Policy Briefing

# In Debt to the Planet 2025 – EU policy briefing

## What policymakers can do to make EU banks resilient and climate-aligned

ShareAction»

December 2025

# Introduction

The year 2025 has confirmed a concerning shift away from environmental and social action, not only in the United Sates, but also in Europe. The European Commission's recent Omnibus package, which strips away key sustainability provisions, sends a dangerous signal of the backwards trajectory of Europe's political agenda.

December 2025, nonetheless, marks the 10-year anniversary of the Paris Agreement, where world leaders agreed to set national CO2 emissions reduction targets to slow down global warming. It is also ten years since Mark Carney's famous "Tragedy of the Horizon" speech, which stressed that climate change poses an existential threat to the financial system, because financial actors are unable to factor long-term risks into today's decision-making.

Despite marginal improvements in recent years, the rate at which European banks are responding to the looming threat of climate change remains far from the ambition needed to support a just and sustainable future. This is the main conclusion of ShareAction's report **In Debt for the Planet**, our 2025 ranking and assessment of 25 of the largest European banks' policies and targets on climate, biodiversity, and Indigenous Peoples' rights.[1] Nineteen of the banks surveyed are based in the European Union (EU).[2] While banks have not fully abandoned their sustainability commitments, progress is uneven and some institutions, such as Nordea and Santander, show signs of backtracking.

Frank Elderson, member of the Executive Board of the European Central Bank, recently stated that European banks 'need to make further improvements in their preparedness' if they are to withstand the rapidly rising climate and nature-related risks that are becoming our reality. Without such improvements, the consequences for banks – and for European citizens whose savings are still largely held by banks – could be dire. As our research shows, this will not happen without stricter regulation and supervision.

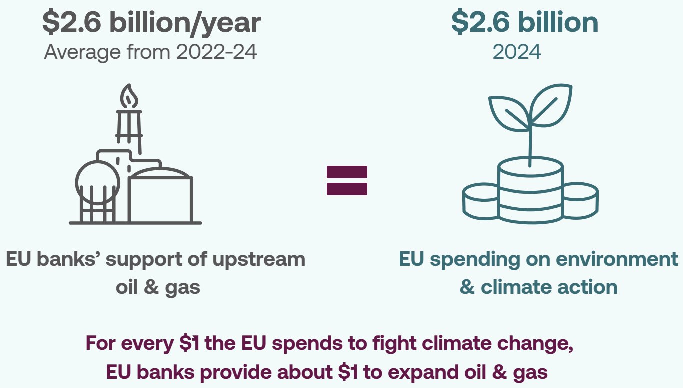
This policy briefing focuses on the climate policies and decarbonisation efforts of EU banks, before outlining the regulatory and supervisory measures EU policymakers should adopt to truly green the European banking sector.

[1] Our 2025 ranking and report is based on banks' policies published up to 30th April 2025.

[2] Those 19 EU banks are: ABN Amro, BBVA, BNP Paribas, BPCE, CaixaBank, Commerzbank, Crédit Agricole, Crédit Mutuel, Danske Bank, Deutsche Bank, DZ Bank, ING, Intesa Sanpaolo, La Banque Postale, Nordea, Rabobank, Santander, Societe Generale, UniCredit.

# Finding #1 – EU banks continue to finance fossil fuels despite known risks to the planet

Between 2022 and 2024, EU banks provided an average of $2.6 billion per year to companies expanding upstream oil & gas – a total of $49.9 billion over the period.[i] As a point of comparison, the EU annual spending on environment and climate action in 2024 was roughly the same at $2.59 billion (€2.4 billion).[3] In other words, what EU taxpayers pay for to combat and mitigate climate change is cancelled out by EU banks' support of businesses expanding oil & gas extraction directly fuelling climate change. Or, to put it bluntly, for every 1 dollar the EU spends to fight climate change, EU banks provide about 1 dollar to expand oil & gas.




### Oil & gas

Only four of Europe's largest banks —Crédit Mutuel, Danske Bank, DZ Bank, and La Banque Postale— rule out financing to clients expanding oil & gas on a general basis, while other banks only specify a small subset of companies subject to restrictions. Even among these four, significant caveats remain. German bank DZ Bank, for example, does not cover refinancing.

