Policy Briefing

In Debt to the Planet 2025 – UK policy briefing

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

ShareAction»

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Introduction

The 2025 Banks Survey report outlines a large-scale issue: financial institutions are bank-rolling the climate crisis. 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. This briefing covers the top five UK retail banks: Barclays, HSBC, Standard Chartered, Lloyds and NatWest. The UK and Europe's largest banks are failing to curb their fossil fuel funding and dropping their own targets. This policy briefing sets out recommendations to address the problems outlined in the report.

Context

The UN's report on emissions released in November 2025 warns that the Earth is likely to exceed a key global warming target of 1.5C if we continue to burn fossil fuels, contribute to carbon dioxide levels and fail to reduce emissions within a short timeframe.[i] By funding carbon intensive activities and failing to support investment in cleaner projects or to consider the impacts of expanding fossil fuel activities on affected communities, major financial institutions are fuelling the climate crisis. While there was an encouraging wave of climate pledges in the early 2020s, progress on climate change in the banking sector has become uneven: some institutions continue to advance while others show signs of backtracking.

The 65 largest global banks increased their financing for fossil fuels by 162.5bn USD last year, reversing the fall in financing over the two previous years.[ii] Between 2002 and 2024, UK banks provided a total of 21.7bn USD to companies expanding upstream oil and gas.[iii] In 2024, the Labour Party made an election manifesto commitment to make transition plans mandatory, but the increasing appetite for deregulation has put this pledge at risk. As European sustainability standards are slipping in the new Omnibus package, which includes rolling back on transition plans, it is essential that the UK does not follow suit.

ShareAction's policy recommendations can act as a starting point for a debate on the UK government and regulatory bodies' potential to address some of the dangerous trends identified by the 2025 banks survey. The recommendations set out ideas that policymakers should now consider as part of a robust regulatory regime that ensures financial stability and opportunity to funnel investment into the UK for new cleaner projects, which would also aid the UK government's ambition of stabilising energy prices. Regulators and policymakers must ensure they assist the transition to net zero and provide sufficient guidance to banks, outlining expectations for their activity to prevent further damage to the economy and the planet. The failure of the Net-Zero Banking Alliance and the loosening of Glasgow Financial Alliance for Net Zero (GFANZ)'s mandate demonstrates that voluntary initiatives cannot be relied upon for the sector to drive institutional change and to direct finance away from environmentally destructive projects and towards cleaner alternatives at the rate we need. Government and regulators must set out clear expectations and consequences of failing to comply.

The problem

Despite financial and climate risk, the UK's largest banks are still investing heavily in fossil fuels.

- Only four Europe's largest banks rule out financing to all oil and gas expanders, and none of the UK's banks do. Further oil and gas development breaches planetary boundaries, risks creating a glut of fossil fuels, and puts long-term economic stability at risk. The International Energy Agency (IEA) has said 'no new long lead time conventional oil and gas projects are approved for development' under its 1.5C-compatible Net Zero Emissions by 2050 scenario (NZE).[iv] 15 banks (60% of those surveyed) have introduced upstream corporate finance restrictions on expansion, with ten adopting these policies since 2022. However, two-thirds of these restrictions apply to a small subset of companies, like new banking clients or pureplay oil and gas businesses. This leaves banks free to finance a swathe of fossil fuel expanders that fall outside of their policy.

- UK banks are failing to establish transition plans that clearly demonstrate how they will align their financing with the net-zero imperative. While UK banks have been setting interim decarbonisation targets across sectors, none have set 1.5C-aligned targets across all material sectors. Furthermore, their sustainable finance targets are not backed by clear methodologies, which means that stakeholders cannot determine whether they are sufficiently ambitious and aligned with banks' net zero commitments. The lack of ambition on fossil fuel phase-out demonstrates the unserious approach to transition plans given that this is a key pillar of any credible plan. Without credible transition plans, banks will not be able to provide the finance necessary for the green transition, leading to disastrous economic, social and environmental consequences. Banks need credible transition plans to ensure they develop the right products and expertise to compete in a transitioning economy. The challenge banks face is not only to finance more renewable energy, but to find ways of supporting high-impact technologies, infrastructure, and supply chains that remove barriers to the UK's net zero transition and enable the profitability of green businesses across the country.

