RAINFOREST ACTION NETWORK

MEDIA BRIEFER

Response to JPMorgan Chase's Paris Alignment Commitment

October 2020

See press release here.

Context

On October 6, 2020, JPMorgan Chase made a new commitment to align its financing with the goals of the Paris Climate Agreement.[i] While this is an encouraging step, it is a promissory note for 2030 at the earliest that doesn't meet the need for immediate action to bend the curve on the climate crisis. JPMorgan Chase is the world's biggest banker of fossil fuels by a significant margin, funneling over $268 billion into the sector in the four years after the Paris Agreement was adopted (2016-2019); this means that JPMorgan Chase bears a unique responsibility among commercial banks to phase out its climate impact.[ii] As described below, JPMorgan Chase must take the immediate step of ending financing for fossil fuel expansion, as there is no room in the global carbon budget for new fossil fuel projects.

Specifically, in this newest announcement JPMorgan Chase states that it will meet its Paris Alignment goal by supporting clients in key sectors in the transition to a low-carbon economy. It will focus on oil and gas, electric power, and automotive manufacturing, setting 2030 targets for its financed emissions in these sectors. JPMorgan Chase will publish further details informed by recommendations of the TCFD[iii] in the spring of 2021.

The announcement did not give further detail on the ambition of these financed emissions targets, or the metrics that will be used. That said, it does state that JPMorgan Chase will begin tracking its clients' carbon intensity, which suggests that the bank may set 2030 targets in terms of its financed emissions intensity. Carbon intensity is a misleading metric, as a client could be getting more carbon efficient while still increasing emissions in absolute terms. It would be unacceptable for JPMorgan Chase, as the world's biggest banker of climate chaos, to set targets for itself in terms of emissions intensity and not absolute emissions.

In this announcement JPMorgan Chase notes that the world must achieve net-zero emissions by 2050 in order to meet the temperature goals of the Paris Agreement, but does not commit to zero out its own financed emissions by that time.

In parallel, JPMorgan Chase will launch a new Center for Carbon Transition to engage clients on decarbonization.

This announcement comes three weeks after 60 climate and rights groups, led by Rainforest Action Network, set the bar on what actions are required for financial institutions to truly align the climate impact of their business practices with the Paris Agreement. The *Principles for Paris-Aligned Financial Institutions: Climate Impact, Fossil Fuels and Deforestation*[iv] set a clear benchmark against which to compare this new commitment from JPMorgan Chase — underscoring how far the bank remains from true alignment with the goals of the Paris Agreement.

What's Missing

This commitment by JPMorgan Chase gestures at an overall direction — to align its financing in key sectors with the goals of the Paris Agreement — with little detail as to what that will mean for the bank, and without specific, concrete steps that JPMorgan Chase will undertake immediately.

These are the urgent, near-term commitments that JPMorgan Chase failed to make today:

- **End financing for fossil fuel expansion**: Burning all oil, gas, and coal reserves *already in development* would exceed a 2° Celsius carbon budget, let alone a 1.5°C budget.[v] This means that there is no room for fossil fuel expansion, including new fossil fuel exploration or extraction, and new or expanded fossil fuel infrastructure that locks in such production. And yet, JPMorgan Chase is the world's biggest funder of fossil fuel expansion. JPMorgan Chase needs to immediately prohibit all financing for all fossil fuel expansion projects and companies expanding fossil fuel extraction and infrastructure.
- **Commit to phase out fossil fuel financing overall:** Ending financing for expansion will not be enough. To limit global temperature rise to 1.5°C, a managed decline of existing fossil fuel production is needed.[vi] JPMorgan Chase must commit to phase out all financing for fossil fuel extraction and infrastructure, on an explicit timeline that is aligned with limiting global warming to 1.5°C.
- **Exit coal:** JPMorgan Chase did not make any updates to its coal policy in its commitment to align with the Paris Agreement, nor make any mentions of coal in particular. This leaves the bank with a coal mining exit commitment that covers only companies that are majority coal miners, a dangerously high threshold that does not apply to many of the world's biggest coal producers,[vii] and allows the bank to continue financing companies developing new coal mines and power plants.[viii]
- **Exit tar sands:** JPMorgan Chase has again neglected to put in place a tar sands policy, despite being the biggest non-Canadian funder of the tar sands sector. Over 2016-9, the bank provided more lending and underwriting to the tar sands sector than its five major U.S. peers combined, and is a major funder of problematic companies like TC Energy and Enbridge that are pushing through tar sands pipeline projects at the expense of Indigenous rights.[ix]
- **End financing of deforestation:** JPMorgan Chase has failed to commit to a No Deforestation, No Peatland, No Exploitation (NDPE) policy, which represents best practice in financing agricultural commodities. Reducing deforestation and the degradation of natural ecosystems protects critical carbon sinks and is essential for climate mitigation, but the bank remains a major funder of companies directly or indirectly fueling deforestation and land degradation.[x]
- **Respect Indigenous rights:** This new commitment does not update JPMorgan Chase's Indigenous rights policy, nor mention Indigenous rights at all. This means that JPMorgan Chase can continue financing fossil fuel companies whose headline projects threaten Indigenous rights, including the right to Free, Prior and Informed Consent.
- **Commit to halve climate impact by 2030, and zero it out by 2050:** JPMorgan Chase has committed to set emission targets for its financing in key sectors, and to "explor[e] ways to most effectively address all emissions, including Scope 3 emissions," without committing to zero out that the climate impact of its financing. The Intergovernmental Panel on Climate Change has made clear that global carbon dioxide emissions must be more than halved from 2010 levels by 2030 and then reduced to effectively zero by 2050 to have even a 50% chance of limiting global warming to 1.5°C.[xi] Given the urgency of the climate crisis, JPMorgan Chase can no longer put