Many fossil fuel policies designed by banks contain loopholes that allow significant financing of fossil fuel expansion to continue. Common exceptions include applying the policy to a small subset of companies (e.g. new clients or those who derive almost all their revenue from upstream oil & gas) or allowing deals to proceed as long as clients commit to ringfencing the funds so they do not directly flow into fossil fuel expansion. Without the right safeguards, this still allows clients to deploy other resources to expansion, undermining the aims of the policy's purpose.

These gaps are highly concerning. Further oil & gas development breaches planetary boundaries, risks creating a glut of fossil fuels, and undermines long-term financial stability.

[3] See 2024 European Union budget which mentions €2.4 billion for environment and climate action (including €765 million for the LIFE programme to support mitigation and adaptation and €1.5 billion for the Just Transition Fund).

The International Energy Agency (IEA) has made clear that investment should be directed to maintaining existing fields in its 1.5C scenario for Net Zero Emissions (NZE) by 2050.5 In other words, there shouldn't be new conventional oil & gas projects approved for development. In addition, current expansion plans are also creating significant financial risks in terms of asset stranding.[ii]

### Thermal coal

Seventeen banks have phase-out commitments for thermal coal mining and 16 banks have made the same pledge for thermal coal power.[4] However, many lack credible plans to deliver them. Several of these banks still finance companies with over 20% revenue from coal, often without a ratchet mechanism to reduce the acceptable level of clients' coal exposure. More concerningly, four EU banks have committed to phase out either coal mining or power, but are yet to set thresholds for acceptable exposure that apply to all their clients.[5] Some banks, like Spanish bank Santander, have also moved backwards by removing the requirement for coal clients to have a transition plan.

### Fossil fuel infrastructure

Most banks continue to lock in a fossil economy by failing to cover fossil fuel infrastructure. While oil & gas policies rightly focus on upstream activities, infrastructures (particularly pipelines and LNG facilities) also pose major risks: they lock in a fossil-based economic model, enable further upstream extraction, and often involve long lead times and price sensitivity.

Only nine EU banks have any policy for limiting direct finance to oil & gas infrastructure projects, and just four restrict general corporate purpose financing for companies engaged in this expansionary activity. Nordea has even removed restrictions on pipelines linked to fracking and tar sands, further undermining progress. LNG remains especially unchecked. Despite the IEA warnings of an emerging glut and stranded assets, just three EU banks rule out direct finance to liquefaction and regasification facilities.

## Finding #2 – EU banks lack meaningful transition plans and decarbonisation targets

While banks state that keeping warming to 1.5C is their preferred scenario, they often lack joined-up plans to support this outcome. All banks in our sample have at least one 1.5C-aligned target, and 75% of decarbonisation targets set since May 2024 use 1.5C scenarios as their benchmark.

[4] Note that German bank Commerzbank recently also announced a commitment to phasing out coal mining and power by 2038.
[5] Crédit Agricole, BBVA, and Santander only have thresholds for some clients in the mining sector. Crédit Agricole, BBVA and BNP Paribas only have thresholds for some clients in the power sector.

However, only eight EU banks align all decarbonisation targets with 1.5C scenarios and almost all continue to finance fossil fuel expansion. With the pathway to keeping global heating within 1.5C now incredibly narrow, banks urgently need to establish coherent and credible strategies for delivering on their pledges.

Banks have made progress expanding the scope of their decarbonisation targets, from an average of three sectors in 2022 to eight today, but progress is slowing. Banks are picking and choosing where to set their few new targets, while omitting critical sectors such as residential real estate, agriculture, shipping, and aluminium. Without a plan to decarbonise their portfolios in all these areas, banks cannot claim to be aligning their overall business with the Paris Agreement.

## Finding #3 – Sustainable finance targets: EU banks do not walk the talk

Between 2021 and 2024, the median EU bank provided $1 of renewables financing for every $1 of fossil fuel financing. In 2024, this rose to $1.11 of renewables financing for every $1 of fossil fuel financing. These numbers show that EU banks do better than their global North American and Asian counterparts, which tend to provide more financing to fossil fuels than to renewables.[iii] However, they are still far off what would be needed to keep global warming to 1.5C by 2030.