  Although almost half of the banks in the survey's sample have set sectoral sustainable finance targets, they need to expand coverage to tackle demand-side drivers of emissions and systemic barriers to the transition. Most banks are not doing enough to address assumptions and dependencies critical to their transition strategies. Decarbonisation targets are dependent on the development of technology, infrastructure, and government policy within specific sectors and across the economy. Banks can use their capital and influence to help accelerate these developments, but they need to be targeted.

  Instead, the current approach to sustainable finance targets remains too broad to tackle critical barriers to the transition and very few banks have established specific plans for financing the technology or infrastructure that will enable a new wave of green projects and companies to become bankable. If banks fail to address these dependencies, they will be left to compete over the same pool of opportunities, eroding their margins while the transition to a sustainable economy stalls.

- UK banks are backsliding. Although many UK banks developed good practice for sustainable finance and policies to phase out fossil fuels in the early 2020s, NatWest and HSBC have both weakened or dropped core aspects of their climate strategies over the past year. For example, HSBC's 2025 transition plan included changes to its fossil fuel policies and decarbonisation targets, which undermine the bank's stated commitment to net-zero by 2050. This includes weakening its commitment to cease direct financing for new oil and gas projects with a final investment decision after 31 December 2021, for which the bank received significant praising for at the time. NatWest required any oil and gas majors it finances to 'have a credible transition plan aligned with the 2015 Paris Agreement'. But within the February 2025 version of its policy, NatWest only requires clients to have 'had' a credible transition plan at a point-in-time assessment in 2021.[v] The bank is therefore able to finance any majors that have backtracked since 2021, including its biggest oil and gas client BP, undercutting the spirit of its original commitment.

  While there is a pressing need for banks to stop further investment in fossil fuels to prevent further damage to the environment and to avoid worsening impacts on people's health, it is in the best interest of the UK banking sector and the economy to remain competitive by increasing foreign and domestic investment in key material sectors to enable the transition. In 2024, the median UK bank provided \$0.44 of renewables financing for every \$1 of fossil fuel financing. The median over 2021-24 was \$0.47. This compared to \$1.05 for France's largest 6 banks in 2024, and a median of \$0.82 for French banks over 2021-24.[vi] UK banks have been increasing their ratio of renewables to fossil fuel financing at an average rate of 10% per year since 2021, compared to 26% per year for French banks.[vii] The UK is well off track to reach the 6:1 ratio that is required by 2030 to keep global warming to 1.5C. Aside from the important risks posed by these projects to people, planet and the economy, the UK banking sector must follow the direction of the Government's ambition to be a global green hub of finance and not lose opportunities to European banks who are getting ahead.

- Many banks' fossil fuel policies have in-built gaps that allow significant financing of fossil fuel expansion to continue. Many policies include deliberate gaps that allow expanders of fossil fuels to continue accessing finance. Continued financing of fossil fuels' harmful activities will lead to environmental, economic and social risks. The most common gaps in fossil fuel policies include only applying restrictions to certain types of clients and continuing to finance companies engaged in fossil fuel expansion if they ringfence the funds for non-fossil uses. Furthermore, most banks fail to cover fossil fuel infrastructure in their restriction and exclusion commitments. Instead of tightening the climate-focused conditions for ringfenced financing, some banks are relaxing policies further. In July 2025, Santander adjusted its commitment to phase out thermal coal mining and implement a 10% maximum threshold for clients' coal-power revenues, both by 2030.[viii] It is now able to maintain financing beyond 2030 for 'sustainable finance and products that finance the transition'—though it is not clear what this includes.[ix] HSBC, for example, has explicit caveats giving it discretion to continue financing clients who violate their oil and gas and thermal coal policies. Some of these policies are complicated to understand for investors, so it would be useful to have regulatory frameworks to help banks communicate their risk tolerance clearly. While subject to internal review processes, the discretion provided by these kinds of exceptions creates considerable uncertainty over the nature of their commitments for investors.

