

## **COP 28: The mobilisation of the Paris financial centre demonstrates a strong commitment to achieving the goals of the Paris Agreement.**

To mark COP 28, the Sustainable Finance Institute (IFD – Institut de la Finance Durable) emphasises the commitment of the Paris financial centre to decarbonisation trajectories in line with the goals of the Paris Climate Agreement. Originating from a unique global marketplace dynamic, each of the market players has made ambitious commitments and initiated independently tangible actions to contribute to the goal of carbon neutrality by 2050. But the climate urgency requires faster and stronger action. The current trajectory of global warming is well above the target of the Paris agreement.

*“The fight against climate change requires comprehensive action. Financial players play a key role in financing the energy sector, accelerating the transition from fossil fuels to low-carbon energy sources. The Paris financial centre is therefore working to step up efforts, particularly through the work of the IFD. In this respect, we support any international movement in this direction.”* **commented Yves Perrier, President of the IFD.**

Against this backdrop, the Paris financial centre welcomes the launch of the Coal Transition Accelerator initiative presented by the French President, Emmanuel Macron, on Saturday, 2<sup>nd</sup> of December.

### **In France, ambitious commitments from 2019**

**The Paris financial centre has been a pioneer in the definition and individual implementation of decarbonisation trajectories, which are among the most ambitious in the world for the fossil fuel sector, starting with coal.**

At COP 21 in 2015, Paris was the first financial centre to declare its adherence to the scientific consensus on the impact of greenhouse gas emissions.

In 2019, the Paris financial centre published a declaration in which it made strong commitments to combat climate change and [contribute to the goal of carbon neutrality by 2050](#). The professional federations representing financial players<sup>1</sup> have particularly worked to encourage their members to withdraw from thermal coal.

In 2019 the Paris financial centre also became the first financial centre to make efforts in terms of transparency in the assessment and monitoring of commitments, by creating the Observatoire de la Finance Durable (Observatory for Sustainable Finance).

### **An initial assessment of the Paris financial centre's commitments**

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<sup>1</sup> The Fédération des Banques Françaises (French Banks Federation), France Assureurs (France Insurers) et l'Association Française de Gestion (French Association of Asset Managers).

**While progress remains essential, the mobilisation of Paris market players in recent years has led to tangible results. In the context of the COP28 Global Stocktake, this reminder encourages the mobilisation of financial players at international level:**

- **Concerning coal:** From 2019, French banks have independently determined to work on a complete exit thermal coal by 2030 (for activities in OECD countries) and 2040 (for the rest of the world). Since 2020, no French bank has financed new coal-fired power plants or thermal coal mines. In addition, all French insurers have adopted their own individual policies for thermal coal, as have 85% of responding asset management companies (representing 70% of assets under management)<sup>2</sup>. Since 2017, French insurers have independently determined they should stop investing in new coal-related projects.
- **Regarding oil and gas:** the main French banks have sectoral policies on oil and gas. As of 2021, they each independently set targets that are unique in the world: none of the main French banks longer finance any project dedicated to unconventional hydrocarbons or companies with more than 30% of unconventional hydrocarbons in their exploration and production activities. Insurers, meanwhile, committed in 2021 to define policies for dialogue with oil and gas companies and to stop financing companies that would not abandon new projects for unconventional fossil fuel production. By the end of 2022, insurers that have implemented policies relating to fossil fuels accounted for 71% of assets under management, and as high as 99% of assets under management for unconventional fossil fuels ([data collected by France Assureurs, November 2023](#)). As for asset management companies, 60% say they have a strategy on unconventional fossil fuels compared with 41% in 2021 ([AFG survey](#)).
- **The weight of fossil fuels in the balance sheets of market players is now residual:** banks are exposed to 0.02% for thermal coal and less than 1% for hydrocarbons ([data collected by FBF, November 2023](#)). Insurers have 0.2% of assets exposed to coal, 1.1% to oil and gas, a decrease of nearly a third year-on-year (1.8% at end-2021, [data collected by France Assureurs, November 2023](#)). Asset management companies have only 0.53% of assets exposed to coal and 2% to oil and gas<sup>3</sup>.
- **In addition, market financing for the transition is increasing.** In one year, banks have more than doubled their green and sustainable lending<sup>4</sup> to all sectors of the economy, from €100bn to €216bn in 2022 ([data collected by FBF, November 2023](#)). As for insurers, at the end of 2022, €152bn in assets under management (i.e. 7.8% of total assets) were invested in green investments (representing a 17% increase since the end of 2021, despite an unfavourable economic environment which saw a 13% decrease in assets under management, [data collected by France Assureurs, November 2023](#)). Assets under management in responsible investments (within the meaning of the SFDR regulation) continue to grow.

French financial institutions are also key members of the Glasgow Net Zero Financial Alliances, including the Net-Zero Banking Alliance (NZBA), the Net Zero Asset Owners Alliance (NZAOA) and the Net Zero Asset Managers Initiative (NZAMI) and contribute to the definition of relevant and comparable methodologies for communicating on their approach.

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<sup>2</sup> [Data collected by the AFG \(2022\)](#) based on responses from asset management companies representing 77% of assets under management in France.

<sup>3</sup> Exposure to fossil fuels calculated on the basis of lists drawn up by Urgewald, a German environmental NGO founded in 1992. Focused on the study of the market players involved in the coal and oil & gas value chains, this NGO regularly publishes a list of them: the Global Coal Exit List (GCEL) for coal and the Global Oil and Gas Exist List (GOGEL) for oil and gas.

<sup>4</sup> [As defined by the Observatoire de la finance durable.](#)

To accelerate the efforts of the financial sector, the IFD leads several market working groups, in particular to identify financing solutions for the ecological transition and develop an analysis framework on fossil fuel trajectories.

### **All around the world, let's continue to step up our efforts**

In a scenario where actions by states and private entities do not progress, the spontaneous climate warming trajectory would far surpass the goals set by the Paris Agreement, with dramatic consequences for societal stability. As an illustration of the delay in action, thermal coal still represents 27% of the world's energy consumption and 36% of global electricity production<sup>5</sup>.

In view of this situation, the IFD will support all international initiatives to break dependence on fossil fuels and to finance the transition. It is a vital challenge to achieve the carbon neutrality goal in line with the Paris Agreement and national strategies.

**In this regard, the IFD welcomes the Coal Transition Accelerator launched by the French President at COP 28, which aims to provide the concrete solutions and tools needed by financial players to support this transition and to accelerate the exit from coal from investment strategies. As a leader in the field, the Paris financial centre is ready to share its experience in order to contribute to the success of this international initiative.**

### **About the IFD:**

Created in October 2022, "l'Institut de la Finance Durable" / The "Paris Sustainable Finance Institute", a branch of Paris EUROPLACE, aims to coordinate, federate and accelerate the action of the Paris financial centre to achieve the ecological transition and transform the economy towards a low-carbon and inclusive model, aligned with the objectives of the Paris Agreement and the Sustainable Development Goals. It brings together all the private, public and institutional players in the Paris financial centre, and represents the financial centre's positions at the European and international level. The "Institut de la Finance Durable" is chaired by Yves Perrier.

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<sup>5</sup> World Energy Outlook 2022, AIE