To:

NZBA steering group chair:
Chair of the NZBA Steering Group Hana Al Rostamani
Steering Group Representative Shargiil Bashir
Curtis D. Ravenel, Senior Advisor to Mark Carney and Mary Schapiro

GFANZ
Michael Bloomberg, Co-Chair, GFANZ, UN Special Envoy on Climate Ambition and Solutions
Mark Carney, Co-Chair, GFANZ, UN Special Envoy for Climate Action and Finance
Mary Schapiro, Vice Chair, GFANZ, Head, GFANZ Secretariat
Ravi Menon, Chair, GFANZ APAC Network Advisory Board

UN
Antonio Guterres, United Nations Secretary-General
Simon Stiell, Executive Secretary of the United Nations Framework Convention on Climate Change
Eric Usher Head, UNEP Finance Initiative

December 16, 2024

Copy to: NZBA steering Group, **GFANZ advisory panel**

Re: Addressing Defections and Slipping Standards in NZBA Membership

We write to you as organizations representing frontline communities, traditional Indigenous land stewards, academics, researchers, and concerned citizens, to express our deep concern regarding Goldman Sachs' decision to withdraw from the Net-Zero Banking Alliance (NZBA) and backsliding by some NZBA member banks on the globally agreed commitment to keep global temperatures from exceeding 1.5˚C.

We believe it is vital for the NZBA to stand firm on foundational requirements that its members align their target setting to limiting global average temperature rise to 1.5˚C and develop credible, science-based plans for achieving Net Zero targets, even in the face of bank exits and threats of withdrawal. The alliance must not seek to appease or accommodate potential defectors or remain complacent when its members dilute their targets, as doing so undermines the very purpose of the coalition and jeopardizes global climate goals.

In October, NZBA member Morgan Stanley released its *2030 Interim Financed Emissions Targets* in which the bank states "the world is not on track to meet a 1.5°C scenario" and that the bank has "established a target range".[1] Within this range, Morgan Stanley has included a 1.5˚C threshold, but has also taken the unprecedented step to expand the temperature range on its targets to include a "lower bound" of 1.7˚C warming, a lower ambition scenario requiring less emissions reductions by the bank calibrated to a higher threshold of

[1] Morgan Stanley's 2030 Interim Financed Emissions Targets, October 2024

temperature rise. The bank states the shift is because "our clients, and our firm, may not meet net-zero-aligned targets". It blames this on "current government policies, technology adoption and consumption habits" rather than recognising the bank's own role, and that of its clients, in driving up temperatures through its financing decisions.

We note the wider context of NZBA members maintaining the 1.5˚C target on paper but basing it on questionable metrics. A recent analysis on bank decarbonization targets states that, "banks need to stop using attribution factors and use emission reduction targets based on the total emissions of all the companies in their sectoral portfolios".[2] However, the Morgan Stanley move to soften its commitment to reducing its emissions to meet a 1.5˚C scenario is particularly problematic for various reasons and we believe requires action by the NZBA.

Firstly, Morgan Stanley fails to acknowledge the role it and its clients have played in causing the world to go off-track from a 1.5˚C trajectory of global warming. Since the Paris Agreement was signed, Morgan Stanley has been a major funder of the oil, gas and coal industries, pumping $183 billion into the sector.[3] While many members of the NZBA decreased their fossil fuel financing in 2022-2023, Morgan Stanley is among the banks to have increased its financing.

Morgan Stanley's fossil fuel clients do not have credible transition plans and many have recently doubled down on the buildout of new fossil fuel infrastructure, for example Sempra's Port Arthur methane gas facility and Enbridge's proposed Rio Bravo methane gas pipeline. Both projects will be based in areas of Texas where residents have been vehemently protesting these projects and are predominantly low-income, Black, brown and Indigenous communities, already disproportionately burdened by industrial pollution. It is not enough for banks to consider themselves "derivatives" of the ambition of their clients, instead banks must drive an accelerated energy transition by conditioning their financing on the requirement that clients have policies and protocols in place to block fossil fuel expansion activities, and so incentivize faster, fuller, and durable decarbonization of their clients.

