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Press release | 05.03.2014

Climate change

Fossil fuel investments creating dangerous 'carbon bubble' in finance industry

The potential risks of high-carbon, fossil fuel investments by Europe's financial industry were highlighted in a new independent study released today, which was commissioned by the Greens/EFA group in the European Parliament (1). Commenting on the study by Profundo and the Sustainable Finance Lab, Green industry spokesperson **Reinhard Bütikofer** stated:

"The financial industry is promoting a 'carbon bubble' by investing in high-carbon assets without taking energy and climate policies into account in their investment decisions. Many of these investments will lose value as steps to tackle climate change are stepped-up by policy-makers. With over €1 trillion invested in these assets, the exposure of Europe's financial industry could have dramatic consequences should this 'carbon bubble' burst.

"France's financial sector is at a particular risk due to the high-carbon investments of the banks Société Général and BNP Paribas, but so are the United Kingdom and the Netherlands because of their pension funds' high share in carbon-intensive assets. EU policy-makers need to urgently come to grips with this issue, which so far only the Bank of England has acknowledged."

Green climate spokesperson **Bas Eickhout**, added:

"The study shows that we need adequate EU climate policies to deflate the carbon bubble and minimise losses. Energy firms continue to pour €500 billion euros in mining new fossil fuel reserves each year. Without clear signals from politicians, they will continue to inflate this carbon bubble.

"The slow and piecemeal approach the Commission is proposing for the 2030 climate and energy package threatens the stability of our financial sector. Binding 2030 targets for renewable energy and energy savings give investors the much-needed certainty that Europe is serious about speeding up the transition to a green economy. This will help safeguard the pensions and savings of European citizens that otherwise risk losing much of their value when the carbon bubble suddenly pops."

(1) The study assessed the high-carbon assets of Europe's top 20 banks and top 23 pension funds, testing them against three different energy and climate scenarios. Click to read the study (pdf).

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