

ENGAGEMENT RECOMMENDATION

BNP Paribas' decarbonisation and sustainable finance targets for the automotive sector expired at the end of 2025. The bank recently set a new 2030 decarbonisation target for the sector in its 2025 Universal Registration Document (March 2026). The revised target represents a significant weakening of ambition. The bank's expectations for financed emissions in the automotive sector have shifted from alignment with a 1.5C scenario to approximately 2.5C. This undermines BNP Paribas' commitment to the Paris Agreement and disrupts the bank's goals at the wrong moment. Companies navigating the energy transition with long-term investments into the automotive sector need stable stewardship from banks in order to capture opportunities from the accelerating electric vehicle market. By lowering its ambition, BNP Paribas has destabilised the foundation it had set for the sector.

Investors have an opportunity to express their concern and push for the bank to preserve the ambitions of its target for the automotive sector. Specifically, investors should be asking the bank the following:

Will BNP Paribas publish a detailed rationale for adopting commitments in the automotive sector that do not align with 1.5C?

How does the bank reconcile this shift with its longer-term ambition to align its financing activities with net zero and 1.5C?

How will BNP Paribas incentivise and reward auto clients for going beyond the IEA STEPS scenario?

Will BNP Paribas publicly call on governments to introduce more ambitious measures to decarbonise the auto sector?

Will BNP Paribas recommit to aligning its decarbonisation pathway for the automotive sector with a more ambitious climate scenario during the update to its target later this year?

OVERVIEW

BNP Paribas has set a new 2030 decarbonisation target for the automotive sector, but in doing so has stepped back from the International Energy Agency's (IEA's) NZE 1.5C aligned pathway to the less ambitious STEPS scenario—which currently projects global temperatures rising by 2.5C by 2100. The shift raises questions about whether the bank is using its leverage effectively to drive decarbonisation across its automotive portfolio, at a moment when the electric vehicle (EV) sector is showing signs of resurgence, energy security concerns are mounting, and the arguments for reducing fossil fuel dependency are stronger than ever. This revision is difficult to reconcile with the bank's stated commitment to the Paris Agreement, and risks destabilising BNP Paribas' long-term decarbonisation strategy at precisely the moment when clients require stable stewardship and the transition in the automotive sector offers the greatest opportunity.

BNP Paribas has indicated that its automotive target will be revised later this year to incorporate Arval and Personal Finance activities.ⁱ Consequently, this revision should be treated as an opportunity for the bank to reassess its overall ambition for the sector. It is therefore imperative that investors engage proactively with BNP Paribas to reinforce the expectation that its stewardship of automotive sector finance remains consistent with the

goals of the Paris Agreement. Specifically, investors should be challenging the bank to recommit to the 1.5C-alignment of its automotive financed emissions targets.

» PART 1 – BACKGROUND

Banks face a myriad of risks and opportunities from climate change and the energy transition. Despite political turbulence, 89% of people around the world still support climate action.ⁱⁱ Meanwhile, the economics of a just and orderly transition remain undimmed. Investment in renewables continues to break recordsⁱⁱⁱ, with renewables capacity projected to grow faster between 2025 and 2030 than during the first half of this decade.^{iv} These long-run economic trends, coupled with resilient public support, suggest the transition to a cleaner economy is not going away. This creates a significant risk of stranded assets, exposing lenders to potential losses, particularly from the fossil fuel sector. The European Central Bank has warned of a “non-negligible increase in credit risk impairments” in a disorderly transition^v, while earlier this year Banque de France remarked that a delayed transition “could lead to substantial losses on the financial market.”^{vi}

At the same time, banks need to be increasingly aware of the physical risks from a changing climate, and how these may impact broader economic conditions. Acute risks can emerge from extreme weather conditions. Notably, climate-related extremes across Europe caused more than twice as much damage during the period 2022-23 as in the entire preceding decade.^{vii} Global losses from floods, cyclones, heatwaves, and droughts would double by 2050 compared to current levels were temperatures to rise by an average of 3C.^{viii} Similarly, climate change presents chronic risks to profitability and prosperity. A 3C increase in temperatures would reduce global labour productivity by 10% and chronic physical risks would impose a 15% hit to GDP around the world.^{ix} Banque de France found that under the NGFS's Disasters and Policy Stagnation scenario, which models extreme weather events in 2026 and 2027, “French banks, insurers and asset managers would be exposed to losses of EUR 196 billion, equivalent to a 4% drop in the value of their equity and bond portfolios.”^x

This myriad of physical and transition risks not only raises the prospect of credit impairment, but will also result in economic conditions that are less predictable and less conducive to value creation. Banks need a plan to both manage and minimise these risks by adapting their business models and leveraging their position to advance the energy transition.

