HOW THE FINANCE FLOWS:

THE BANKS FUELLING THE CLIMATE CRISIS

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EXECUTIVE SUMMARY

The climate has a cash flow problem.

Far more of the world's money is flowing to the causes of the climate crisis than to the solutions.

As the climate crisis escalates, fossil fuels and industrial agriculture – the two industries that are the largest contributors to climate change – continue to expand and thrive. Meanwhile, the solutions needed to address the climate crisis remain woefully underfunded.

The climate impact of burning fossil fuels is well known, but the role of industrialised agriculture in the climate crisis is less widely publicised. Agriculture is the second-largest contributor to climate change, and industrialised approaches marketed and controlled by giant agribusiness corporations are responsible for the bulk of emissions in the sector.[1] These industrialised agriculture approaches drive deforestation, aggressively market agrochemicals that lead to large amounts of greenhouse gas (GHG) emissions and expand factory farming. They also undermine billions of smallholder farmers and their agroecological farming systems which could otherwise feed the world while cooling the planet. Industrial agriculture's reliance on fossil fuels to produce agrochemicals is just one way in which the two industries are deeply co-dependent.

Countries in the Global South, already disproportionately affected by the impacts of the climate crisis, are playing host to an increasing number of fossil fuel and industrial agriculture developments such as coal mines, gas wells, oil pipelines, coal-fired power plants and monoculture plantations blasted with agrochemicals such as fossil fertilisers and pesticides. These lead to conflicts over land and water, cause premature deaths, destroy ecosystems, poison rivers and lakes, and drive up the climate change impacts already devastating their communities.

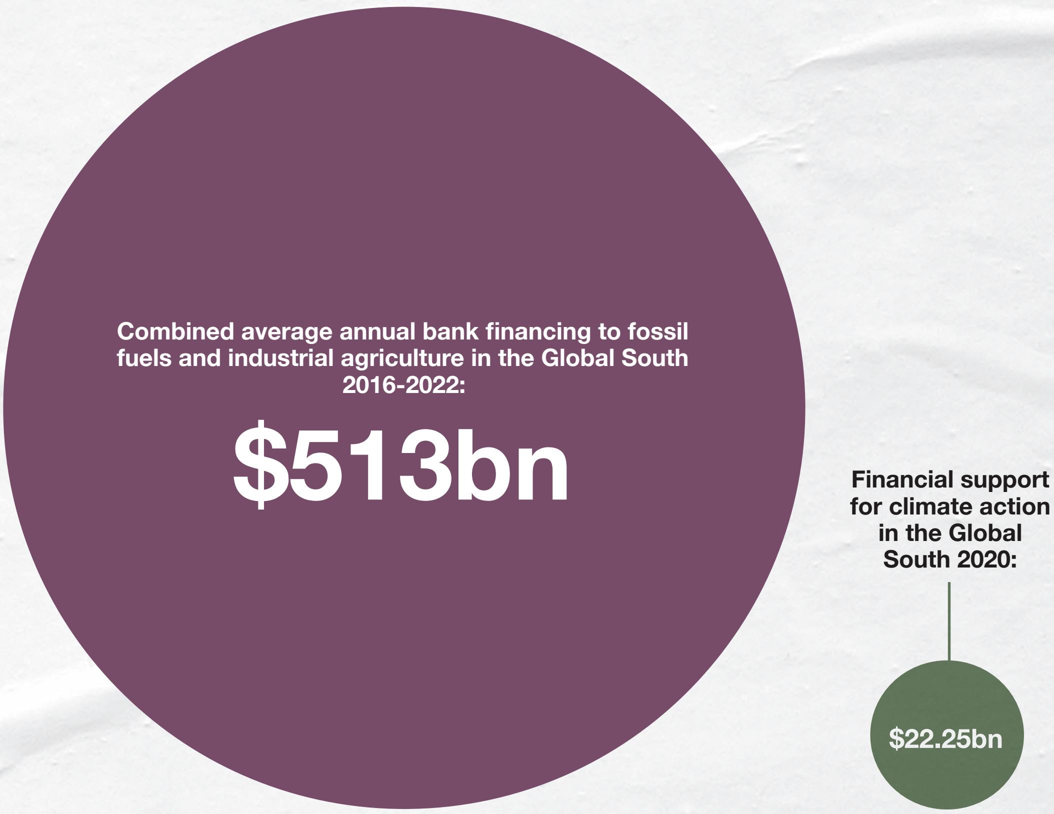
Financing fossil fuels and industrial agriculture also risks locking Global South countries into building expensive and debt-dependent infrastructure that will quickly become outdated, rather than investing in sustainable opportunities for development like renewable energy and agroecology.