- Policy loopholes mean that banks are failing to protect the most critical regions for biodiversity. Biodiversity is integral to our planet's survival, and the devastating impacts of fossil fuels are causing extreme harm to our natural systems, with significant know-on economic risks. Although 20 banks have implemented some form of policy to protect crucial areas for biodiversity, they are riddled with exceptions and omissions that weaken their impact. The survey found that the average survey score on climate-related themes is 52%, compared with 22% for biodiversity. Many of the banks' climate goals depend on nature to succeed. Yet nature is under pressure both from the impacts of climate change and from poorly governed aspects of the low-carbon transition. Mining for transition minerals, for example, has been linked to the exploitation and abuse of Indigenous Peoples, as well as to biodiversity loss. This exposes banks to financial, reputational, and legal risks, while also threatening their climate goals, as transition pathways depend on nature and stewardship by Indigenous Peoples.

Policy recommendations

We propose a set of recommendations policymakers can implement to accelerate action by the UK banking sector and to support the Government's ambition to deliver on clean power by 2030 and protect the planet from further destruction.

1. End fossil fuel financing. The Government should end banks' financing of fossil fuels by enforcing required commitments to phase out fossil fuels through regulatory mechanisms requiring interim decarbonisation and sustainable finance targets aligned with credible 1.5C scenarios, commitments to cease financing fossil fuel expansion and reduce banks' exposure to the sector. Banks should be directed to cease dedicated financing for new projects involving the exploration, appraisal, or expansionary development of fossil fuels, and establish a commitment not to finance companies engaged in these projects. Coal phase out thresholds should also be introduced by regulators. Given our current economic system is still heavily reliant on fossil fuels, policymakers should implement a phased approach to banning investment into fossil fuels. At a minimum, banks should be aligned with the Government's commitment to deliver clean power by 2030.[x] As part of ending funding for fossil fuels, regulators must implement viable exclusionary policies and strict rules to ensure compliance,

so that banks are unable to find loopholes for oil and gas projects to go ahead.

2. Mandatory publication and implementation of Transition Plans. The Government should introduce mandatory implementation and publication of Paris-aligned transition plans. There should be guardrails in place to assist this process. Banks should make a commitment to net zero by 2050. The Government and regulators should outline strong regulatory mechanisms for banks to increase transparency and accountability on their financing and investments. As part of this regulatory regime, banks should set 1.5C-aligned complementary and interim decarbonisation targets and outline the proportion of their lending and investment to high-polluting clients. Mandatory transition plans should be introduced as an integral part of banks' disclosures to ensure they are taking steps to enable the transition to net zero, rather than hinder it. The financial and climate risks from continued fossil fuel expansion and development are clear. Banks must not continue to invest in fossil fuels and should set out ambitious policies for themselves and their clients.

   Regulators should require all banks and their clients to produce a transition plan and establish a robust mechanism for banks to enforce transition plans in order for financing to go ahead. Banks should require that their clients commit to a phase-out of fossil fuels, in particular thermal coal activities, in line with banks' own phase out dates and to not expand these activities. Decarbonisation targets are dependent on the development of technology, infrastructure, and government policy within specific sectors and across the economy. Banks can use their capital and influence to help accelerate these developments, but they need to be targeted.

   Regulators and policymakers should ensure there are governance mechanisms in place that will ensure climate-related risk assessments are made at the very top of banks' management structures. There should be climate expertise at the board level to guarantee credible considerations of climate risks when making decisions on investments and policy alike. Environmental and social impacts of the climate crisis should be incorporated into banks activities and monitored by regulators.

3. The Bank of England should adhere to its primary objective to control inflation and ensure financial stability – by supporting the transition to net zero. The Government should instruct the Bank of England to set out a strategy outlining how it will support the Government's mission to deliver net zero through its functions, which would fulfil the Bank's own objectives. In September, a coalition of 11 civil society organisations, including ShareAction, WWF and Positive Money, called for the Bank of England to support the Government's economic mission and stop undermining the UK's green growth. The consequences of high inflation are being felt across the UK with the ongoing cost of living crisis, and if the Bank of England fails to incorporate climate considerations into its risk analysis and lead the market towards net zero, the impacts of rising inflation will have detrimental impacts on the UK public and the economy overall. The PRA and FCA's oversight of the adequacy of banks' green finance activities will be key to this work.

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ShareAction is an independent charity and an expert on responsible investment. We work to build a world where the financial system serves our planet and its people. We set ambitious standards for how financial institutions, through their investment decisions, can protect our planet and its people and campaign for this approach to become the norm. We convene shareholders to collectively push companies to tackle climate crisis, protect nature, improve workers' rights and shape healthier societies. In the UK and EU, we advocate for financial regulation that has society's best interests at its core.

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