At the same time, the growing demand for sustainable financing presents considerable opportunities for banks. Already, the world's largest banks are generating more from green syndication fees than fossil transactions.^{xi} To compete for these opportunities in a crowded landscape, banks need plans now to invest in new products, develop expertise, initiate partnerships, and coordinate resources across the institution.

Policies restricting financing to fossil fuels and reducing financed emissions signal banks' strategic alignment with the energy transition and demonstrate a concrete commitment to halt support for the expansion of fossil-based activities. Backtracking on these public commitments severely undermines the credibility of a bank's climate strategy and increases its exposure to reputational, regulatory, and transition risks.

Effective oversight of climate- and transition-related risks is a well-established element of management and directors' duties. Under French law, directors are required to consider environmental issues in decision making to safeguard long-term shareholder value.^{xii} As the Commonwealth Climate and Law Initiative and Climate Governance Initiative note, “around the world, it is increasingly accepted that to discharge their duties of care and loyalty, directors must consider and integrate climate risks and opportunities into their corporate governance”.^{xiii} Indeed, 89% of board directors surveyed by the Climate Governance Initiative in 2025 acknowledged that it is part of their role to influence their board on climate action.^{xiv}

Responsibility for managing climate risk and opportunity is also reflected in established supervisory guidance for banks. Since 2020, the European Central Bank has had clear expectations that banks' management bodies “consider climate-related and environmental risks when developing the institution's overall business strategy, business objectives and risk management framework, and [...] exercise effective oversight of climate-related and environmental risks”.^{xv}

By allowing their bank to dilute fossil fuel policies or decarbonisation targets, both directors and management compromise their duty to protect shareholder value and manage long-term climate-related risks. It therefore falls on shareholders to hold leadership accountable and ensure effective oversight of the bank's climate strategy is restored.

>> PART 2 – BNP PARIBAS' AUTOMOTIVE TARGETS - OLD VERSUS NEW

Year set	End year	Target type	Status	Target	Scenario
2022	2025	Decarbonisation	Expired - not met. The bank achieved an emissions intensity of 141 gCO ₂ /kmWLTP at YE2025.	To reduce physical emissions intensity of car manufacturers from 183 in 2020 to 137 in 2025 (gco ₂ /km Worldwide Harmonised Light Vehicle Test Procedure (WLTP)).	IEA NZE (1.5C)
2022	2025	Sustainable finance	Expired - not met. The bank achieved a 19% EV share at YE2025.	To achieve a share of electrified vehicles in its portfolio of 25% by 2025.	IEA NZE (1.5C)
2026	2030	Decarbonisation	Live	To reduce emission intensity from 115 to 136 gCO ₂ /kmWLTP by 2030.	IEA STEPS (~2.5C)

>> PART 3 - SUPPORTING ANALYSIS

According to its 2025 Universal Registration Document, the gross carrying amount of BNP Paribas' automotive portfolio is €6.5 billion. The vast majority of BNP Paribas' manufacturing relationships are with European and US automakers. It does, however, have a relationship with Geely Automobile Holdings, through an auto finance joint venture, Genius Auto Finance Co Ltd, based in China.^{xvi}

The state of play in the automotive sector

The automotive sector is undergoing significant competitive disruption. After years of indecision on strategy, automakers in Europe and the United States have continued to lose ground to Chinese firms, which are rapidly expanding their share of the global market. Better cost dynamics in China have been crucial to this. In 2024, Chinese battery pack prices fell by around 30%, compared with 10–15% in the US and Europe, reflecting stronger domestic competition in China alongside access to a skilled workforce, greater operational efficiency, and more tightly integrated supply chains.^{xvii} Despite the EU imposing import tariffs in 2024, BNP Paribas estimated the region still lost 25% of its competitiveness compared to China.^{xviii} Chinese automakers have been able to largely absorb the EU's import tariffs by increasing exports of plug-in and hybrid EVs, and accelerating plans for European production. Between August 2024 and 2025, Chinese automakers sold more cars in Europe than Audi and Renault, with their combined market share reaching 5.5%, up 121% year-on-year. In contrast, Tesla's European sales fell nearly 40% over the same period.^{xix} The dominance of the cheaper, more efficient Chinese models extends beyond Europe. In 2024, Chinese imports accounted for three-quarters of electric car sales in emerging economies outside China.^{xx} As a result, Europe and the US find themselves at a critical crossroads, facing the urgent need to protect and future-proof an industry, one in the EU that contributes to 7% of GDP and sustains 13 million jobs.^{xxi}