EU banks have been increasing their ratio of renewables to fossil fuel financing at an average rate of 11% per year since 2021 but are still well off-track to reach the 6:1 ratio required by 2030 to keep global warming to 1.5C. Similarly, renewables financing has grown at an average rate of 8% per year since 2021, well below the pace required to triple annual renewables investment (a 300% increase) over the course of this decade.[iv]

Sustainable finance targets are crucial to translate decarbonisation pledges into real change. For their decarbonisation pledges to have an impact on the real economy, banks need to set sustainable finance targets that are complementary to their decarbonisation targets and align in scope and timelines.

However, in practice, most banks, including EU-based banks, only set high-level sustainable finance targets, encompassing all their lending activity in a single metric. These targets lack the granularity to adequately address the complex hurdles faced by the transition in specific sectors.

More precise target setting is possible: eight EU banks surveyed have set at least one sectoral sustainable finance target.[6] However, these targets currently cover just a narrow set of sectors—mainly automotive, energy, or real estate. No EU banks have set timebound targets for enabling infrastructure, like energy grids and storage, and only two have done so for early-stage technologies, like new battery designs or clean industrial processes.

Where banks have set sustainable finance targets, they are often divorced from the needs of the net-zero transition. Just four EU banks out of 19 in our sample ground any of their sustainable finance targets in transparent, quantitative methodologies. No high-level sustainable finance targets are benchmarked against climate scenarios.

Worryingly, nearly half the 10 EU banks that have set new sustainable finance targets since May 2024 are reducing their ambition. These new targets are so unambitious that banks could achieve them even while decreasing the sustainable finance they provide each year.

Banks need to introduced joined up approaches to helping their clients decarbonise, by ensuring their climate targets complement each other and are aligned with their net-zero ambition, introducing the right type of incentives, investing in new products and capabilities internally, and using their voice and knowhow to tackle systemic barriers to the transition.

### Double standards

Most banks surveyed, including most EU banks, inflate their contribution to sustainable finance while minimising the appearance of their emissions. They do so by applying different accounting rules for decarbonisation and sustainable finance targets. Italian banks Intesa Sanpaolo and UniCredit are the only banks with a sustainable finance target that covers all the same sectors as their decarbonisation targets, uses the same accounting rules, scope of products and services. However, both banks still exclude capital market activities like bond underwriting from all their targets.

Banks fail to take responsibility for their full climate impact by excluding capital market activities from their decarbonisation targets. In 2024, capital market activities accounted for roughly 40% of global banking support to the fossil fuel sector.[v] Yet while 39% of sustainable finance targets include capital market transactions like bonds, syndicated loans, and equity issuances, just 4% of decarbonisation targets do.

Such diverging standards create a misleading picture of progress, inflating sustainable financing relative to decarbonisation.

[6] Note that this now technically concerns nine banks, since Crédit Mutuel also set sectoral targets in June 2025 (after the cut-off date for the banking survey, hence it is not part of the survey's findings).

# Finding #4 – Mandatory climate targets and transition plans would push banks to decarbonise

Banks with stronger voluntary climate commitments tend to provide less financing to fossil fuels, and increase sustainable energy financing at a faster pace. This suggests that enshrining climate targets and transition plans into law would be an effective way to decarbonise and green the banking sector.

On average, banks with stronger fossil fuel policies provide less financing to fossil fuels relative to their total assets. For example, German bank Deutsche Bank ranks 24th on fossil fuel policies and has the fourth-highest fossil fuel financing ratio, while French bank La Banque Postale ranks first and has the lowest.

Banks with more ambitious climate targets increase financing for sustainable energy at a faster pace relative to financing to fossil fuels, although the relationship is more moderate. Correlation does not imply causation, and some outliers exist. However, this finding highlights the importance of robust commitments to improve impact, and strengthens the case for mandatory transition plans requiring banks to set out ambitious climate targets.

