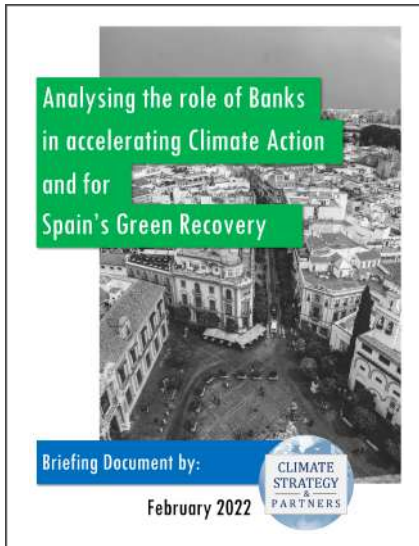


January 2023

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Last year Climate Strategy & Partners published a report¹ that analyzes the climate strategies of the three largest banking groups in Spain: BBVA, Banco Santander and CaixaBank. With more than 70% of the banking market and 55% of the assets under management, it is essential that these banks plan to reduce their GHG emissions in line with the objectives of the Spanish Climate Change Law and thus achieve zero net emissions before 2050. The current context of high energy insecurity has also placed urgency on eliminating financing directed at volatile fossil fuels and investing in reducing consumption and deploying renewable energy. The European Commission's REPowerEU² plan and Spain's Plan + Energy Security³ position these measures as priorities to reinforce the continent's energy independence.



In the comparison made based on 2021 reports, CaixaBank had the least developed climate strategy, partly due to its merger with Bankia that same year. In November 2022, CaixaBank finally presented its first climate plan⁴ that puts it on the path of other banking leaders towards decarbonization. The banking sector's commitments have brought positive progress on its climate ambition but, as our report and many others -including the European Central Bank⁵-, there is still much work ahead to align with best practices in climate action. The efforts of banking entities, which apply to CaixaBank, are beginning to be more focused and sectoral, as required by the Net Zero Banking Alliance⁶ (NZBA) commitment, of which the bank is a founding member. However, additional speed is needed in the ambition to set targets by extending the analysis to the rest of the carbon-intensive sectors as soon as possible in order to develop comprehensive plans in line with the Paris Agreement objective of limiting global warming to 1.5°C.

¹ Climate Strategy & Partners. (2022). *Análisis del rol de los Bancos en acelerar la Acción Climática y la Recuperación Verde de España*. Retrieved from <https://www.climatestrategy.es/press/InformeCSBancosEnero2022.pdf>

² European Commission. (2023). *REPowerEU: affordable, secure and sustainable energy for Europe*. [Website]. Retrieved from https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal/repowerEU-affordable-secure-and-sustainable-energy-europe_en

³ Miteco. (2023). *Plan + Seguridad Energética*. [Website]. Retrieved from <https://www.miteco.gob.es/es/ministerio/planes-estrategias/seguridad-energetica/>

⁴ CaixaBank. (2022). *Informe Climático 2021 - 2022*. Retrieved from https://www.caixabank.com/deployedfiles/caixabank_com/Estaticos/Imagenes/Sobrenosotros/Informe_climatico_2021_junio2022_CaixaBank.pdf

⁵ European Central Bank. (2022). *2022 climate risk stress test*. Retrieved from https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm.climate_stress_test_report.20220708-2e3cc0999f.en.pdf

⁶ UNEP FI. (2023). *Net-Zero Banking Alliance*. [Website]. Retrieved from <https://www.unepfi.org/net-zero-banking/>



The Climate Strategy analysis uses the Best Practice Guide⁷ produced with the Spanish Group for Green Growth for COP26 as a frame of reference, which includes the best international practices in the preparation of climate action plans and is based on three key pillars. See below is the progress on CaixaBank's strategy since last year, and the future steps to be taken to lead on efforts towards net zero emissions:

1. Climate Objectives:

CaixaBank has established emission reduction targets for 2030 for the oil and gas (-23%) and electricity (-30%) sectors in line with the IEA's Net Zero 2050 scenario⁸. Accelerating the bank's decarbonisation in line with the 1.5°C target also requires urgently setting sector targets for other highly polluting activities related to coal, mining and transport, which the entity is working to make public during 2023 and early 2024. It is also recommended to establish more short-term objectives towards 2025 and validate these objectives with initiatives such as Science Based Targets⁹. Currently, the standard for decarbonization in the financial sector is the Net Zero Banking Alliance. As required by the NZBA commitment, the objectives set for 2030 are based on scientific scenarios such as the IEA's and, in accordance with the UNEP FI Principles for Responsible Banking, of which CaixaBank is also a signatory, they will be certified by a third party.

