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Green Finance: Britain's Largest Domestic Bank to Cease Direct Financing of Oil and Gas Fields

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Green Finance



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On Thursday, Britain's biggest domestic bank announced it would stop direct financing to develop new oil and gas fields. Alongside its announcement, Lloyds updated its climate policy, which now prevents project financing or reserve-based lending to greenfield (i.e., new) oil and gas projects. This change in policy will not prohibit general lending to companies in the fossil fuel industry. In this move, the bank joins other lenders and insurers that have scaled back investments in or provided financing to fossil fuel projects (see for example our [recent article](#) on Munich Re). Last year, Lloyds lent approximately \$1.1 billion to oil and gas customers, which accounts for just 0.2% of its overall lending.

Taking the Temperature: There is significant pressure on the financial sector, particularly in light of the upcoming global climate change conference, COP27, which will take place in November, to demonstrate concrete progress toward climate-related targets. On the other hand, energy produced from oil, gas, and coal remains vital to satisfy current global energy needs and, as it relates to sustainability, enables the production of green sources of energy such as wind turbines and solar panels. Lloyds' announcement comes just weeks after the British government announced the end of a moratorium on new oil and gas exploration in the North Sea. Given that there are no readily available solutions, we anticipate continued tension between laudable greenhouse gas reduction goals and the reality that GhG emissions produced from fossil fuel production is needed.