Fossiles_Nov2018.pdf

⁶ IEA (2018) *CO₂ Emissions from Fuel Combustion 2017: Highlights*.

reimburse the damage. In the long term, the financial world will have to deal with the massive depreciation of carbon assets, which will be penalised by the transition to a low-carbon economy. For example, BlackRock, the world's largest asset manager, has lost \$90 billion in the last ten years from investing in fossil companies⁷. However, the banks' daily choices are always made on the basis of a horizon of only a few years.

One Planet Summit, Climate Finance Days... these summits aimed at reconciling finance and climate have multiplied in France since COP21 in 2015. Unfortunately, the commitments regularly made public by French banks have so far proved unable to meet the dual challenge of preventing the development of new fossil fuel infrastructure and accelerating the closure of carbon assets currently in operation. **While they certainly mark steps in the right direction, the pace of progress is far too uneven and slow to meet the objectives of the Paris Agreement.** For example, while the major French banks are stepping up their communication efforts to distance themselves from coal, not all of them have given up supporting the expansion of the sector.

In view of the climate emergency and the monumental carbon footprint of the activities supported by French banks, the State must assume its responsibilities. Banks must not lock us for years and decades to come into a fossilized energy model that would destroy any hope of fighting climate change. In the name of collective public interest, imposing financial regulation would be a strong signal to limit human impacts and prevent the risks of a major financial crisis due to climate change. To the contrary, redirecting banks' support towards renewable energies - which are increasingly competitive with fossil fuels⁸ - energy efficiency and savings represents an opportunity and a powerful tool for financing the energy transition. Today's financial decisions shapes tomorrow's world.

Unfortunately, as denounced by Oxfam France and the Friends of the Earth France, the State is renouncing its regulatory responsibility. It is already a year since, on November 28, 2018, at the last Climate Finance Day, the French Minister of Economy and Finance, Bruno Le Maire, declared that he was ready to use coercion if private financial actors did not shut off the valves in the sectors that are most harmful to the climate⁹. A few months later, on 2 July 2019, the government finally decided to shift responsibility for climate action onto private actors, wishfully hoping that the solution would be found through self-regulation.

Why a new relinquishment? The role played by the lobbies of Paris's financial centre in curbing any form of public regulation of their activities leaves little room for doubt. In 2018, banks and their interest representatives declared nearly €10 million to influence national decision-makers, with no less than 95 lobbyists. The complicity between bankers and decision-makers is also explained by the many transitions of senior officials from the public to the private sector and vice versa, "revolving doors" operating at full capacity. Thus, thirty managers of banks or banking lobbies have already worked for the Ministry of Economy and Finance or in an associated structure. French banks thus had seven months to impose their views to the detriment of the collective public interest.

Avoiding the most dramatic consequences of climate crisis requires banks to stop supporting the expansion of fossil fuels now, and to exit gradually but fully over the next few decades. **Because the climate will not be able to afford the luxury of the small steps granted by banks, it is time for the State to make finance accountable.**

Friends of the Earth France and Oxfam France call on the French government to legislate from 2020 to ensure that French banks are aligned with the objective of limiting global warming to +1.5°C.

⁷ IEEFA (2019) *BlackRock's Fossil Fuel Investments Wipe us 90 billion In Massive Investor Value Destruction* : <http://ieefa.org/ieefa-report-blackrocks-fossil-fuel-investments-wipe-us90-billion-in-massive-investor-value-destruction/>

⁸ Les Echos (2019) *Électricité : les énergies renouvelables sont de plus en plus compétitives.* <https://www.lesechos.fr/industrie-services/energie-environnement/electricite-les-energies-renouvelables-sont-de-plus-en-plus-c-competitives-1146277>

⁹ Bruno Le Maire (2018) *Speech at the Climate Finance Day*: "I ask [banks, insurers and asset managers] to definitively stop financing the most polluting activities, in particular coal [...]. If these commitments are not respected, we will make them binding". discours.vie-publique.fr/notices/183002435.html