Europe was a late starter to the global EV race that had been kickstarted at scale by Tesla. While the EU had kept pace with China initially until 2021, the region steadily lost ground as weakened CO₂ standards, stalling strategies from major automakers, and consistently higher price points handed China a growing advantage. By 2023, the average Chinese-imported EVs were priced 37% below than an EU equivalent.^{xxii} This played out domestically too: China's national EV market share reached 31% in 2025, compared to just 19% in Europe.^{xxiii} Off the back of this, several global automakers outside China were forced to overhaul their EV strategies. The cancellation of EV tax credits in the US compounded the divide, triggering significant write-downs across the industry. In the year to

February 2026, global automakers were hit with at least \$65 billion in losses. This included a \$26 billion impairment charge for Stellantis alone, after the company scrapped several EV models and renewed its focus on petrol and hybrid models. The company had once predicted EVs would account for all its European passenger car sales by 2030 and half of its US sales by the same year.^{xxiv}

Under the guise of protecting its automotive industry, the EU has moved to weaken its policies. The European Commission had set the goal of banning the sale of new petrol and diesel vehicles entirely by 2035. However, following years of intense lobbying from the industry, the Commission has proposed replacing the outright ban with a requirement that 90% of new car sales be zero-emission by 2035.^{xxv} Additionally, the Commission offered automakers flexibility to comply with its 2025 targets to reduce CO2 emissions by 15% from 2021, allowing them to be assessed over their average performance between 2025 and 2027, rather than annually.^{xxvi} In the US, sales of new EVs dropped significantly after the government subsidised \$7,500 tax credit was axed in September 2025.^{xxvii}

A split strategy is the worst of all worlds

Incentivising European and US automakers to slow their transition and continue to make internal combustion engine (ICE), or hybrid, vehicles does not address the root cause of their decline relative to China. It only risks deepening both regions' competitive decline, diverting investment away from EVs at a time when the sector urgently needs to catch up with Chinese manufacturers. As Andy Palmer, former chief executive of Aston Martin, remarked earlier this year, "a platform that has to accommodate an internal combustion engine, a plug-in hybrid and a battery electric car is not optimised to anything—it's the worst of all worlds".^{xxviii}

Instead, European and US automakers must double down on EV investment to remain competitive with their Chinese rivals. The incentives for doing so are substantial. Closing the gap could unlock the margins and growth experienced by Chinese manufacturers, while failure to act would risk stranded assets and further impairment charges. Lowering the price premiums of EVs compared to their Chinese counterparts will require sustained investment in manufacturing, battery supply chains, and charging infrastructure, which will only be achievable if policy signals remain firm and automakers stay committed.^{xxix} The gap remains surmountable. Transport & Environment found that Europe trails China on EV sales by just three years.^{xxx} The US faces a steeper climb, but its industrial interests make catching up no less urgent.

Weakening ambition now is not a viable path forward, as failure to catch up will only widen the divide. In Europe, softening the 2035 phase-out target is estimated to cost the EU automotive sector €90 billion by 2035.^{xxxi} The global electrification of the automotive industry is inevitable, but the question that remains is whether Europe and the US can seize the opportunities it presents.

