

## **Climate change presents an existential risk to the global economy and JPMorgan Chase.**

In 2018, the Intergovernmental Panel on Climate Change reported that to meet the 2015 [Paris Agreement ambition](#) to hold global temperatures within a 1.5-degree Celsius limit and prevent the worst impacts of climate change, net carbon emissions must fall 45 percent by 2030 and reach net zero by 2050. However, the [UN reports](#) that current national plans fall far short of what's needed to achieve these goals.

Climate change impacts present substantial [risks to the global economy](#). A warming climate is associated with increased supply chain disruptions, reduced resource availability, lost production, commodity price volatility, infrastructure damage, political instability, reduced [worker efficiency](#), and [adverse health impacts](#). Additionally, exceeding 1.5 degrees Celsius presents risks to the economy, investors, and banks' profitability: limiting global warming to 1.5 degrees versus 2 degrees has been projected to save \$20 trillion globally by 2100, and exceeding 2 degrees could lead to climate damages in the hundreds of trillions. [Estimates](#) find that the global economy could lose 10% of its value by 2050 under current emissions trajectories.

In its 2022 10-K, [JPMC notes](#) the long-term physical and financial risks the Bank faces from climate change:

*JPMorgan Chase operates in many regions, countries, and communities worldwide where its businesses, clients and customers could be impacted by climate change. Climate change could manifest as a financial risk to JPMorgan Chase either through changes in the physical climate or from transitioning to a low-carbon economy, including changes in climate policy or the regulation of financial institutions concerning risks posed by climate change.*

JPMC has set a long-term target to reduce the emissions of its financing portfolio in line with the goals of the Paris Agreement. However, the Bank's continued financing of new oil and gas development and production increases the bank's exposure to the risk of physical impacts of climate change and the regulatory, legal and reputational risk posed by those investments in oil and gas assets that are increasingly controversial, and increasingly likely to lose value in the transition to a low-carbon economy.

## **JPMorgan Chase has set ambitious long-term climate targets, but its near-term plans fail to limit funding for new fossil fuel development.**

In 2020, JPMC set a long-term target of aligning its financing with the goals of the Paris Agreement. In 2021, the Bank announced its support for the Net Zero Banking Alliance (NZBA) goals of aligning bank lending and investment portfolios with net-zero emissions by 2050. [NZBA asks](#) signatory banks to set science-based intermediate targets for 2030 or sooner. [JPMC also reports](#) on its climate risk using the guidelines established by the Task Force on Climate-related Financial Disclosures and has set 2030 emissions reduction targets for its financing of high-emitting sectors, including oil and gas companies.

Yet JPMC continues to lead the global banking sector in its financing of fossil fuel companies. The report "[Banking on Climate Chaos 2022](#)" reported that JPMC's fossil fuel funding increased by \$10 billion in 2021, nearly to pre-pandemic levels, despite pledging that year to align its financing with the goals of the Paris Agreement. According to the [report](#), JPMC is the largest investor in companies expanding the production of fossil fuels and fracking operations and in the top five most prominent bankers for tar sands oil production, offshore oil and gas activities, and liquefied natural gas ("LNG") operations. From 2016 to 2021, the Bank has contributed over \$382 billion in lending and underwriting for fossil fuel projects and producers. Its fossil fuel funding levels are [higher](#) than the next leading global Bank, Citi, by 34 percentage points.

In May 2021, the International Energy Agency (IEA) issued a new energy scenario focused on limiting warming to [1.5 degrees Celsius by 2050](#), in line with the goals of the Paris Agreement. The latest IEA Net Zero scenario is precise: limiting emissions to the 1.5 degrees required by the Paris Agreement entails a 3-4% decrease in oil and gas production per year, and new oil and gas fields cannot be developed after 2021. "...no fossil fuel exploration is required, and no new oil and natural gas fields are required beyond those already [approved for development](#)."

Unless the Bank sends a clear signal to its fossil fuel clients that new production and development must end quickly, the Bank's pledge of Paris-aligned emissions by 2050 is suspect and may be unattainable. JPMC CEO Jamie Dimon recently [urged President Biden](#) to create a "Marshall Plan" to increase U.S. production of natural gas in the wake of the Russian invasion of Ukraine. This statement highlights the Bank's continued commitment to the development of fossil fuels and is in direct conflict with its Net Zero goals.

JPMC's 2030 target for the oil and gas sector looks for a 35 percent reduction in carbon intensity for scope 1 and 2 operational emissions and a 15 percent reduction in intensity for scope 3 emissions with a 2019 baseline. This target fails to curtail new fossil fuel development by the Bank's clients. In addition, as an intensity target, it could permit investment in expanded production—in lower-emissions natural gas, for example—as long as a client's overall carbon intensity is reduced.

