

Bank of America

2022

Proposal: Financing consistent with IEA Net Zero 2050 scenario

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Climate change is a global challenge that continues to gain widespread attention for its numerous, significant environmental and social impacts. Fossil fuels are hot button political and significant policy issues, because of their impacts on the global climate, local environments, and human rights.

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 10% of total global economic value stands to be lost by 2050 under current emissions trajectories.¹

In 2021, the International Energy Agency (IEA) found that in order to ensure global warming of no higher than 1.5 degrees Celsius by 2100 and net zero emissions by 2050, "there is no need for investment in new fossil fuel supply."² Bank of America (BAC) has publicly committed to reach net-zero greenhouse gas emissions by 2050 and to aim to limit warming to 1.5 degrees. Although BAC has restricted financing for Arctic drilling and coal operations, it has not committed to halt financing for all new fossil fuel development that a net-zero commitment requires. According to the 2021 Banking on Climate Chaos report, BAC is the third-highest financier of companies expanding fossil fuels, and has dramatically increased financing for such companies since 2016. BAC acknowledges "a range of risks associated with our current levels of fossil fuel financing" in its most recent Task Force on Climate-Related Financial Disclosures report, and references efforts to reduce emissions by "engaging with clients and accelerating their progress toward low-carbon business models."³ The IEA's 1.5 degree scenario, however, does not allow for any new fossil fuel development, which BAC continues to finance, irrespective of its engagement efforts.

Physical and transition risks from fossil fuel present increased credit, market, reputation, and operational risks to banks. Even short-term financing for carbon intensive activities today contribute to long-term financial and physical risks from climate change in the future: the IPCC's 2021 report confirmed that historic and current emissions have locked in warming for the next two decades.

Public calls for an end to fossil fuel finance have grown, and could threaten BAC's reputation, particularly if BAC is seen as not living up to its publicly stated commitments. For example, in September 2021, BAC and other large banks were called out in an op-ed by youth climate activists engaging in direct action to pressure banks to stop financing the expansion of fossil fuels.⁴

RESOLVED: Shareholders request the Company build upon its net zero commitment by adopting a policy by the end of 2022 in which the company takes available actions to help ensure that its financing does not contribute to new fossil fuel supplies that would be inconsistent with the IEA's Net Zero Emissions by 2050 Scenario.

1 <https://www.swissre.com/institute/research/topics-and-risk-dialogues/climate-and-natural-catastrophe-risk/expertise-publication-economics-of-climate-change.html>

2 <https://www.iea.org/reports/net-zero-by-2050>

3 <https://about.bankofamerica.com/content/dam/about/pdfs/task-force-climate-financial-disclosures-report.pdf>

4 <https://www.teenvogue.com/story/banks-fund-fossil-fuels>