This report tracks financial flows from banks to fossil fuels and industrial agriculture in the 134 countries of the Global South.

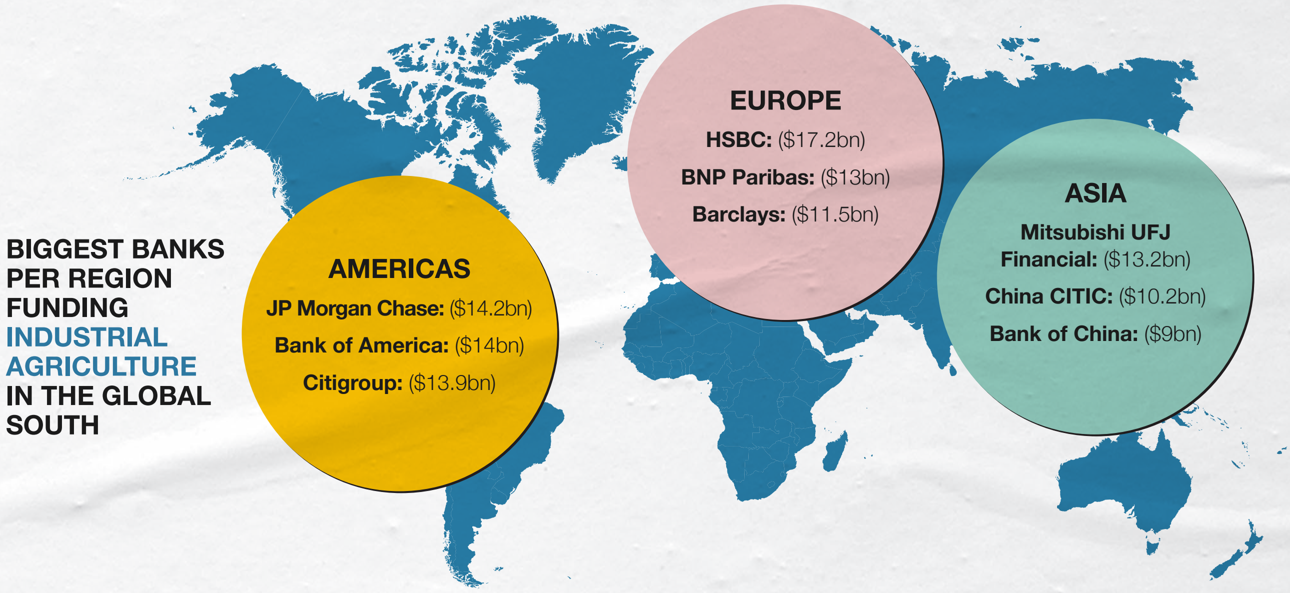
Despite global banks' public declarations that they are addressing climate change, the scale of their continued fossil fuel and industrial agriculture financing is staggering.

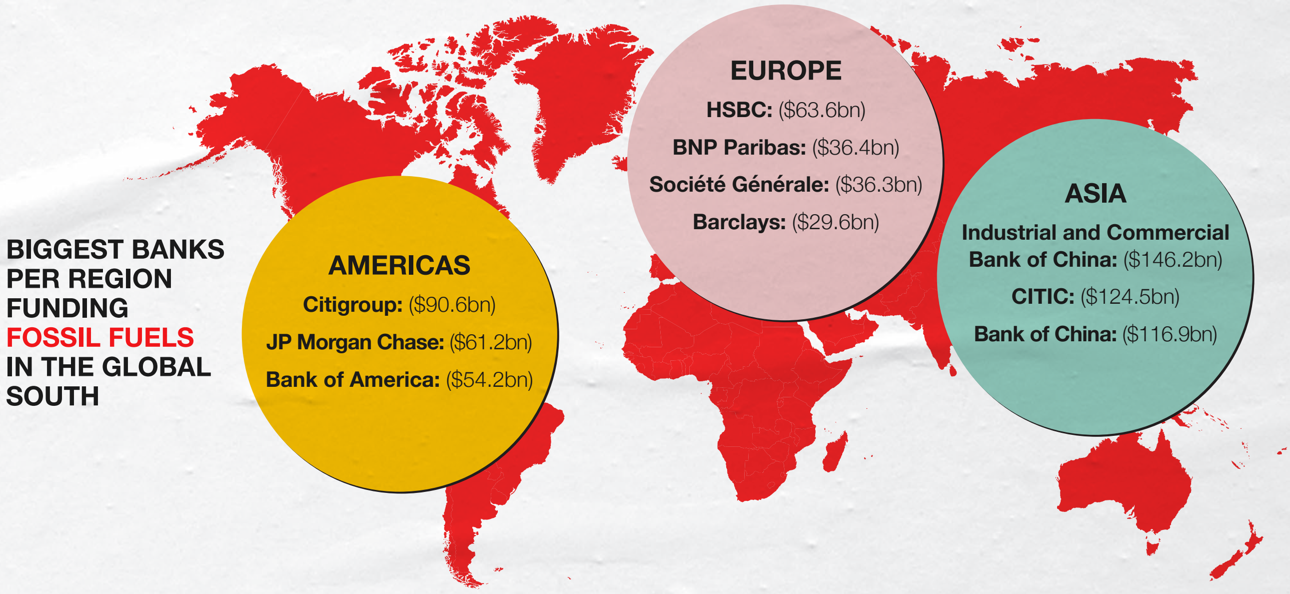
New research by ActionAid shows that:

- **Bank financing provided to the fossil fuel industry in the Global South reached an estimated US$3.2 trillion in the seven years since the Paris Agreement on Climate Change was adopted.[2]**
- **Bank financing provided to the largest industrial agriculture companies operating in the Global South amounted to US$370 billion over the same period.**
- **Banks have provided an annual average of 20 times more financing to fossil fuels and agriculture activities in the Global South than Global North governments have provided as climate finance to countries on the front lines of the climate crisis.**



This glut of unsustainable financing is being provided by many of the world's biggest banks. The largest European financiers of fossil fuels and agribusiness are HSBC, BNP Paribas, Société Générale, and Barclays. In the Americas, the three largest US banks – Citigroup, JPMorgan Chase and Bank of America – were the most enthusiastic funders of both industries. The largest Asian financiers of fossil fuels and industrial agriculture are the Industrial and Commercial Bank of China, China CITIC Bank, Bank of China and Mitsubishi UFJ Financial.





The largest recipient of industrial agriculture financing in the Global South is Bayer, the German multinational which bought the controversial agrochemical and biotechnology company Monsanto in 2018. Bayer has received an estimated US$20.6 billion in financing for its agribusiness operations in the Global South since 2016.

The other major industrial agriculture recipients of bank financing in the Global South include ChemChina (Syngenta), COFCO Group, Archer-Daniels-Midland (ADM) and Olam Group, which are all involved in either the sale of climate-warming agrochemicals or deforestation-driving animal feed and biofuels.

The largest recipients of fossil fuel financing in the Global South include the State Power Investment Corporation (US$203.9 billion since 2016) and several other Chinese power companies and producers heavily invested in coal, the commodities trader Trafigura, and major oil and gas companies including Saudi Aramco, Petrobras, Eni, Exxon Mobil, BP and Shell.

Table 1: Agribusiness clients in the Global South

Bank	Top 5 Clients	Billions USD 2016-2022 to the top 5 clients
HSBC	Bayer, Cargill, ChemChina, Olam Group, WH Group	12.7
Bank of America	ADM, Bayer, Cargill, ChemChina, WH Group	11.4
JPMorgan Chase	ADM, Bayer, Bunge, Cargill, Olam Group	11.1
Citigroup	ADM, Bayer, Bunge, Cargill, Olam Group	10.3
China Merchants Bank	ChemChina, COFCO Group, Muyan Foodstuff, New Hope Group, Wilmar International	10
CITIC	ChemChina, COFCO Group, Muyan Foodstuff, New Hope Group, SinoChem International	10
MUFG	ADM, Bayer, ChemChina, Olam, UPL – United Phosphorous	9.7
Barclays	ADM, Bayer, Cargill, JBS, WH Group	9.2
BNP Paribas	ADM, Bayer, Cargill, ChemChina, Olam Group	8.4
Credit Suisse	ADM, Bayer, ChemChina, Olam Group, UPL – United Phosphorous	7.5
Bank of China	ChemChina, COFCO, New Hope Group, WH Group, Bolloré	7.4
Industrial and Commercial Bank of China (ICBC)	ChemChina, COFCO, New Hope Group, Olam, WH Group	7.3