off accepting responsibility for the emissions generated from its financing. JPMorgan Chase must make an explicit commitment to halve its financed emissions by 2030 and zero them out by 2050. Being clear about the end goal is critical to avoid climate delay, which at this point is just another form of climate denial.

JPMorgan Chase's Commitments against the Principles for Paris-Aligned Financial Institutions[xii]

The leftmost column in the chart below summarizes the *Principles for Paris-Aligned Financial Institutions: Climate Impact, Fossil Fuels, and Deforestation* published in September 2020 by 60 climate and rights groups. For a more detailed explanation of the Principles, see www.ran.org/principles.

Principles for Paris-Aligned Financial Institutions	**JPMorgan Chase's Commitments**	**Stronger Steps That Global Peer Banks Have Taken**
Principle 1: Adopt a commitment by COP26[xiii] that requires that all projects and companies supported are aligned with 1.5°C.		
Immediately exclude financing[xiv] for fossil fuel expansion projects	- Prohibits direct financing for new greenfield coal mines and new coal-fired power plants. - Prohibits direct financing for greenfield oil and gas projects in the Arctic.	- 21 banks prohibit financing for some tar sands projects, including BBVA and Standard Chartered.[xv] - 11 banks prohibit financing for some fracked oil and gas projects, including Commerzbank and BNP Paribas.[xvi] - NatWest (formerly Royal Bank of Scotland) prohibits financing for new oil and gas exploration projects.[xvii]
Immediately end financing for companies expanding fossil fuels	**None**	- 6 banks prohibit financing for companies expanding coal by developing new coal plants or mines, including Crédit Agricole, BNP Paribas, and UniCredit.[xviii]
Commit to rapid coal phase-out	- Prohibits financing for companies that derive a majority of their revenue from coal mining and will phase out remaining exposure to these companies by 2024. - (No coal phase-out commitment that covers other coal mining companies, or coal power or infrastructure companies.)	- At least 6 banks have committed to a strong global coal phase-out by 2030 in EU/OECD countries and 2040 globally, including BNP Paribas, Crédit Agricole, and Crédit Mutuel.[xix]

Prohibit financing for deforestation	- Prohibits financing of companies engaged in illegal logging or wildlife trafficking, or intentionally using uncontrolled fire to clear land. - Requires soy producing companies to comply with industry best practice. - (No overall NDPE commitment.)	- Several European banks, including Standard Chartered, HSBC, and Rabobank have adopted No Deforestation, No Peatland, No Exploitation (NDPE) standards when financing key commodities driving tropical deforestation, such as palm oil.
Be transparent and strict about client transition requirements	- JPMorgan Chase emphasizes that it will continue to support its high-carbon clients in the transition, but does not commit to set or disclose any strict requirements for these clients to continue receiving support, via the new Center for Carbon Transition or otherwise.*****	- Crédit Agricole requires its clients to develop coal exit plans by 2021 in order to continue receiving financing.[xx]
Principle 2: Have in place a process by COP26 to measure and disclose climate impact, and commit to phase out financed emissions in alignment with 1.5°C and to develop a specific plan for establishing science-based targets.		
Commit to halve climate impact by 2030 and get to zero by 2050	**None**: JPMorgan Chase will set some sort of emissions targets for 2030 for its financing of the oil and gas, electric power, and automotive manufacturing sectors, and “begin communicating about its efforts in 2021”. But overall the bank has not made any commitment to halve climate impact by 2030 nor zero it out by 2050.*	- Morgan Stanley and Barclays have committed to reach net zero financed emissions by 2050.[xxi] - NatWest has committed to halve the climate impact of its financing by 2030.[xxii]
Measure and disclose overall carbon footprint	**None**: JPMorgan Chase has committed to set some sort of financed emissions targets for three high-carbon sectors. This does not definitively mean that the bank will measure or disclose its absolute financed emissions from these sectors, let alone its overall carbon footprint.*	- 62 banks have committed to measure and disclose the emissions associated with their loans and investments using the Partnership for Carbon Accounting Financials (PCAF), including Citi, Bank of America, and Morgan Stanley. The shared methodology is transparent and promises to make possible comparisons across banks.[xxiii] - 7 of the 62 banks have so far disclosed their financed emissions.

