A new study from University College London has found that a substantial stranding of fossil fuel assets is necessary to meet the targets outlined in the Paris Agreement. Since the EU is legally bound by the Paris Agreement, 60 % of all oil and fossil gas reserves and 90 % of coal reserves should remain in the ground.

Banks with fossil fuel exposures on their balance sheet will face significant losses as these assets become stranded in response to EU and global action to transition away from fossil fuels. This will create a significant financial risk that should be limited.

We call on the Commission to apply risk weighting of 1250 % to new fossil fuel exposures in order to make these investments fully equity-funded. Such a decision would prevent new oil and gas projects from being developed, thus protecting the financial system from the long-term risks posed by climate change and more specifically stranded assets.

1. Is the Commission considering adopting such a measure within the framework of the upcoming review of the Capital Requirements Directive and the Capital Requirements Regulation?

2. What else is it planning to do in order to break the tragedy of the horizon?

3. What measures is it planning to adopt in order to disincentive bank funding for fossil fuels?