# Recommendations to EU policymakers

EU policymakers must step in and ensure that financial regulation, including banking regulation and monetary policy, in coordination with fiscal and economic policies, is aligned with the needs of a just and orderly green transition. This requires first and foremost incentivising banks and their investors to move away from fossil fuel and redirect investment towards sustainable activities.

**Recommendation #1 – Safeguard and strengthen mandatory transition plans**

As this report shows, transition plans and climate targets can lead banks to provide less financing to fossil fuels, and to increase sustainable energy financing at a faster pace. However, voluntary initiatives alone do not work. Not only can banks easily backtrack on their commitments, but even the most ambitious commitments made to date are far from enough to stave off the climate crisis. EU policymakers should therefore safeguard and strengthen transition plan requirements to ensure that banks are making continuous progress to meet the objectives of the Paris agreement. Left to self-regulate, EU banks will inevitably continue to favour short-term profits over the long-term wellbeing of European citizens and the health of our planet.

In light of the regulatory backsliding epitomised by the Omnibus I package, and the Q4 2025 Omnibus negotiations—where mandatory transition plans themselves risk being diluted or removed—EU legislators should do all they can to preserve and reinforce these requirements rather than weaken them. Binding targets are essential for ensuring that banks' decarbonisation strategies are credible, measurable, and aligned with EU climate objectives.

At minimum, EU policymakers should:

- Maintain a legal obligation for banks to publish and implement transition plans covering financed emissions;
- Require interim decarbonisation and sustainable finance targets aligned with credible 1.5C scenarios, commitments to cease financing fossil fuel expansion and reduce their exposure to the sector;
- Grant supervisors such as the EBA or the ECB the authority to assess, challenge, and follow up on weak or non-compliant plans –thereby moving beyond voluntary disclosures.

**Recommendation #2 – Introduce prudential measures that reflect climate-related risks**

Fossil-fuel assets carry increasing transition and physical risks, and are at high risk of becoming stranded, with devastating consequences for financial sector stability and the economy as a whole. In fossil fuel sectors, in fact, asset stranding could range in value from US$3 trillion to US$16 trillion, with an impact on fossil fuel profits well in excess of US$1 trillion over the next 15 years.[vi] The European Central Bank has warned of a "non-negligible increase in credit risk impairments" in a disorderly transition.[vii]

EU policymakers should make sure these risks are well accounted for in EU banking regulation, by implementing:

- Higher risk-weightings and therefore higher capital requirements for fossil fuel exposures, especially new or expansionary fossil fuel activities;
- Credit limits or capital add-ons for banks heavily invested in fossil assets;
- Enhanced climate stress-testing where results feed directly into capital requirements.

These measures would reduce systemic risk while firmly incentivising banks to reallocate capital toward low-carbon sectors aligned with the green transition.

# References


i Based on analysis from Rainforest Action Network, BankTrack, Indigenous Environmental Network, Oil Change International, Reclaim Finance, Sierra Club, Urgewald, CEED (2025). Banking on Climate Chaos 2025.

ii IEA (2023). Net zero roadmap: A global pathway to keep the 1.5°C goal in reach; Hansen, Tyler (2022). Stranded assets and reduced profits: Analysing the economic underpinnings of the fossil fuel industry's resistance to climate stabilisation

iii Based on analysis from Reclaim Finance (2025). Banking on Business as Usual.

iv Based on analysis from Reclaim Finance (2025). Banking on Business as Usual.

v Based on data from Rainforest Action Network, BankTrack, Center for Energy, Ecology, and Development, Indigenous Environmental Network, Oil Change International, Reclaim Finance, Sierra Club, Urgewald (2025). Banking on Climate Chaos 2025.

vi International Renewable Energy Agency (2017). Stranded assets and renewables. Available at: https://www.irena.org/publications/2017/Jul/Stranded-Assets-and-Renewables [accessed 1 November 2025];

vii European Central Bank (2022). 2022 climate risk stress test. Available at: https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm.climate_stress_test_report.20220708~2e3cc0999f.en.pdf [accessed 28 October 2025];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ShareAction»

Mundo Matongé (Mundo-b)
Rue d'Edimbourg 26, 1050 Bruxelles

shareaction.org
EUpolicy@shareaction.org

EU Transparency Register nr: 75791956264-20