Table 2: Fossil fuel clients in the Global South

Bank	Top 5 Clients	Billions USD 2016-2022 to the top 5 clients
Industrial and Commercial Bank of China (ICBC)	State Grid Corporation of China, State Power Investment Corp Ltd, China Southern Power Grid Co Ltd, China Huadian Corporation Ltd, China Huaneng Group Co Ltd	77
Bank of China	China Huaneng Group Co Ltd, State Power Investment Corp Ltd, State Grid Corporation of China, China Southern Power Grid Co, China Huadian Corporation Ltd	38.5
CITIC (China)	Jinneng Group Co Ltd, State Power Investment Corp Ltd, CITIC Ltd, China Southern Power Grid Co Ltd, China Huaneng Group Co Ltd	34.8
Citigroup	Saudi Aramco, Petrobras, Exxon Mobil, Sumimoto Corporation, QatarEnergy	32
Bank of America	Exxon Mobil Corporation, Petrobras, BP plc, Occidental Petroleum Corporation, Sasol Ltd	24
JP Morgan Chase	Exxon Mobil Corporation, Saudi Aramco, Petrobras, Qatar Energy, Shell plc	24
HSBC	Saudi Aramco, Petrobras, Exxon Mobil Corporation, State Grid Corporation of China, QatarEnergy	21.2
Société Générale	Trafigura Group Pte Ltd, Saudi Aramco, Exxon Mobil Corporation, Mamoura Diversified Global Holding, TotalEnergies SE	20
BNP Paribas	Saudi Aramco, Shell plc, ENI SpA, Petrobras, BP plc	18
Crédit Agricole	Petrobras, Saudi Aramco, Eni SpA, Trafigura Groupe Pte Ltd, BP plc	17.3
Barclays	Exxon Mobil Corporation, Shell plc, BP plc, Power Finance Corporation Ltd, TotalEnergies SE	15.6
Morgan Stanley	Shell plc, Petrobras, Saudi Aramco, Exxon Mobil Corporation, BP plc	15

The financing provided for fossil fuels and industrial agriculture in the Global South is likely to dwarf the financing provided by banks for renewable energy and agroecology over the same period. Recent research has shown that only seven percent of the financing provided by the major international banks featured in our report has gone to renewable energy in the seven years since the Paris Agreement.[3] Although no equivalent dataset exists for agroecology financing, lending from 'traditional' banks accounts for only a small proportion of the financing in this sector.[4]

This report profiles nine of the major financiers of industrial agriculture and fossil fuel activities in the Global South. These profiles show that:

- Many of these banks have committed to reach 'net zero' emissions in their financing portfolio by 2050, but none have adequate policies in place to genuinely decarbonise their portfolio.[5]
- Several banks (including Barclays, BNP Paribas, HSBC and Citigroup) now have long-term targets to phase out coal lending, but continue to finance some of the largest coal power producers and mining companies in the interim.[6]
- Major banks are funding corporations responsible for controversial projects which are devastating local communities and ecosystems.
- None of the major banks has a policy to fully phase out oil and gas financing, even though this is required if their financing is to be consistent with a 1.5°C climate goal. Instead, the main recipients of bank financing are the largest oil and gas companies.[7]
- None of the banks surveyed by ActionAid have policies limiting the financing of industrial agriculture or favouring agroecology.
- Where agricultural commodity policies exist, these usually relate to specific sectors – palm oil and soy in particular – but are over-reliant on certification schemes that have proven ineffective.
- Policies addressing the role that beef producers play in driving deforestation (especially in the Amazon) are inadequate, or lacking altogether.
- The harms caused by the agrochemicals sector also go unaddressed by bank policies. No bank recognises or seeks to reduce the climate harm resulting from the production and application of fossil-fuel based nitrogen fertilisers by industrial agriculture corporations.

Public financing has the capacity to contribute greatly to solutions to the climate change crisis but remains a big part of the problem. Governments continue to channel public funds to fossil fuels and industrial agriculture through a web of public subsidies, state-owned enterprises, state-owned banks, national wealth and pension funds, and official development assistance (ODA).

Renewable energy has the potential to far exceed projected global energy demand by 2050, and renewables are already more affordable than fossil fuels in most cases.[8] However, appropriate financing is still lacking, including scaled up climate finance to help reach the goal of achieving universal energy access. ActionAid promotes a model of energy democracy that requires improved energy governance and a diversified production model based on renewables.[9]

A transformation of food systems is needed to address the climate crisis and meet the world's food and livelihood needs, and agroecological farming is increasingly recognised as a viable alternative to industrialised agriculture.[10] But this transformation requires that governments and funders prioritise food sovereignty, moving from an extractive focus on producing commodities for export, and the overuse of agrochemicals, to an approach that centres and builds upon the contributions of smallholder farmers, and particularly women smallholder farmers. Promoting agroecology requires scaled up financial and technical support, including gender-responsive training, support for accessing markets, subsidy shifts, and investment in infrastructure, production and processing facilities.

In this urgent era of climate change, public funds must be scaled up and channelled in the public interest, to bring about equitable transitions to renewable energy and agroecology.

And the madness of the world's banks and governments continuing to finance the destruction of the planet must come to an end.

