

U.S. Banks and the Road to Net Zero

Analyzing the 2030 Oil and Gas Targets of the Six Largest U.S. Banks

Introduction

Achieving global climate goals will require significant shifts in bank activity, as part of broader action by governments and the private sector globally. To tackle the climate risks they face and reap the opportunities of a low-carbon economy, many of the world's largest banks have committed to net zero portfolios by 2050 or sooner. And they have increasingly backed up their goals with interim targets for reducing emissions in key sectors by 2030, when global emissions must be slashed by half to avoid the most severe impacts of the climate crisis.

Front and center are the targets that the banks have set for the emissions of the companies and projects that they finance in the oil and gas industry. Unlike companies that generate emissions from their own operations, most of a bank's climate impact is *indirect*, resulting from corporate activities that are financed by the banks through products and services including loans, investments, and derivatives. These financed and facilitated emissions¹ are a key element of banks' decarbonization strategies, informing capital allocation decisions and management policies, although it's important to note they are not a perfect proxy for real-world emissions.

With seven years to go in this pivotal decade, Ceres and TPI Centre analyzed these critical carbon emission reduction targets that the largest six banks have established for the oil and gas sector. These targets are increasingly being compared to each other, often in simplistic ways. While our analysis is not perfect, we believe it is the most comprehensive comparison possible, given existing disclosures. We find that none of the six banks' oil and gas targets are aligned with a 2030 pathway that achieves the goals of the Paris Agreement to limit warming to 1.5°C by mid-century. Our assessment of these targets provides insight into how the banks can improve their target-setting practices and accelerate emissions reductions in the real economy.

¹ For brevity throughout this paper, we may refer to financed and facilitated emissions as financed emissions; however, in most instances we are referring to both. The only exceptions are when we are discussing individual banks who may only disclose financed emissions and omit facilitated emissions.

Overview of Analysis

In this analysis, we focus on the 2030 oil and gas targets of the six largest banks in the United States by total assets (S&P Global ranking, 2022): JPMorgan Chase, Bank of America, Citi, Wells Fargo, Goldman Sachs, and Morgan Stanley. Our analysis aims to provide an apples-to-apples comparison of the ambition of banks’ 2030 oil and gas targets relative to low-carbon benchmarks, highlighting bank progress in aligning with these benchmarks, as well as important gaps in banks’ target-setting practices. We focused this assessment on the banks’ oil and gas targets due to the outsized climate impact of oil and gas-related emissions and because all six banks have set 2030 targets for this sector.

Figure 1 • Scorecard: U.S. Banks’ Oil and Gas GHG Targets

Key Finding 1	Bank of America	Citi	Goldman Sachs	JPMorgan Chase	Morgan Stanley	Wells Fargo
Metric disclosed	● Absolute and physical intensity	● Absolute and physical intensity	● Physical intensity	● Physical intensity	● Absolute and financial intensity	● Absolute emissions
“Translatable” target?	● Partial	● Partial	● No	● No	● No	● No
Carbon credits	● Included	● Included	● Included	● Included	● Unknown	● Excluded
Key Finding 3						
Includes all key business	● No	● No	● No	● No	● No	● No
Key Finding 4						
1.5°C alignment in 2030	● No	● No	● No	● No	● No	● No
<2°C alignment in 2030	● Yes	● No	● No	● No	● Unknown	● Unknown

● Area of Concern
 ● Not Best Practice
 ● Best Practice

The findings from this study complement existing [analyses](#) of bank targets across sectors and preview wider efforts that evaluate banks’ net zero transition strategies. The Net Zero Banking Standard and Framework soon to be published by the Institutional Investor Group on Climate Change (IIGCC) and Transition Pathway Initiative, with additional support provided by Ceres, offers a comprehensive assessment tool for investors to benchmark the decarbonization progress of global banks.

Key Findings

1 Bank targets are not designed for comparability, which results in inconsistent design choices that are not transparently disclosed in many cases.

As banks set sectoral targets, critical design choices need to be made. These choices are typically made in a way that reflects a bank's view of the energy transition and helps bank clients and staff to understand and support the bank's climate strategy. Because strategies and views of the transition differ among banks, each bank makes different choices, and this reduces the comparability of their commitments. While this is understandable, banks should realize that their targets will inevitably be compared, and therefore should disclose sufficient data to make this comparison accurate and meaningful.

