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Sent: 18/02/2021 17:29:21

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Subject: FW: Banks join forces in bid to shape Biden's climate push

Redacted - First Amendment

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From: Scott O'Malia <[redacted]@isda.org>
Sent: 18 February 2021 13:59
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Subject: FW: Banks join forces in bid to shape Biden's climate push

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Alan,

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From: POLITICO Pro [redacted]@email.politicopro.com>
Sent: Thursday, February 18, 2021 7:04 AM
To: Christopher Young [redacted]@isda.org>
Subject: Banks join forces in bid to shape Biden's climate push

EXTERNAL EMAIL

Banks join forces in bid to shape Biden's climate push

By Zachary Warmbrodt

02/18/2021 07:01 AM EST

A coalition of banks, insurers and Wall Street trading firms on Thursday issued a pledge to support U.S. efforts to combat climate change amid growing pressure from the Biden administration and investors, though they cautioned against new financial regulations that would force them to act.

Eleven industry trade associations outlined their recommendations in a joint report backing the international goals of the Paris climate agreement, which the U.S. is rejoining after former President Donald Trump withdrew support.

The organizations, including the American Bankers Association, the Investment Company Institute and the Securities Industry and Financial Markets Association, described climate change as "one of the greatest global challenges facing our society" and said the industry will play a key role in financing efforts to help mitigate greenhouse gas emissions and to promote sustainable energy.

The statement of principles, which also sets clear limits on the role that banking regulation should play, provides U.S. financial firms with a road map in upcoming discussions with the Biden administration. Tim Adams, who led the effort as the head of the Institute of International Finance, said discussions with administration officials had already begun on the issue and that the talks "have not been hostile."

"The conversations I have been a part of have been incredibly positive and affirming," Adams said in an interview. "They're looking for a way forward and want industry to be part of the solution and the conversation."

The move by the finance industry groups to settle on a broad plan of action reflected an accelerating worldwide push by government officials to incorporate banks and other investment firms into their efforts to address climate change.

The unveiling was timed with an industry-led event Thursday where executives including the CEOs of Bank of America and BlackRock will elaborate on their sustainability plans alongside top U.S. financial regulators who are increasingly focused on climate risks. Executives will tout the power of markets to help solve the problem — a key tension with climate activists.

"The financial services industry has an important role to play in facilitating the raising of capital for climate innovation and in providing risk management tools," International Swaps and Derivatives Association CEO Scott O'Malia said in a statement. "The magnitude of the changes requires a market-based approach that supports jobs, promotes innovation, is risk-based and drives greater standardization and transparency."

While Trump retreated on climate action in general, the fight against global warming is a top priority for President Joe Biden and Democrats in control of Congress. The administration is putting a strong focus on the finance industry's role in supporting sustainability efforts as well as the potential risks that financial firms face from natural disasters and the economic transition away from fossil fuels. Treasury Secretary Janet Yellen, who will have a major say in financial regulation, plans to put her department at the forefront of the climate push.

In a telling sign of potential conflicts to come, the financial trade groups outlining climate priorities stopped short of inviting new regulations that would force banks and markets to respond to climate change.

While the Securities and Exchange Commission is expected to consider imposing mandatory climate risk disclosures on U.S. companies, the financial trade groups argue that transparency standards should remain voluntary. They say clear progress has already been made thanks to initial industry disclosure efforts, and that it should be further improved with convergence around an international standard. The groups want regulators and industry firms to work together to develop better climate risk modeling as well.

But the associations warn that banking regulation should stay focused on ensuring the stability of the financial sector and not be used to achieve climate goals, "particularly any measures that could restrict finance to companies most in need of support for transition."

The groups drew the red line amid growing discussion among regulators about potential climate-related stress tests for banks, which could affect lending, and increasing pressure from climate advocates who want banks to cut off financing to fossil fuel producers.

"Trying to steer from the backseat in some kind of capital rationing or capital targeting we think is the wrong way to go," Adams said.

The unwillingness of lenders to cut ties with carbon-intensive industries is a big reason why environmental watchdogs routinely dismiss the growing number of climate pledges coming from major financial institutions.

In their climate plan released Thursday, financial firms argue that the emphasis should be on protecting jobs.

"The U.S. should move ahead quickly but deliberately, supporting robust, sustainable economic growth, investment, and job creation to minimize the costs of transition for households and businesses," the groups said.

The organizations that signed on to the principles also included the Bank Policy Institute, the CRE Finance Council, the Financial Services Forum, the Futures Industry Association, the International Capital Market Association and the Institute of International Bankers.

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