Surge in Fossil Fuel Financing by Global Banks Undermines Net Zero Goals

June 22, 2025 • vajiramandravi.com

2025 Fossil Fuel Finance Report Latest News

- The **2025 Fossil Fuel Finance Report** by the Banking on Climate Chaos Coalition reveals that the world's 65 largest banks collectively committed $869 billion to fossil fuel companies in 2024, up from $707 billion in 2023.
- This growth, including the involvement of **India's SBI**, has sparked **global concerns over climate goals**, especially amid policy rollbacks and increasing global temperatures.

Key Highlights of the Report

- **Rising fossil fuel financing:**
    - **Global financing surge:** In 2024, global fossil fuel financing **increased by 22.8% over 2023**.
    - **Top contributor:** JPMorgan Chase topped the list, contributing $53.5 billion, a $15 billion increase from 2023.

- **SBI's climate commitments vs actions:**
  - **Commitments:**
    - State Bank of India (SBI) aims for **net zero by 2055.**
    - Target of 7.5% green advances by 2030 of domestic gross advances.
    - As of March 2025, SBI had extended ₹20,558 crore in **sustainable finance.**
  - **Actions:** The report highlights that SBI's position rose to **47th rank**, with a **total fossil fuel financing of $2.62 billion**, marking a $65 million increase from 2023.

Contradictions and Policy Backtracking

- **Policy rollbacks in global banks:**
  - American lender **Wells Fargo** scrapped plans to become net zero by 2050.
  - **European banks**, earlier seen as climate-progressive, also showed weakening sector policies.
  - Six largest **US banks** exited the UN Net-Zero Banking Alliance.
- **US policy shift under Trump administration:**
  - Withdrawal from **Paris Agreement** (effective early 2026).
  - Exit from the **Network for Greening the Financial System**.
  - **Proposed legislation** to cut clean energy tax incentives.
  - This rollback comes despite **2024 being the hottest year** ever recorded.

India's Coal Financing Blind Spot

- As per Climate Risk Horizons, **Indian banks largely lack coal exclusion policies**.
- Only Federal Bank and RBL Bank among BSE's top 1000 banks have such policies.
- Despite renewables now being cheaper than coal, **banks continue fossil fuel investments.**

Long-Term Concerns

- **Lock-in effect of infrastructure:**
  - As per IEA 2024, achieving net zero by 2050 demands **halving fossil fuel investment by 2030**.
  - **New investments risk locking economies** into decades of fossil fuel dependency.
- **Mergers and acquisitions (M&A) financing:**
  - Acquisition-related fossil fuel financing rose to $82.9 billion.
  - Although not directly creating new infrastructure, such financing strengthens fossil fuel companies' market dominance, delaying the global phase-out essential for climate mitigation.

Cumulative Trends since Paris Agreement

- **From 2016–2025**, the 65 banks have contributed $7.9 trillion in fossil fuel financing.
- **Since 2021**, $3.3 trillion has been lent to fossil fuel businesses — a persistent trend despite global climate urgencies.

Conclusion

- The rise in fossil fuel financing by global and Indian banks in 2024 signals **a critical policy regression** against the backdrop of an escalating climate crisis.
- While financial institutions proclaim net-zero targets, the widening gap between climate pledges and actual financing behavior underscores the **urgent need for enforceable climate-aligned banking regulations**.
- This is especially important as **time runs out to meet global sustainability commitments.**

Source: **IE**
