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Australian banks are preparing to commit to net zero emissions, but approaches are not yet comprehensive: report

Australia's 20 largest banks are taking steps to reduce emissions from their operations and portfolio investments, but activity is ad hoc and not fully aligned to the Paris Climate Agreement, according to a new report.

The report found a quarter of the banks assessed are preparing to target net zero emissions before 2050 for all their investment portfolios, although none had yet set an actual target.

Westpac, ING Bank (Australia), HSBC Bank Australia, Teachers Mutual Bank and Bank Australia have publicly committed to the Science Based Targets initiative, which requires financial institutions to set targets next year for both their operational and portfolio emissions. These targets are aligned to the Paris Climate Agreement and keeping global warming to well below 2 degrees Celsius.

The report found a further 35 per cent of the banks have committed to achieve net zero emissions by 2050 for some but not all of their investments or lending activities, and the next 25 per cent are taking steps to address portfolio emissions but have not made any net zero commitments.

Two of the top 20 banks – Greater Bank and IMB – have not disclosed any emissions reduction commitments or activities.

The *Net Zero Momentum Tracker Banking Sector* report assessed the commitments and activities of Australia's largest banks to evaluate the banking sector's alignment with achieving the Paris goals. The banks assessed include those with the highest reported emissions and collectively hold AU\$13.16 trillion in total assets.

The report found banks were more advanced in reducing their operational emissions from buildings and branches, with 45 per cent setting targets that are fully aligned with the net zero goal of the Paris Climate Agreement.

Prepared by ClimateWorks Australia with the Monash Sustainable Development Institute, this report is the second in a series of assessments undertaken as part of the Net Zero Momentum Tracker initiative. The initiative tracks emissions reduction commitments made by major Australian companies, organisations and state and local governments and evaluates their alignment with the net zero emissions goal of the Paris Agreement.

ClimateWorks Australia CEO Anna Skarbek said the report showed banks were getting ready to achieve net zero emissions before 2050 but have not yet adopted a comprehensive approach to ensure they more closely align with the Paris Agreement.

"Many of the banks have set net zero emissions targets for their operations and are achieving these commitments through energy efficiency initiatives, shifting to 100 per cent renewable energy and offsetting their emissions through investments in reforestation and low-carbon energy projects," she said.

“In addition, a number of Australian banks, including the four largest – ANZ, NAB, Commonwealth Bank and Westpac – are participants in the Australian Sustainable Finance Initiative. NAB, Westpac and ANZ have also committed to aligning their business strategies to the Paris Agreement by signing the Principles for Responsible Banking.

“While none of the banks have a comprehensive net zero emissions target that includes both operational and portfolio emissions, one-quarter including Westpac from the big four, are preparing to make this commitment, possibly as early as next year.”

Ms Skarbek said banks were also recognising the need to shift funding away from emissions-intensive activities and fossil fuel investments, but that it was hard to determine the size of their fossil fuel investments due to limited disclosure.

“The report found 40 per cent of banks have stated they do not invest in thermal coal mining or that they will exit the sector in the next 10 years,” she said.

“All of Australia’s big four banks still have fossil fuel investments, but have made a commitment to either reduce their exposure through restricting lending or in the case of the Commonwealth Bank has indicated its willingness to exit the sector by 2030.

“It’s critical that banks’ portfolio emissions – that is, from the activities that banks finance – are aligned with net zero emissions before 2050, so that the economy can be. That’s the Paris climate goal. As financial intermediaries, banks are key to Australia’s transition to a net zero emissions economy through their investment and lending portfolios.”

Ms Skarbek said around the world financial services investors are already committing to net zero investment portfolios by 2050.

“This includes 13 of the world’s largest pension funds and insurers which have joined the Net Zero Asset Owners Alliance, committing to transition their investment portfolios to net zero by 2050,” she said.

“Our report is a stocktake of bank net zero commitments in Australia, and shows some positive movement in the right direction but there’s still a long way to go.”

To access a copy of the *Net Zero Momentum Tracking Bank Report*, go to: netzerotracker.org

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