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Green Finance: NZBA Publishes First Progress Report

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On November 9, the UN-convened Net-Zero Banking Alliance (NZBA) announced the publication of its first progress report. The NZBA reported that over half of its members have now set intermediate (*i.e.*, 2030) decarbonization targets and that 90% of the 43 banks that were due to publish targets by the end of October have done so. The report "captures an aggregated view of the intermediate targets that have been reported by members." Since its inception in April 2021, the NZBA has almost tripled in size from 43 founding members to 122 member banks hailing from 41 different countries and representing 40% of global banking assets. Members of the NZBA are required to declare intermediate decarbonization targets within 18 months of joining the alliance. The targets should "prioriti[z]e areas of the member's business based on [greenhouse gas (GHG)] emissions, GHG intensities and/or financial exposure in their portfolio, must align with no/low-overshoot 1.5°C transition pathways, as specified by credible science-based climate scenarios, and must be achieved by 2030."

For more on the efforts of the NZBA, please refer to our October 25, 2022 Cadwalader Climate regarding the open letter that the NZBA sent to its members.

Taking the Temperature: Institutional investor climate alliances such as NZBA, the Glasgow Financial Alliance for Net-Zero (GFANZ) and Climate Action 100+ have been subject to challenge recently on several fronts. On October 19, 2022, 19 Republican state attorneys general issued civil investigative demands to six U.S. banks seeking information related to their membership in NZBA and raising antitrust concerns. Earlier this year, Arizona's Attorney General indicated he would investigate potentially collusive activity involving Climate Action 100+. This month, five Republican senators sent letters to the heads of ESG practices at 51 law firms raising concerns about their clients' involvement in "climate cartels" and stating that "Congress will increasingly use its oversight powers to scrutinize the institutionalized antitrust violations being committed in the name of ESG." GFANZ itself recently dropped a requirement that its members

commit to the United Nations-supported Race to Zero minimum standards, supposedly after several banks threatened to withdraw in part over concerns about antitrust challenges. Even the progress reported by NZBA is tempered by its own acknowledgment that faster action is needed, while the non-profit ShareAction observed "crucial gaps" in the NZBA report, including "a failure to include emissions-heavy sectors such as chemicals and agriculture" and "problems with inconsistent metrics, for example widespread use of intensity over absolute emissions reduction and varying approaches to fossil fuel targets." We will write separately on the validity, or lack thereof, of the antitrust concerns raised regarding investor climate alliances. Today's takeaway is that such alliances are under scrutiny from Congress and NGOs, which threatens to chill collaboration in the climate reduction area and, with it, potential progress that otherwise might be made on industry-wide bases.