One key design choice is the emissions metric a bank uses as the basis for its targets. This choice is typically between absolute emissions, physical intensity, and financial intensity. Each metric comes with strengths and limitations. The main advantage of an intensity approach is that it makes it easier to compare businesses of different sizes. Another advantage of intensity metrics is economic efficiency—asking all companies to reduce their (absolute) emissions at the same rate is likely to be highly inefficient, because the costs of doing so can vary greatly across companies. Intensity metrics may also reduce the problem of [transferred emissions](#), or “leakage”, where emissions are not reduced but are transferred to other firms that may face less scrutiny.

In terms of choosing between physical intensity and financial intensity, disclosing emissions intensity on a financial basis (i.e., GHG emissions per dollar of lending) is not our preferred approach. Currently, the available low-carbon benchmark scenarios for the oil and gas sector are based on physical metrics (i.e., GHG emissions per unit of energy produced). Physical metrics are also less volatile than financial metrics and are more tightly coupled with emissions projections.

Ultimately, though, absolute emissions are what matters for the climate. If a business grows fast enough, emissions intensity can decrease while absolute emissions rise. Also, for the oil and gas sector specifically, using intensity targets presupposes that an oil and gas company's transition strategy involves diversification into cleaner sources of energy. This is because most oil and gas emissions result from the end use of the product, limiting the extent to which intensity can be reduced without diversification. Such a transition strategy may not make sense for all firms.

Given all these factors, the best practice for banks is to disclose historical emissions in both absolute terms and in physical intensity terms, and to disclose the data needed for stakeholders to “translate” targets set in one form into the other form as needed (such as growth rate assumptions and/or measures of energy output financed by the bank). None of the six banks currently do this:

- Citi sets an absolute emissions reduction target for its oil and gas portfolio and has disclosed financed emissions on both an absolute and intensity basis.

- JPMorgan, Bank of America, and Goldman Sachs disclose oil and gas emissions and targets using emissions intensities on a physical basis (kgCO₂e/MJ). Bank of America also discloses its financed emissions in absolute terms.
- Wells Fargo discloses its financed and facilitated oil and gas sector emissions and its target in absolute terms only.
- Morgan Stanley discloses its financed energy sector emissions and target in tCO₂e per million dollars of corporate lending committed and also its absolute emissions.

A second key design choice is the treatment of carbon credits. Ceres [recommends](#) that banks refrain from purchasing credits themselves to offset financed emissions. Credits purchased by bank clients should only neutralize residual emissions, making them relevant for 2050 commitments but not for 2030 targets. Of course, some bank clients may choose to go above and beyond and purchase carbon credits to finance emission reductions and removals outside of their value chains. While this is laudable, these carbon credits should not count toward a bank's 2030 targets. Banks and their clients should be encouraged to disclose their carbon credit strategy and to disclose details about their use of carbon credits.

- Four banks (Bank of America, Citi, Goldman Sachs, and JPMorgan) disclose plans to include their clients' carbon credits as progress towards meeting their own 2030 targets.
- Wells Fargo has adopted the best practice of excluding client-purchased carbon credits from its decarbonization strategy.
- Morgan Stanley does not disclose its approach.

2 The parameters that the banks use to decide which oil and gas emissions to include in their targets means that no comparison is perfect.

The choices banks make about which parts of the oil and gas sector's value chain and what share of its emissions to include in their climate targets for that sector can also limit apples-to-apples comparisons. There are some areas of consensus, including that the most emissions-intensive activities of a sector's value chain should be covered. This means banks' oil and gas targets should at least include [upstream, downstream, and integrated](#) companies. All six banks assessed include these types of companies in their targets.

However, there are some problems with no easy solution, including how banks treat client scope 3 emissions—the emissions that are the result of the use of the products that the oil and gas companies produce. Because the banks' financing contributes to the creation of these products, the banks' targets should include emissions from their use (scope 3, category 11 under the GHG Protocol's framework). While all banks include oil and gas companies' scope 3, category 11 emissions in their targets, there are small differences in calculation parameters that can make comparison more difficult.

