Environment

BBVA to pledge $100bn of finance into green energy projects

Banks are under mounting pressure from investors to step up their response to climate change

Martin Arnold in London FEBRUARY 28 2018

Spanish bank BBVA will on Thursday respond to criticism of its response to climate change by promising to direct $100bn of finance into green energy projects and other sustainable development areas by 2025.

The Madrid-based lender will also become the first large bank to publish the proportion of its balance sheet that is exposed to carbon-related assets, which amounted to €23.4bn, or 3.4 per cent of its total assets at the end of December.

ShareAction, the campaign group, said the move by BBVA was a "huge step forward in a short space of time" but added there was still more to do, such as cutting its financing of coal mines and power stations, ultra deepwater drilling for oil and gas and liquefied natural gas.

The announcement by BBVA comes as banks face mounting pressure from investors and regulators to step up their response to climate change.

BBVA said it would not finance any new coal mines and coal-fired power stations or extensions to existing ones and would exclude companies relying on coal for more than 40 per cent of their mining or power generation activity.

However, Toni Ballabriga, BBVA's global head of responsible business, said the bank would exempt any countries that rely on imports for more than 70 per cent of their energy — allowing it to keep funding coal projects in Turkey, where it has a sizeable presence.

The bank also said it would stop financing oil exploration and production from tar sands and in the Arctic, mountain-top removal coal miners, simple hull oil tankers, new nuclear power plants, asbestos extraction projects and non-certified palm oil producers.

Share Action said the bank's new policies meant it would have been positioned seventh in the ranking of Europe's top 15 banks by their responses to climate change that it published last year. BBVA was stung by its initial ranking of 12th when the report was released.

More than 100 investors with more than $2tn of assets under management wrote to 62 of the world's biggest banks last year, calling for a strengthening of climate-related disclosures.

France has introduced legislation forcing banks to disclose more about climate-related risks and the Bank of England is planning to publish its review of climate-change risks in the UK banking system in the coming weeks.

In response, a growing number of large US and European banks have stepped up their efforts to promote climate-friendly investment products, such as green bonds. JPMorgan Chase pledged last year to facilitate $200bn of finance for clean energy projects by 2025 and HSBC promised $100bn of finance for low-carbon technology and sustainable development over the same period.

BBVA said it would adopt the recommendations of the Task Force on Climate-Related Financial Disclosures, which was set up by Mark Carney, governor of the Bank of England, and Michael Bloomberg, the media owner, to establish voluntary standards for reporting financial risks created by changes to the climate. The bank also said it would cut its CO_2 emissions by 68 per cent by 2025.

Mr Ballabriga said more than half of the bank's €100bn target for green and sustainable finance by 2025 would come from green loans, a nascent but fast-growing form of lending that offers companies lower interest rates if they hit carbon-reduction targets.

BBVA has been criticised for being part of a 17-bank consortium that financed the Dakota Access Pipeline, which has raised concerns from the US public and big investors that it would contaminate drinking water and damage sacred burial sites of the Standing Rock Sioux tribe.

In response, the bank said it would carry out "enhanced due diligence" in the future when indigenous groups are affected by a project it is financing to prevent such "negative impacts".

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