Ending New Fossil Fuel Financing

Resolved: Shareholders request that the Board of Directors of Citigroup 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 supplies inconsistent with fulfilling the IEA's Net Zero Emissions by 2050 Roadmap and the United Nations Environmental Program Finance Initiative recommendations to the G20 Sustainable Finance Working Group for credible net zero commitments.

Supporting Statement

Citigroup, as a member of the Net Zero Banking Alliance (NZBA), commits to align financing with a maximum temperature rise of 1.5 degrees Celsius.[1] To close the gap between words and action, a change in policy is needed on financing of fossil fuel exploration and development.

The United Nations Environmental Program Finance Initiative (UNEPFI), 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."[2] The International Energy Agency (IEA) has concluded, "There is no need for investment in new fossil fuel supply in our net zero pathway."[3]

Citigroup has not committed to end funding of fossil fuel expansion. It reportedly recently financed an expanding coal operation in Russia. In September 2021 Bloomberg reported that Russia's largest coal producer and coal plant operator, JSC SUEK, had mandated nine banks, including Citigroup, for a bond issuance with a 5-year maturity.[4] JSC SUEK produces over 100 million tons of coal per year. It is expanding coal mining operations for an additional 25 million tons per year. SUEK's coal exports are set for expansion by around 28 million tons per year.

An observer noted, "SUEK plays a central, if not THE central role in Russia's scheme to profit as much as possible from the coal industry before the fossil era ends. It is outrageous that US and German banks are still helping to raise money for one of the world's largest coal companies only two months before COP26 in Glasgow."[5]

Ernst-Jan Kuiper of BankTrack added: "The participation of US and German banks in this bond issuance is particularly surprising given their net-zero pledges…. we need to see more from

[1] https://www.unepfi.org/wordpress/wp-content/uploads/2021/04/UNEP-FI-NZBA-Commitment-Statement.pdf
[2] https://g20sfwg.org/wp-content/uploads/2021/10/2021-UNEP-FI.-Recommendations-for-Credible-Net-Zero-Commitments.pdf, at 15.
[3] https://www.iea.org/reports/net-zero-by-2050
[4] Bloomberg Terminal: https://blinks.bloomberg.com/news/stories/QYRCFLDWLU6U(link is external) Public Source: Anthropocene Fixed Income Institute, https://anthropocenefii.org/afii-suek-bofa-citi-cmzb(link is external)
[5] Urgewalt spokesperson.

banks than signing showy net-zero initiatives."

Financing of new *oil and gas* exploration and development is also inconsistent with the global goals. A study in Nature that found oil and gas production needs to fall by 3% each year until 2050 to meet the goals of the Paris Agreement.[6]

[6] https://www.nature.com/articles/s41586-021-03821-8