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Bank of America Reverses Pledge Against Fossil Fuels

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The changes come as Republican lawmakers step up efforts to punish businesses that consider climate change and the environment in their operations.

Two years ago, Bank of America won kudos from climate activists for saying it would no longer finance new coal mines, coal-burning power plants or Arctic drilling projects because of the toll they take on the environment.

The bank's latest environment and social-risk policy reneged on those commitments. The policy, updated in December, says that such projects will instead be subject to ''enhanced due diligence.''

Bank of America's change follows intensifying backlash from Republican lawmakers against corporations that consider environmental and social factors in their operations. Wall Street in particular has come under fire for what some Republicans have called ''woke capitalism,'' a campaign that has pulled banks into the wider culture wars.

States including Texas and West Virginia have passed financial regulations designed to ward off efforts to deny fossil-fuel companies access to banking services. In New Hampshire, state lawmakers have sought to criminalize the business principle known as E.S.G., shorthand for environmental, social and governance.

These actions have sent a chill through the E.S.G. world. Last year, big investors pulled money out of sustainability-focused funds at a record rate as they shied away from the sector amid conservative criticism. Larry Fink, chief executive of the asset management firm BlackRock and once a prominent proponent of E.S.G., said last June that he had stopped using the term because it had become too politicized.

Bank of America said in a statement that clients or transactions ''that carry heightened risks will continue to go through an enhanced due diligence process involving senior level risk review.''

In late 2021, the bank's policy stated that it ''will not directly finance new thermal coal mines or the expansion of existing mines'' or ''petroleum exploration or production activities in the Arctic.'' It also would not ''directly finance the construction or expansion of new coal-fired power plants, including refinancing recently constructed plants'' unless those facilities employed carbon capture or similar **technology**.

That language is gone from its updated policy.

Even as it rolls back it commitments, the bank continues to say that coal, a major contributor to global warming, faced ''significant challenges'' as the world stepped up its efforts to address the climate crisis. Moreover, Bank of America says that ''the Arctic is a unique region with specific considerations to take into account including those of marine and wildlife, a fragile ecosystem and the rights of Indigenous Peoples.''

The bank declined to give details of what its risk review would include.

There have been other contentious changes. In November, JPMorgan Chase said in its annual climate report that it was overhauling the oil and gas emissions-reduction target that had guided its energy investing and was adopting a new ''energy mix'' target that took into account financing for clean energy projects.

Environmental groups criticized the change, saying JPMorgan was obfuscating its previous targets.

In a statement, JPMorgan said at the time that its modified target recognized that ''a singular focus on fossil fuels will not successfully achieve the necessary transition of the global energy system.''

Global conflicts in Europe and the Middle East are also driving banks' focus beyond E.S.G. The tensions are prompting banks to prioritize energy security, Jane Fraser, the Citigroup chief executive, said at a recent conference in Saudi Arabia. Supporters of energy security have tended to prioritize uninterrupted energy production over environmental concerns.

"There is a new 'S' in E.S.G., which is security -- be it food security, energy security, defense, financial security," Ms. Fraser said. "That's certainly a theme that all the C.E.O.s around the world are talking about."

Even before the latest reversals, plenty of financing was flowing to coal, oil and gas companies. In 2022, fossil-fuel financing from the world's 60 largest banks reached $669 billion, according to a tally from a group of advocacy organizations that look at the banks' track records on climate.

In the seven years after the landmark Paris Agreement of 2015, in which nearly every country in the world agreed to reduce emissions of planet-warming greenhouse gases, those same banks financed the fossil-fuel industry to the tune of about $5.5 trillion, according to the tally.

Emissions from burning fossil fuels for energy are the biggest driver of global climate change. The International Energy Agency, the world's leading energy agency, has said that nations of the world need to immediately stop approving new coal-burning power plants and new oil and gas fields if they want to avoid the most catastrophic effects of climate change.

To environmental advocates, banks' backtracking has effects beyond the financing itself. It "sends a very bad signal," said Lucie Pinson, director of Reclaim Finance, a nonprofit that scrutinizes the climate strategies of fossil-fuel companies. "Bank of America is sending a message to its clients that it's OK to take up new fossil-fuel assets," she said. "We should have stopped developing such assets years ago."

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