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GREEN BANKING FAILS TO CHANGE PRACTICES

Green banking initiatives have not changed lending and investment practices, says a report from Boston Common Asset Management. It finds that, despite an explosion of risk assessment tools and green banking industry initiatives in recent years, practical change in the financial sector remains elusive. In partnership with a number of regional partners, including its Canadian partner SHARE – Shareholder Association for Research & Education, it says despite the creation of financial industry initiatives on sustainability, including the Taskforce on Climate-related Financial Disclosures (TCFD), Principles for Responsible Banking, and the Platform for Carbon Accounting Financials, financing for fossil fuels continues to rise each year, totalling $1.9 trillion from 2016 to 2018; only 60 per cent of banks have developed exclusion or restriction policies for high-carbon sectors and just 16 per cent of banks exclude clients involved in deforestation; and just 50 per cent of banks engage high-carbon clients on transition strategies and only 12 per cent ask high-carbon sector to adopt TCFD guidelines. While the research identifies some progress in terms of governance, with a majority of banks endorsing the TCFD guidelines (69 per cent), disclosing TCFD governance reforms (71 per cent), and carrying out climate risk assessments (78 per cent), these tools are not impacting on decision-making, with 40 per cent of banks failing to develop any new financing or investing exclusions/restrictions as a result of their climate risk assessments. The result is superficial progress, where over 80 per cent of banks have announced low carbon products and services, but financing for fossil fuels continues to increase each year. The report calls for "a cultural shift within banks from the board all the way down to the front-line manager bringing in new business. This must include a willingness to walk away from clients or to no longer issue new financing once existing obligations are paid off."

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