- Wells Fargo includes scope 3 emissions from oil and gas companies engaged in upstream activities but not from companies with downstream operations, in order to avoid double counting. This has a small effect on a diversified portfolio but could underestimate financed emissions in certain situations, such as if the bank invests more in downstream companies or if these downstream companies sell or produce more fossil fuels than the bank's upstream clients.
- The other five banks report emissions figures that include upstream and downstream producers, which often have commercial relations (for example, upstream producers sell crude oil and natural gas to refiners). This means that the scope 3 emissions from fossil fuels sold may appear multiple times, even though they result from the use of the same physical products and occur only once in the real world. While physical intensity metrics partially avoid this challenge because the double counting is present in both the numerator and the denominator, any bank reporting absolute emissions is likely to count real-world emissions multiple times. This problem is most acute for Morgan Stanley, which does not report any physical intensity data.

Neither approach is perfect. Banks should be as transparent as possible about their calculations and assumptions in this area.

Emissions attribution is another complex and evolving issue that affects the comparability of bank targets. Banks use an attribution methodology to assign themselves a certain share of each client's emissions. To improve comparability for absolute emissions, the Partnership for Carbon Accounting Financials has developed a standard attribution [methodology](#) that all banks should use (although for target-setting purposes banks should use [committed credit](#) amounts in this calculation.) The attribution of emissions intensity, on the other hand, is often derived using a different methodology that is based on how much each client's business makes up of the banks' portfolio. The use of these different attribution methodologies presents a further hurdle to the "translatability" of targets discussed in the previous section. Absent further disclosure from banks, this issue means that no comparison of banks' targets will be perfect.

3 The scope of targets for reducing carbon emissions is limited to certain bank financing activities; they do not fully cover all the activities that help finance the oil and gas sector.

Ultimately, banks should include the financed and facilitated emissions from all material business activities in their targets for reducing their carbon emissions. Banks do not yet do this, mainly because there are no mature methodologies that they can use to analyze the climate impact of many relevant on- and off-balance sheet activities, such as bond underwriting and [derivatives](#), that are used by oil and gas companies to finance their operations.

- All six banks include corporate lending in their oil and gas targets and include the total amounts of lending the banks have committed to providing the companies (drawn plus undrawn amounts). However, banks disclose only vague details on the different subsets of lending activities covered

(for example, asset-level finance, revolving credit facilities, syndicated loans), which would help investors identify gaps in coverage.

- Three banks (JPMorgan, Goldman Sachs, and Wells Fargo) additionally include debt and equity underwriting in their targets, although the level of transparency and exactly what is covered varies. The other banks intend to include these activities in their targets once a standard PCAF methodology is available.
- Many on- and off-balance sheet activities are still not included in any of the six banks' targets. Importantly for the oil and gas sector, commodities trading, advisory services (for example, mergers and acquisition advisory), and derivatives are not covered, and in many cases methodologies to include them are not even in development.
- Banks' asset and wealth management activities also impact the oil and gas sector and should be addressed separately using an [Investor Climate Action Plan](#).

Each on- and off-balance sheet activity varies in its climate impact depending on the extent to which the activity is enabling carbon intensive activities by bank clients. Banks have a wide variety of business models and a unique ability to transfer high-risk capital in and out of public financial markets. Depending on a bank's transition strategy, limiting the scope of emissions reduction targets may allow companies not aligned with the low-carbon transition to continue to access financing.

4 None of the six banks can demonstrate that their oil and gas financing is on track to converge with a 1.5°C pathway before 2030.

All six banks in this analysis have committed to reducing emissions attributable to their lending and investment portfolios to net zero by 2050. All six banks have also set 2030 targets for the oil and gas sector.

To compare the ambition of each of these targets, we assessed them against TPI Centre's oil and gas benchmarks, which have been used to assess companies' targets for several years, including as part of [Climate Action 100+](#). These benchmarks are derived from the Sectoral Decarbonisation Approach (SDA)², a method to allocate the remaining global carbon budget between sectors that uses the same model components from the International Energy Agency that most banks³ have used to inform their targets. Of course, banks did not use these benchmarks when setting their targets, so they would have used different assumptions.⁴

These benchmarks extend to 2050 across three scenarios: a National Pledges scenario that assumes all countries achieve their Nationally Determined Contributions under the Paris Agreement⁵, a 1.5°C scenario and a below 2°C scenario, which are the goals set out under the Paris Agreement for limiting global warming. This allows for consistent comparisons of banks' targets against standard

