

Morgan Stanley

2022

Proposal: Financing Consistent with IEA Net Zero 2050 Scenario

Filed by: Sierra Club Foundation

RESOLVED: Shareholders request that the Board of Directors adopt a policy by the end of 2022 committing to proactive measures to ensure that the company's lending and underwriting do not contribute to new fossil fuel development, consistent with fulfilling the United Nations Environmental Program Finance Initiative recommendations to the G20 Sustainable Finance Working Group, and the International Energy Agency's Net Zero Emissions by 2050 Scenario, for credible net zero commitments.

SUPPORTING STATEMENT

Morgan Stanley "recognizes that climate change is occurring, and acknowledges the scientific consensus...that greenhouse gases emitted by human activities are the primary driver. We recognize the benefits of helping to reduce greenhouse gas emissions as climate change poses significant risks to the global economy."¹ Morgan Stanley is a member of the Net Zero Banking Alliance (NZBA), for which our CEO committed to align with pathways consistent with a maximum temperature rise of 1.5 degrees Celsius above pre-industrial levels, utilizing decarbonization scenarios from "credible and well-recognized sources."²

However, membership in the Alliance does not necessarily equate with alignment with global climate goals. The United Nations Environmental Program Finance Initiative (UNEP FI), which convenes the NZBA, published an Input Paper to the G20 Sustainable Finance Working Group which defines credible net zero commitments of financial institutions, including: "A financial institution establishing a net-zero commitment should begin aligning with the required assumptions and implications of IPCC 1.5°C no/low overshoot pathways as soon as possible....All no/low overshoot scenarios indicate an immediate reduction in fossil fuels, signaling that investment in new fossil fuel development is not aligned with 1.5°C."³ Another of the world's most credible sources, the International Energy Agency (IEA), in its Net Zero Emissions by 2050 Scenario (NZE), states that "no fossil fuel exploration is required and no new oil and natural gas fields are required beyond those that have already been approved for development."⁴ Morgan Stanley has restricted financing for new coal operations and Arctic drilling, but has no policy to halt financing any new oil and gas exploration and development.

Morgan Stanley is the fifth-highest U.S. financier or facilitator of companies expanding fossil fuels, according to the Banking on Climate Chaos report.⁵

Morgan Stanley faces two associated problems: first, its prominence in asserting climate leadership flies in the face of its actions, creating reputational risk from accusations of greenwashing; second, in underwriting projects which are unneeded under the UNEP FI recommendations or the IEA NZE scenario, it is knowingly loading potentially stranded assets onto its clients' balance sheets, creating litigation risk.⁶ In this regard, investors need to know that Morgan Stanley's lending and underwriting policies are consistent with its own net zero commitment.

1 [https://www.morganstanley.com/about-us-governance/Environmental and Social Policy Statement December 2020.pdf](https://www.morganstanley.com/about-us-governance/Environmental%20and%20Social%20Policy%20Statement%20December%202020.pdf), at 10.

2 <https://www.unepfi.org/wordpress/wp-content/uploads/2021/04/UNEP-FI-NZBA-Commitment-Statement.pdf>

3 <https://g20sfwg.org/wp-content/uploads/2021/10/2021-UNEP-FI-Recommendations-for-Credible-Net-Zero-Commitments.pdf>, at 15.

4 <https://iea.blob.core.windows.net/assets/88dec0c7-3a11-4d3b-99dc-8323ebfb388b/WorldEnergyOutlook2021.pdf>, at 100.

5 <https://www.ran.org/wp-content/uploads/2021/03/Banking-on-Climate-Chaos-2021.pdf>, at 38.

6 <https://www.justice.gov/opa/pr/goldman-sachs-agrees-pay-more-5-billion-connection-its-sale-residential-mortgage-backed>