Whereas: Climate change poses a systemic risk, with estimated global GDP loss of 11-14 percent by midcentury under current trajectories.[1] The climate crisis is primarily caused by fossil fuel production and combustion, enabled by funding from financial institutions.

According to scientific consensus, limiting warming to 1.5°C means the world cannot develop new oil and gas fields or coal mines beyond those already approved (new fossil fuel exploration and development).[2] Furthermore, existing fossil fuel supplies are sufficient to satisfy global energy needs.[3] New oil and gas fields would not produce in time to mitigate current energy market turmoil resulting from the Ukraine War.[4]

Citi group (Citi) committed to align financing with the Paris Agreement goals,[5] achieving net zero by 2050, consistent with limiting global warming to 1.5°C.[6] However, Citi's current policies and practices are not net zero aligned.

Citi is the world's second largest fossil fuel funder, providing $285 billion in lending and underwriting to fossil fuel companies during 2016-2021, including $104 billion to 100 top companies engaged in new fossil fuel exploration and development.[7] Citi's existing commitments do not equate to alignment: under its 2030 absolute emissions target for energy, Citi can continue to finance new fossil fuel exploration and development, locking in future emissions and increasing stranded asset risk.

Without a policy to phase out financing of new fossil fuel exploration and development, Citi is unlikely to meet its climate commitments and merits scrutiny for material risks that may include:

- Greenwashing: Banking and securities regulators are tightening and enforcing greenwashing regulations, which could result in major fines and settlements.[8]
- Regulation: Central banks, including the Fed, are starting to implement climate stress tests[9] and scenario analyses,[10] and some have proposed increased capital requirements for banks' climate risks.[11]
- Competition: Dozens of global banks have adopted policies phasing out financing of new oil and gas fields[12] and coal mines.[13]
- Reputation: Campaigns targeting Citi's climate policies include hundreds of organizations with tens of millions of global supporters, including current and potential Citi's customers.[14]

By exacerbating climate change, Citi is increasing systemic risk, resulting in significant negative impacts – including physical and transition risks.[15]

Best practices for banks to achieve net zero involve financing of companies reducing scopes 1-3 absolute emissions and allocating capital in line with science based, independently verified short, medium and long term decarbonization targets. Organizations like the Science Based Targets initiative and Transition Pathway Initiative can provide independent verification of decarbonization targets.

RESOLVED: Shareholders request that the Board of Directors adopt a policy for a time bound phase out of Citi's lending and underwriting to projects and companies engaging in new fossil fuel exploration and development.

Supporting Statement: This proposal is intended, in the discretion of board and management, to enable support for Citi's energy clients' low carbon transition.

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1 https://www.swissre.com/media/press-release/nr-20210422-economics-of-climate-change-risks.html
2 https://www.iisd.org/system/files/2022-10/navigating-energy-transitions-mapping-road-to-1.5.pdf
3 https://www.ipcc.ch/report/ar6/wg3/resources/spm-headline-statements/
4 https://www.iea.org/commentaries/what-does-the-current-global-energy-crisis-mean-for-energy-investment
5 https://www.citigroup.com/citi/sustainability/net-zero.htm
6 https://www.unepfi.org/net-zero-banking/commitment/
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