² Created by CDP, WWF & WRI in 2015

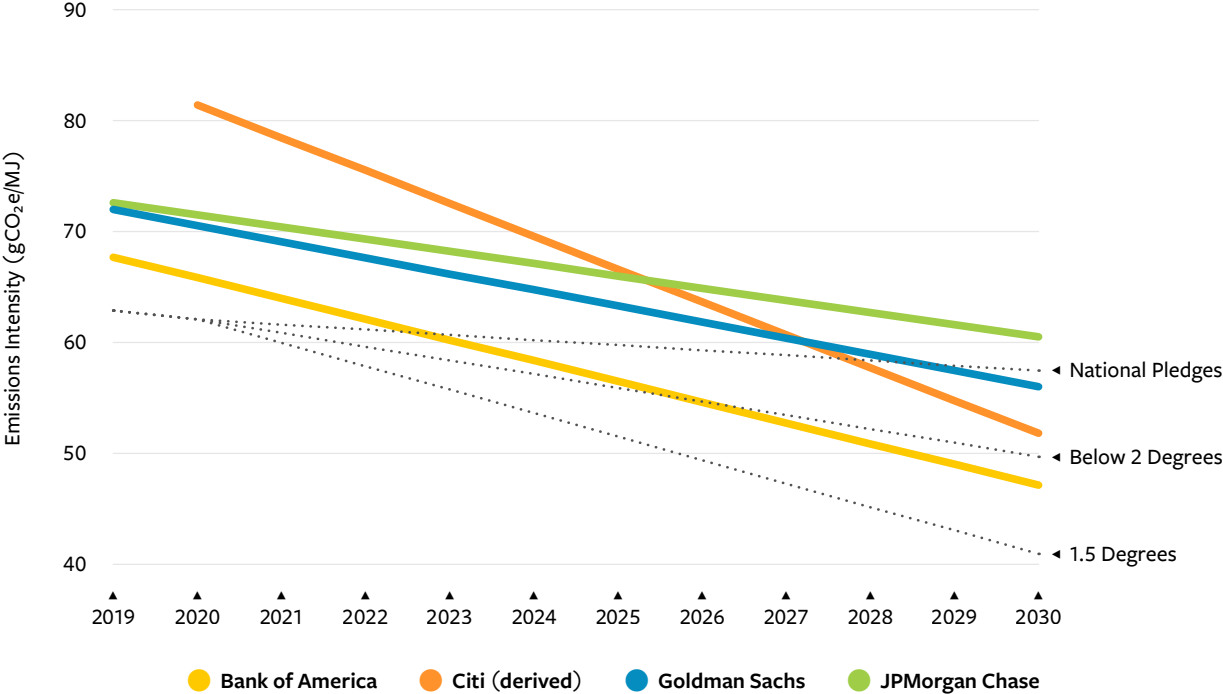
³ Scenarios used by each bank: Citi (IEA Net Zero Emissions 1.5C (NZE)); JPMorgan (IEA Sustainable Development Scenario 1.7C); Bank of America (IEA NZE); Goldman Sachs (Carbonomics 1.5C); Morgan Stanley (IEA NZE); Wells Fargo (NGFS Orderly 1.5C)

⁴ Scenarios using the same 2050 carbon budget, given various assumptions, create 2030 pathways that can be higher or lower than the TPI Centre derived benchmarks.

⁵ Methodology detail on how TPI Centre applies the SDA to construct low-carbon benchmarks and evaluate banks' target alignment can be found in the separate methodology document, which is linked to at the end of this brief.

reference points. It is worth noting that these reference points are based on total energy supply, so they assume oil and gas companies will not only decarbonize, but also scale up production of clean energy.

Figure 2: Financed Emissions Intensity Pathways Compared to TPI Oil and Gas Benchmarks



Our analysis shows that:

- None of the four banks’ emissions intensity pathway is aligned with 1.5°C by 2030.
- Bank of America aligns with the Below 2°C scenario in 2026 and also has the lowest starting point in terms of its oil and gas portfolio intensity.
- The intensity reduction implied by Citi’s absolute emissions target is the largest of the four banks, and shows the most ambitious movement toward the 1.5°C pathway.

The TPI Centre oil and gas benchmarks are measured in terms of emissions per unit of physical energy supply. To be comparable to these benchmarks, the banks need to disclose their emissions and targets in the same way, or otherwise disclose oil and gas production or sales from their financed oil and gas portfolios. Four banks do this as shown in Figure 1: Bank of America, Citi, JPMorgan, and Goldman Sachs.