BNP Paribas must exercise robust stewardship or end up on the wrong side of an irreversible inflection point

Given the weighting of BNP Paribas' portfolio to European and US automakers, it is crucial the bank uses the leverage it has to steer its automotive portfolio towards long-term competitiveness. Without robust stewardship, BNP Paribas and its automotive clients risk finding themselves on the wrong side of what has been described as an irreversible tipping point. A University of Exeter study looking at sales data across 32 countries between 2016 and 2023 found that the global EV and PHEV fleet is doubling every 1.5 years, with doubling times even shorter in key regions: 1.3 years in the EU, 1.0 years in China, and 1.7 years in the US.^{xxxii} RMI observed that multiple countries have already passed the passenger EV tipping point, with the market following an S-curve trajectory like solar and wind before it. Accordingly, the sector will be driven by accelerating adoption, economies of scale, improving technology, and social diffusion. Indeed, in the US, owning a light-duty EV is now cheaper than an ICE vehicle over its lifetime. Looking further ahead, RMI also projects that advances in battery recycling will mean that, by 2030, enough minerals will be in circulation to significantly reduce, or even eradicate, the need for additional mining—a key benefit over the need for continuous extraction of oil required for traditional engines.^{xxxiii}

Signs of resurgence in EV adoption, particularly in Europe, are beginning to tell a different story to the one implied by BNP Paribas' revised target. Transport & Environment projects that accelerating battery price declines—which are expected to fall further between 2025 and 2027 than in the previous three years—will continue to drive the transition forward.^{xxxiv} The rollout of charging points has also progressed significantly, with all EU countries having already met their 2025 targets, and 80% of the core EU highway network now covered. On this basis, Transport & Environment forecasts a swift market recovery, with the EU EV market share reaching 25% of total car sales by 2027 and exceeding 55% by 2030. Importantly, all EU automakers are on track to comply with the EU's 2025-2027 target, with only Mercedes-Benz needing to pool with another manufacturer to stay on track.^{xxxv} In 2026, EV adoption in Europe has rebounded even stronger, with sales between January and March in the region showing a 33.5%

increase on the year prior.^{xxxvi} In Europe's two largest car markets, Germany and France, battery electric vehicles accounted for 22% and 28% of new registrations respectively in January 2026—up 5% and 11% year-on-year.^{xxxvii}

In the US, the picture is more complex. However, with gasoline prices topping \$4 a gallon, a growing charging network and declining manufacturing costs, a similar story is likely to emerge as EVs become more attractive to consumers.^{xxxviii} Positively, the used EV market in the US is rebounding well, with sales up 53% in March 2026 compared to February.^{xxxix}

The rise in petrol and diesel costs, as well as a desire to break fossil fuel dependency, driven by the Iran war and conflict in the wider region is only likely to compound the rollout of EVs further. Electric car sales in the EU surged 51% in March alone, and these figures won't yet show the full impact of the war on consumer behaviour.^{xl}

However, with policy frameworks in these key regions stalling, the transition is unlikely to be straightforward. It will be crucial for BNP Paribas to complement its stewardship of automotive clients with proactive engagement with relevant government bodies, as it has done on climate issues in the past. For example, in June 2021, in response to the Securities and Exchange Commission's public consultation on climate change disclosures, the bank called for mandatory and globally consistent disclosure requirements in the US, alignment with TCFD recommendations, compulsory reporting of Scope 1, 2 and 3 emissions, and a clear framework for determining the materiality of climate-related disclosures.^{xli} This reflects the need for regulatory ambition to match the scale of the challenge. For the EV transition to be successful in Europe and the US, BNP Paribas will have to advocate for a policy environment that provides the right incentives.

BNP Paribas risks compounding the flaws of EU indecision

Under recent EU policy shifts, firms that have invested early to align with the transition have been disadvantaged, making it harder for them to justify continued investment into EVs. Unfortunately, BNP Paribas has also created a set of incentives that pull in the wrong direction, giving a pass to clients that failed to act on the bank's targets. This critically undermines BNP Paribas' ability to engage constructively with those clients and to meaningfully challenge their transition strategies. It also sends the wrong message to clients that are making the right investments—both within the automotive portfolio and beyond.

BNP Paribas has shown in other areas of its transition planning that it need not simply follow the lead of EU policymakers, choosing instead to forge the path it feels is optimal for its long-term prospects. The bank has boldly set 2030 targets aligned with 1.5C pathways for a diverse portfolio of sectors, including cement, aviation, commercial real estate, oil & gas, aluminium, and steel. This is despite commitments in the EU and France lagging behind the 1.5C temperature goal. The EU has pledged to reduce emissions by at least 55% below 1990 levels by 2030. Climate Action Tracker finds the EU's policy as insufficient to be consistent with the 1.5C temperature limit, and indicates that the region would need to strengthen this to at least 62% to be considered aligned.^{xlii} France's national target of a 50% reduction in GHG emissions by 2030 falls even further short of this benchmark. BNP Paribas has shown it can lead where policymakers vacillate. Not doing so in the automotive sector is a choice.