**If JPMC fails to align its fossil fuel company financing with credible net-zero scenarios, the Bank could be exposed to regulatory, reputational, and litigation risks.**

As regulators address the climate crisis, several have highlighted the importance of ensuring banks' public statements regarding climate align with their internal policies. The Office of the Comptroller of the Currency (OCC) recognized the risks of greenwashing in its recent [proposal on climate accountability](#) of banks, noting that:

*"...where banks engage in public communication of their climate-related strategies, boards and management should ensure that any public statements about their banks' climate-related strategies and commitments are consistent with their internal strategies and risk appetite statements."*

Similarly, the European Central Bank found in its recent [financial stability review](#) that:

*“While financial markets can play an important role in financing this [energy] transition, greenwashing concerns persist. These need to be tackled through better information, especially about forward-looking commitments and plans, and enhanced standards, to ensure that green finance effectively supports the transition and fosters efficient market mechanisms.”*

Regulatory solutions, such as increasing capital requirements for fossil fuel-related assets, appear increasingly likely. The European Central Bank (ECB) signalled in a speech by Frank Elderson, Vice-Chair of the Supervisory Board of the ECB, that “2022 will be the year that C&E [climate-related and environmental] risks become integrated with the day-to-day activities of our joint supervisory teams... These risks will become an integral part of our ongoing dialogue with supervised entities...this will ultimately influence banks’ minimum capital requirements.” Beyond potential regulatory consequences, JPMC may open itself to litigation when it attempts to sell client assets that it knows, or should know, are at a high risk of failure, harkening back to the dangers materialized from banks’ mortgage sales in the 2008 financial crisis. Investing now in producing more oil and gas than is necessary for a net-zero transition [could leave \\$11-14 trillion](#) in stranded assets.

Additionally, making net-zero commitments that are not backed by credible actions, and continuing to be a major funder of fossil fuel expansion, exposes JPMC to reputational risks, mainly as the Bank competes for employees and customers amid the “Great Resignation.” A [Gallup survey](#) found that 70% of U.S. workers factor in a company’s environmental record when considering taking a job. Existing workers at Amazon, Microsoft, and Alphabet have [demanded greater action](#) from their employers on climate, indicating strong worker interest in how companies respond to the growing challenge of climate action, signalling a potential risk for JPMC.

Customers are also increasingly looking for environmental performance from companies. [Deloitte research](#) found that “23% of consumers say they will switch to buying products from an organization that shares their values on environmental issues.” All signs point to the continuation of this trend as millennials and Gen Z increase their buying power. According to a recent Deloitte survey, the [climate is Gen Z’s foremost](#) societal concern, and “more than a quarter of millennials and Gen Zs [globally] said that certain businesses’ impact on the environment has influenced their buying decisions.”

Adding to the negative attention, activist pressure will likely continue against banks providing significant funding to fossil fuel companies. JPMC has been subject to continued [activist pressure](#) and public demonstrations due to its leading role in financing fossil fuels. Rainforest Action Network’s annual Banking on Climate Chaos report draws significant press attention every year, with JPMC consistently ranking as the [top global fossil fuel financier](#).

### **Other global banks have successfully adopted policies ensuring their lending and financing do not contribute to new fossil fuel development.**

Other banks take proactive measures to ensure that their financing does not contribute to new fossil fuel development. For example, [NatWest stopped](#) “lending and underwriting oil and gas companies without a credible transition plan aligned with the 2015 Paris Agreement

by the end of 2021.” [La Banque Postale committed](#) to no longer finance oil & gas projects and companies listed in the GOGEL, except where financing is tied to the development of renewable energy or where the company has published credible phase-out by 2040 plans; these plans must leave no room for the development of new oil & gas projects.

JPMC has [policies that prohibit](#) financing of companies with a majority of revenues coming from coal extraction. The Bank also prohibits project financing or other forms of asset-specific funding for Arctic drilling, construction of new coal-fired power plants, and refinancing of existing coal plants. As JPMC currently has for coal plant construction and Arctic drilling, a project finance prohibition would not address the bulk of the [Bank’s financing](#) now flowing to fossil fuel expansion, which primarily occurs at the corporate financing level. For this reason, the Bank should adopt a policy against all financing of new oil and gas exploration and development in line with the IEA Net Zero scenario.

### **Vote “YES” on this Shareholder Proposal.**

As long-term investors in JPMC, we are concerned that the Bank is not adequately managing the risk of climate change by signalling to its oil and gas clients that they must quickly ramp down new exploration and production in line with the 1.5-degree ambition of the Paris Agreement and the IEA’s Net Zero scenario. By failing to address this issue with its clients, the Bank increases its physical and financial risk from climate change and its potential risk from regulation and threat to its reputation as employees, consumers, and activists push for accelerated and robust climate action. Adopting a policy against financing new oil and gas exploration and development aligned with the IEA Net Zero scenario would enable JPMC to manage these risks. Accordingly, investors are encouraged to vote “FOR” this proposal.