Secondly, Morgan Stanley's move should be seen as a unilateral decision to scrap a globally agreed target, rooted in overwhelming scientific consensus, to pursue "efforts to limit the temperature increase to 1.5°C above pre-industrial levels", as per the Paris Agreement.[4] NZBA's own guidelines mention that decarbonisation "targets shall at a minimum align with a goal to limit global warming to 1.5ºC".[5]

We note the recent progress report from NZBA which reiterates the need for members to stick to the 1.5˚C global warming scenario.[6] However the same report states "several banks have used scenarios for target setting that do not meet these criteria". NZBA already pointed out this issue in its previous progress report in December 2023, yet no action was taken regarding members unilaterally scrapping UN targets.[7]

---

[2] Targeting Net Zero, Reclaim Finance, September 2024
[3] Banking on Climate Chaos, 2024
[4] Article 2, Paris Agreement
[5] Guidelines for Climate Target Setting for Banks, Version 2, p.4, Net-Zero Banking Alliance
[6] 2024 Progress Report, Net-Zero Banking Alliance
[7] 2023 Progress Update, Net-Zero Banking Alliance

There are real world consequences behind the decision to stop pursuing transformative actions commensurate with holding global temperature rise to 1.5˚C and instead to calibrate efforts to a 1.7˚C degrees global warming trajectory, which Morgan Stanley fails to acknowledge. Morgan Stanley's report contains no risk analysis on what the consequences of breaching 1.5˚C would look like: how many Pacific Island nations would be submerged; how many more extreme weather events would be triggered or exacerbated; and how many people would die. The bank also fails to take into consideration the material risk to its own investors in a 1.7˚C degrees global warming scenario.

The undersigned groups request that members of the NZBA, GFANZ, and UNEP Finance Initiative outline concrete and time-bound actions to address this troubling development regarding hard-fought Net Zero commitments set out in the Paris Agreement. It is vital that the NZBA demonstrates now that it stands by its guidelines on Net Zero, regardless of pressure from current or departing members, as a pathway for progress to tackling climate change.

We note progress among other NZBA members this year: In November, the Global Alliance for Banking on Values, which includes NZBA member banks such as Amalgamated Bank, Triodos Bank, and Vancity, endorsed the Fossil Fuel Non-Proliferation Treaty Initiative.[8][9] ING announced in September it would end project financing for LNG export terminals and consider dropping clients not making enough progress on climate change. In May, Crédit Agricole and BNP Paribas ruled out involvement in bond deals for oil and gas companies. These actions exemplify the kind of leadership that is urgently needed at a time of uncertain political will, when bold commitments from financial institutions are more critical than ever.

Unfortunately, this progress is being overshadowed by troubling developments within the Alliance. Goldman Sachs' recent exit raises serious concerns about the coalition's cohesion, and Morgan Stanley's actions risk normalizing a broader abandonment of critical global warming targets, with far-reaching consequences. The alliance is at a critical decision point and must rally behind the achievements of its most ambitious members while harshly criticizing its lagging members to demonstrate strong leadership, restore confidence in its integrity, and drive meaningful progress towards its climate mission.

We look forward to receiving your response,

BankTrack
Rainforest Action Network
Sierra Club
Bank.green
Stand.earth
GreenFaith
Dayenu
Youth Climate Finance Alliance (YCFA)
Habitat Recovery Project

---

[8] GABV becomes first financial network to endorse Fossil Fuel Treaty at COP29, November 2024.
[9] Fossil Fuel Treaty

Fishermen Involved in Sustaining our Heritage (FISH)
For a Better Bayou
Turtle Island Restoration Network
Oilfield Witness
Gulf South Fossil Finance Hub
Texas Campaign for the Environment
Oil and Gas Action Network
Coastal Watch Association
Vessel Project
Port Arthur Community Action Network
Amazon Watch