Wells Fargo and Morgan Stanley do not disclose their emissions in this way. In order to make a consistent comparison, we used an alternative approach to assess the alignment of these two banks’ targets. Beginning with the maximum 2030 emissions intensity that is aligned with the 1.5°C and Below 2°C benchmarks, we used information on these two banks’ targets to back out how low their

starting emissions intensity would need to be for them to claim their targeted reductions are 1.5°C or Below 2°C aligned. We can then ask whether these starting intensities are plausible.

Upon completing this analysis, we find the starting intensities that would be required to meet a 1.5°C benchmark in 2030 are implausibly low (over two standard deviations below the oil and gas sectoral mean). We conclude on this basis that Morgan Stanley and Wells Fargo's emissions intensity reduction targets are not aligned with 1.5°C in 2030. The starting intensities required to align with Below 2°C are also unlikely to be realistic as they are over one standard deviation below the oil and gas sector mean. However, alignment of these banks with Below 2°C by 2030 cannot be ruled out. Additional information on the TPI Centre methodology is available [here](#).

None of the six banks' oil and gas targets align with the cuts in carbon emissions needed by 2030 to achieve the goals of the Paris Agreement. While the pathways to 1.5°C for the oil and gas sector will continue to be updated and immediate alignment is not expected, banks ultimately need to converge with a 1.5°C scenario across all sectors and asset classes. The longer it takes to align, the more risk that cumulative emissions are above the global carbon budget and climate goals are missed. Based on our analysis, a major step banks can take to strengthen their targets is to ensure the targets consider the broader energy system in which oil and gas companies operate, and help those companies to not only move away from fossil fuels but also to scale up clean energy solutions.

Recommendations for Banks

Based on our analysis, Ceres and TPI Centre recommend the following steps for how banks can improve their target-setting practices and accelerate emissions reductions in the real economy:

1. Expand target coverage to ultimately include all on- and off-balance sheet activities that help finance the oil and gas sector, prioritizing activities with high financial and/or emissions exposure. As best practice, banks should provide a plan with clear milestones to cover all sources of financed and facilitated emissions as part of their net zero commitment and work to develop methodologies where they do not currently exist.
2. Continue to ramp up the ambition of targets. Steep reductions in oil and gas emissions and diversification into low-carbon sources of energy are needed to limit global warming to 1.5°C. Working with oil and gas clients to substantially reduce methane emissions is the fastest way to cut emissions in the short term, and investors, banks and oil and gas companies all [agree](#) that this is a priority.
3. Substantiate the credibility of targets with a comprehensive transition plan that meets the standards set out by [Ceres](#), [GFANZ](#), [IIGCC](#), and any relevant regulators.
4. Explicitly disclose the key assumptions and calculations used in emissions accounting and in target-setting. Banks should disclose their emissions in absolute and physical intensity terms and ensure their targets are “translatable”, as neither metric is perfect.
5. Report progress in reducing emissions and methodological updates on an annual basis.

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About Ceres

Ceres is a nonprofit organization working with the most influential capital market leaders to solve the world's greatest sustainability challenges. Through our powerful networks and global collaborations of investors, companies, and nonprofits, we drive action and inspire equitable market-based and policy solutions throughout the economy to build a just and sustainable future. For more information, visit ceres.org and follow [@CeresNews](https://twitter.com/CeresNews).

About Ceres Accelerator for Sustainable Capital Markets

Ceres is a nonprofit organization working with the most influential capital market leaders to solve the world's greatest sustainability challenges. The Ceres Accelerator for Sustainable Capital Markets is a center of excellence within Ceres that aims to transform the practices and policies that govern capital markets to reduce the worst financial impacts of the climate crisis. It spurs action on climate change as a systemic financial risk—driving the large-scale behavior and systems change needed to achieve a net zero emissions economy through key financial actors including investors, banks, and insurers. The Ceres Accelerator also works with corporate boards of directors on improving governance of climate change and other sustainability issues. For more information, visit ceres.org/accelerator.

About TPI Centre

The Transition Pathway Initiative—based at LSE's Grantham Research Institute on Climate Change and the Environment—is an independent, authoritative source of research and data on the progress of the financial and corporate world in transitioning to a low-carbon economy. TPI Centre's vision is to provide assessment frameworks, based on publicly disclosed information, that enable investors to objectively and robustly assess corporate and sovereign practices and processes. TPI Centre is the main research partner and data provider for the CA100+ Net Zero Company Benchmark.

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