RECOMMENDATIONS

Banks must:

- **STOP FINANCING FOSSIL FUELS:** Put an immediate stop to project and corporate financing of fossil fuel expansion and all coal activities, and develop rapid exit strategies from oil and gas;

- **STOP FINANCING OF DEFORESTATION AND OTHER HARMFUL INDUSTRIAL AGRICULTURE ACTIVITIES:** Stop project and corporate financing of deforestation and other harmful industrial agriculture activities, and develop robust red lines to guide exit strategies;

- **PROTECT RIGHTS OF COMMUNITIES:** Strengthen polices against human rights abuse and deforestation, and ensure Free, Prior and Informed Consent (FPIC), robust safeguards and effective disclosure and redress mechanisms;

- **WORK TO BRING EMISSIONS DOWN TO 'REAL ZERO':** Set real and ambitious targets to bring financing portfolio emissions down to as close to zero as possible, without offsets, and covering the entirety of the emissions arising from their loans and underwriting, and the scope 1-3 emissions of their clients;

- **STRENGTHEN TRANSPARENCY AND TOOLS FOR VERIFICATION:** Enhance measures to ensure accountability of project and corporate financing, including through reporting made publicly-available on online databases on policies, practices and performance indicators in emissions targets, safeguards and human rights standards.

Governments must:

- **EFFECTIVELY REGULATE THE BANKING, FINANCE, FOSSIL FUEL AND INDUSTRIAL AGRICULTURE SECTORS TO STOP FOSSIL FUEL EXPANSION, INCLUDING ENSURING MANDATORY DEVELOPMENT OF CLIMATE TRANSITION PLANS CONSISTENT WITH A 1.5°C CLIMATE GOAL;**

- **REDIRECT HARMFUL FOSSIL FUEL AND INDUSTRIAL AGRICULTURAL SUBSIDIES;**

- **SCALE UP SUPPORT AND PLANNING FOR JUST TRANSITIONS TO REAL SOLUTIONS SUCH AS RENEWABLE ENERGY AND AGROECOLOGY**

- **FINANCE JUST TRANSITIONS THROUGH SCALED UP CLIMATE FINANCE, TAX JUSTICE AND DEBT RELIEF.**

ENDNOTES

1. IPCC (2022c) Climate Change 2022: Mitigation of Climate Change. Working Group III contribution to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change, https://www.ipcc.ch/report/ar6/wg3/downloads/report/IPCC_AR6_WGIII_FullReport.pdf, p.750.

2. The sources and methodology behind these figures are explained in Annex I to the full report, which can be found at https://actionaid.org/publications/2023/methodology-how-finance-flows

3. Sierra Club (2023) “Just 7% of global banks’ energy financing goes to renewables, new data shows”, https://www.sierraclub.org/press-releases/2023/02/just-7-global-banks-energy-financing-goes-renewables-new-data-shows

4. See Milieudefensie (2021) “Guideline Note: Alternative Financing for Agroecology and Community-based Forest Management”, https://en.milieudefensie.nl/news/alternative-financing_guideline-note.pdf

5. As with most “net zero” targets, the major banks’ targets involve several loopholes. See ActionAid et al (2020) Not Zero https://actionaid.org/publications/2020/not-zero-how-net-zero-targets-disguise-climate-inaction, Share Action (2022) In Debt to the Planet https://shareaction.org/reports/in-debt-to-the-planet

6. Reclaim Finance et al. (2023a) “Coal Policy Tool”, https://coalpolicytool.org/

7. Reclaim Finance et al. (2023b) “Oil and Gas Policy Tracker”, https://oilgaspolicytracker.org/

8. Teske, S. et al. (ed) (2019) Achieving the Paris Climate Agreement Goals: Global and regional 100% renewable energy scenarios with non-energy GHG pathways for +1.5°C and +2°C, https://link.springer.com/content/pdf/10.1007/978-3-030-05843-2

9. ActionAid USA (2016) Power for the People https://www.actionaidusa.org/publications/power-people-delivering-promise-decentralized-community-controlled-renewable-energy-access/

10. Committee on World Food Security (2020) “CFS policy recommendations on agroecological and other innovative approaches for sustainable agriculture and food systems that enhance food security and nutrition”, https://www.fao.org/fileadmin/templates/cfs/Docs1920/Agroecology_an_other_innovative/23_July_2020/1CFS_Agroecological_innovative_approaches.pdf

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AUTHORS: OSCAR REYES AND TERESA ANDERSON
DATA ANALYSTS: WARD WARMERDAM, BARBARA KUEPPER AND LÉA VAN PHAM