Disavow discredited “net zero” accounting schemes	**None**: In contrast, JPMorgan Chase’s announcement puts weight on unnamed “new technologies” needed to reach net-zero emissions by 2050, without explicitly disavowing offsets, bio-energy with carbon capture and storage (BECCS), tree plantations, or other untested “negative emissions” or geoengineering technologies with the potential for causing large-scale social and environmental harm.*	- In its financed emissions disclosure, Triodos Bank clearly states that avoided emissions from financing renewable energy projects do not cancel out financed emissions.
Commit to annual reporting and external monitoring	- JPMorgan Chase commits to “provide ongoing updates on its progress over time,” but does not commit to annual updates. As noted above, it is not clear what exactly will be measured, nor what will be reported.* - There is no commitment to external monitoring.*****	- The 62 banks that have committed to PCAF, including Citi, Bank of America, and Morgan Stanley, have committed to annual reporting of their financed emissions. - 58 financial institutions, including HSBC, Westpac, and ING have committed to set science-based targets that will be independently verified.

- = From JPMorgan Chase’s most recent announcement from October 6, 2020.[xxiv]

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[i] https://www.jpmorganchase.com/news-stories/jpmorgan-chase-adopts-paris-aligned-financing-commitment
[ii] https://www.ran.org/bankingonclimatechange2020/
[iii] Task Force on Climate-related Financial Disclosures
[iv] http://www.ran.org/principles
[v] http://priceofoil.org/content/uploads/2020/09/OCI-Big-Oil-Reality-Check-vF.pdf, page 1
[vi] http://priceofoil.org/content/uploads/2020/09/OCI-Big-Oil-Reality-Check-vF.pdf
[vii] https://coalexit.org/
[viii] www.ran.org/jpmcbriefer
[ix] https://www.ran.org/bankingonclimatechange2020/; https://www.ran.org/the-understory/whos-banking-the-keystone-xl-pipeline/; https://www.ran.org/the-understory/whos-banking-enbridge/
[x] https://www.ran.org/the-understory/chases-big-rainforest-problem/
[xi] According to “pathway 1” in the 2018 Intergovernmental Panel on Climate Change’s “Special Report on Global Warming of 1.5°C”. Pathway 1 has a low level of overshoot (exceeding 1.5°C temporarily) and the lowest level of dependence upon carbon dioxide removals among the four illustrative pathways. Pathways 2-4 depend on the large-scale use of socially and ecologically problematic, and technically and economically unproven, “negative emissions” technologies and approaches such as fossil fuel combustion, and bioenergy, with carbon capture and storage. https://www.ipcc.ch/site/assets/uploads/sites/2/2019/05/SR15_SPM_version_report_LR.pdf, page 14
[xii] www.ran.org/principles
[xiii] The 26th Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC), planned to be held in Glasgow, Scotland in November 2021.
[xiv] The terms “finance” and “financing” in these principles refer to lending, underwriting, investments, insurance and advisory and other financial services, including indirect finance through intermediaries.

[xv] https://www.banktrack.org/page/banks_and_tar_sands_1
[xvi] https://www.banktrack.org/page/banks_and_fracked_oil_and_gas
[xvii] https://www.natwestgroup.com/content/dam/natwestgroup_com/natwestgroup/pdf/oil-and-gas.pdf
[xviii] Score of 8 or above in the “Developers” column: https://coalpolicytool.org/
[xix] Score of 7 or above in the “Phase-out” column: https://coalpolicytool.org/
[xx] See for instance: https://www.credit-agricole.com/en/pdfPreview/173424
[xxi] https://www.morganstanley.com/press-releases/morgan-stanley-announces-commitment-to-reach-net-zero-financed-e; https://home.barclays/society/our-position-on-climate-change/our-commitment-to-help-limit-global-warming/
[xxii] https://www.natwestgroup.com/our-purpose/environment/our-approach-to-climate-change.html
[xxiii] As of October 6, 2020. Including the Commercial bank, Financial Services Group, Integrated bank-insurance group, and Investment bank categories of financial institutions taking action: https://carbonaccountingfinancials.com/financial-institutions-taking-action
[xxiv] https://www.jpmorganchase.com/news-stories/jpmorgan-chase-adopts-paris-aligned-financing-commitment