Moving away from the scientific consensus that has emerged since the Paris Agreement

The weakening of ambition for the automotive sector represents a disappointing loss of momentum for BNP Paribas' ongoing alignment with scientific consensus since the Paris Agreement. This had emerged as early as the IPCC's 2018 Special Report on Global Warming of 1.5C^{xliii} and was reflected in the Glasgow Climate Pact of 2021, where states recognised "the impacts of climate change will be much lower at the temperature increase of 1.5C compared with 2C" and resolved "to pursue efforts to limit the temperature increase to 1.5C."^{xliiv} Since then, the centrality of Paris' 1.5C goal has only solidified, with the International Court of Justice concluding last year that "1.5C has become the scientifically based consensus target under the Paris Agreement" and "the parties' agreed primary temperature goal."^{xlv}

By shifting its financed emissions trajectory for the automotive sector from 1.5C to one consistent with ~2.5C of warming by 2100 currently envisioned under STEPS, BNP Paribas is moving in the wrong direction. The revision leaves it unclear what relationships it will and won't accept in the sector, and places it at odds with both the scientific and legal consensus on the Paris Agreement and its own 2050 net zero target. It is relaxing its ambition at a time when scientific and legal opinion is underlining the importance of every tenth of a degree. Recent research has shown that while the 1.5C goal may be temporarily overshoot, it remains possible to return warming to below

this level by 2100.^{xlvi} The ethical imperative for banks like BNP Paribas to align activities with 1.5C is, therefore, strengthened rather than undermined by the potential of overshoot.^{xlvii}

There are also significant costs in delaying the automotive transition. The International Council on Clean Transportation finds the life-cycle emissions of battery electric cars are nearly four times less than their ICE counterparts.^{xlviii} In December 2025, The European Public Health Alliance urged the EU to uphold the full phase-out of ICE vehicles by 2035, noting that air pollution from ICE vehicles carries profound public health consequences, including over 300,000 premature deaths annually in Europe, contributing to conditions such as heart disease, cancer, and developmental harm in children, with impacts falling disproportionately on vulnerable and lower socio-economic groups.^{xlix}

Engagement with the bank on this matter is therefore critical. BNP Paribas has indicated that its automotive target will be revised later this year to incorporate Arval and Personal Finance activities. Given the current approach is difficult to reconcile with BNP Paribas' stated objection of aligning its portfolio with the goal of the Paris Agreement, this revision should be treated as an opportunity to reassess the bank's overall ambitions for the sector.

>> PART 4 – CONCLUSION

BNP Paribas notes itself in its 2025 Universal Registration Document that its sustainability strategy aims to align its portfolio with trajectories compatible with the objectives of the Paris Agreement. Shifting its automotive sector decarbonisation target from 1.5C to ~2.5C alignment directly contradicts that stated ambition, departs from the best available science, and undercuts the careful work it has done building a credible transition strategy. Scenario alignment may seem technical, but it sets the foundation for the entirety of the bank's strategy within a sector. It also signals the bank's commitment to automotive clients, policymakers, and the rest of the financial sector, providing the basis for productive engagement and mutually reinforcing ambition.

Hedging the ambition of its automotive target around external factors defeats the original purpose of the bank's climate targets. Targets are meant to be stretching and should provide a solid foundation around which the bank coordinates its financing priorities, team resourcing, upskilling, and new product development. Of course, headwinds can emerge, but trying to account for this with a range of potential end goals just makes it harder for the bank and its stakeholders to assess whether it is mobilising the right level of resources.

The timing makes it all the more difficult to justify, with the EV sector showing renewed momentum and energy security concerns intensifying. Against that backdrop, shareholders now have an opportunity to intervene at an inflection point. BNP Paribas has indicated it expects to update its automotive sector decarbonisation target at some point in 2026, and investor engagement will be critical in shaping its outcome. By pressing the bank on the specific questions set out above, investors can help restore confidence in the integrity of BNP Paribas' climate strategy.

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ⁱ Arval—fully owned by BNP Paribas Group—is a mobility solutions specialist focused on full-service vehicle leasing. BNP Paribas Personal Finance is a major player in retail financing in Europe through its consumer credit activities.

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