2. Climate Action:

The report being analyzed is governed by the TCFD principles and carries out a deep analysis of the physical and transition climate risks of the main CaixaBank portfolios based on the 1.5°C scenario of the IPCC¹⁰. In addition, it has published updated policies¹¹ to integrate the management of these risks into its financing policies, among which the following stand out: 1) the limitation of financing to oil projects with medium-term maturity and long-term liquefied gas, 2) exclusion of specific projects for the construction, development or expansion of coal-fired power plants, 3) reduction of the financing threshold for customers whose income (>25%) comes from coal-fired power generation. However, these policies still have exceptions that could undermine the consistency of CaixaBank's plan with the 1.5°C objective. The ambition of other leaders in the sector¹² illustrates the next steps needed to take in order to achieve a strategy aligned with the path towards an urgent energy transition, such as the complete elimination of financing to all activities related to coal and oil and gas.

3. Climate Governance:

CaixaBank has made various changes to its governance structure to further integrate its climate strategy within the Group's decisions. For instance, in 2021 the bank created a remuneration system linked to sustainability issues and the 2022 increase in the weight of the metrics linked to ESG factors in both annual and long-term variable remuneration schemes. It is positive that these criteria are linked to the mobilization of the Group's sustainable finances, but the emission reduction objectives are yet to be included within this system to prioritise decarbonisation.

⁷ Climate Strategy & Partners. (2021). *Doce Claves para Empresas Hacia la Descarbonización: Guía de Mejores Prácticas para Convertir Objetivos de Cero Emisiones Netas en Planes de Acción Climática*. Retrieved from https://www.climatestrategy.es/es/informe_22.php

⁸ IEA. (2021). *Net Zero by 2050 A Roadmap for the Global Energy Sector*. [Website]. Retrieved from <https://www.iea.org/reports/net-zero-by-2050>

⁹ SBTi. (2023). [Website]. Retrieved from <https://sciencebasedtargets.org/>

¹⁰ IPCC. (2023). *SPECIAL REPORT: Global Warming of 1.5 °C*. [Website]. Retrieved from <https://www.ipcc.ch/sr15/>

¹¹ Caixa Bank. (2022). *Principios de actuación de la Política corporativa de gestión de riesgos de sostenibilidad/ASG Marzo 2022*. Retrieved from https://www.caixabank.com/deployedfiles/caixabank_com/Estaticos/PDFs/Sostenibilidad/Principios-Gestion-Riesgos-ASG.pdf

¹² Reclaim Finance. (2021). *French bank La Banque Postale quits oil & gas, sets international precedent*. [Website]. Retrieved from <https://reclaimfinance.org/site/en/2021/10/14/french-bank-la-banque-postale-quits-oil-gas-sets-international-precedent/>



Eliminating financing for fossil fuels is a key lever to align banks' trajectories with the objective of climate neutrality adopted by Spain and Europe. In addition, it would contribute significantly to the continent's energy security. However, as the Climate Strategy analysis¹³ shows, there is a substantial divergence between the current financing policies of the main Spanish banks and the required trajectory to achieve net zero emissions before 2050. The banking sector and international investors have already funded fossil fuel projects that deplete the carbon budget allocated for the 1.5°C trajectory. The latest report from Reclaim Finance¹⁴ shows that 56 of the main banks that are part of the NZBA have provided at least \$269 billion to 102 of the biggest promoters of fossil fuels (ranking that does not include CaixaBank or other Spanish banks). Unless some of these already funded projects are closed before the end of their operational life, we will be "on the path to 2°C and beyond"¹⁵.



The transition to clean energy contributes to reducing the climate risks faced by banks, and it represents a new business opportunity. Spanish banking groups are strategic financing channels to help companies, SMEs and individuals decarbonise their operations, and they can also participate in the co-distribution of Next Generation funds. The Sustainable Banking Plan, which is one of the pillars of CaixaBank's new 2022-2024 Strategic Plan, includes the objective of mobilizing 64,000 million euros in sustainable finance by 2024, among others. This goal of transformation towards a sustainable business model is what should guide CaixaBank's strategy with the adoption of financing practices based on scientific recommendations to achieve climate neutrality on time.

This article contributes to Climate Strategy's mission of supporting public and private sector stakeholders to understand the solutions needed to combat climate change. Our analysis is independent and has not been commissioned or sponsored by any company, government or other institution. The opinions expressed are exclusive to Climate Strategy and are based on the review of public information. Our objective is to compare the sustainable performance of the banks and our work does not represent the opinion of any of the entities assessed. We invite you to send your comments to info@climatestrategy.es

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¹³ Climate Strategy & Partners. (2022). *Análisis del rol de los Bancos en acelerar la Acción Climática y la Recuperación Verde de España*. Retrieved from https://www.climatestrategy.es/es/informe_21.php

¹⁴ Reclaim Finance. (2023). *THROWING FUEL ON THE FIRE: GFANZ financing of fossil fuel expansion*. Retrieved from <https://reclaimfinance.org/site/wp-content/uploads/2023/01/Throwing-fuel-on-the-fire-GFANZ-financing-of-fossil-fuel-expansion.pdf>

¹⁵ Environmental Finance. (2021). *GFANZ fails to deliver at COP26*. [Website]. Retrieved from <https://www.environmental-finance.com/content/analysis/gfanz-fails-to-deliver-at-cop26.html>