



HIGH MEADOWS
INSTITUTE

Sustainability in Capital Markets

**Financing the transition to a sustainable
low-carbon economy**

Investment Banks Sector Profile



Introduction

This sector snapshot is part of the High Meadows Institute report, Sustainability in Capital Markets. It is designed to provide a high-level overview of how key sectors in the financial system are supporting the transition to a sustainable low-carbon economy (SLCE). The sector evaluation is based on a literature review of studies on each sector's role in the SLCE transition, as well as a more detailed analysis of how 10 of the largest institutions in the sector are supporting the transition. Further details on the purpose of the report, the sectors being assessed, and the methodology for the assessment can be found in the Methodology publication [here](#).

Sample size: JP Morgan, Goldman Sachs, Bank of America, Morgan Stanley, RBC Capital Markets, Barclays, HSBC, Wells Fargo, BNP Paribas, Citigroup¹

Total AUM of sample size: \$26.15 trillion
(approx. 23% of total sector AUM)

Investment banks play a key role in the capital markets, serving several important functions—from underwriting capital formation to facilitating trades and providing advisory services to corporations and governments. Their scale and market centrality have made many of them systematically important financial institutions (SIFIs), with considerable influence over global financial stability.

The true scale of these institutions can be difficult to pinpoint as they are highly susceptible to market forces and regulatory changes, which can significantly increase or decrease the resources they have available to support the SLCE transition. By almost any measure, these investment banks are among the biggest companies in the world, with tens of thousands of employees spread across hundreds of offices. However, these banks face limitations on how much of their assets can be put to use due to capital requirements mandated by regulations like Basel III, which are designed to maintain financial stability and minimize excessive risk-taking. Therefore, one useful proxy for understanding the size and influence of investment banks is by looking at their asset management arms.

¹This analysis focuses on Western investment banks. Some large state-backed institutions in China and other parts of Asia would likely qualify by asset size but were excluded due to structural differences—namely, they do not operate with the same level of independence and are often guided by state directives rather than market-based sustainability considerations.

Consider that as of end-2023, the world's 500 largest asset managers oversaw a record \$128 trillion in assets under management (AUM), with banks accounting for 23.3% of that total while comprising 30% of the top 20 firms.ⁱ According to the Thinking Ahead Institute, these banks managed an average of \$2.3 trillion in AUM. That means several leading investment banks, including some in our analysis—such as JPMorgan Chase, Morgan Stanley, and Goldman Sachs—are also among the largest global asset managers.

The continued consolidation of the investment banking sector in recent years has concentrated financial power among a shrinking number of dominant players, amplifying their ability to influence economic policy and capital flows. As key intermediaries in global capital markets, investment banks are uniquely positioned to influence the transition to an SLCE. While expectations vary across regions—particularly amid political pushback in the U.S.—their role in shaping capital flows gives them significant power to accelerate or delay progress. SLCE-related factors increasingly influence banking activities, particularly when deciding which sectors, projects, and clients to work with. These choices play

a critical role in accelerating or delaying progress toward sustainability.

However, many banks still fail to walk the talk. According to the Banking on Climate Chaos report, the world's 60 largest banks provided \$705 billion in fossil fuel financing in 2023 alone, with JPMorgan Chase, Citigroup, and Bank of America among the top contributors.ⁱⁱ That brings total fossil fuel financing since the Paris Agreement to \$6.9 trillion—up from \$5.5 trillion just a year prior.ⁱⁱⁱ In 2022, banks provided \$669 billion,^{iv} showing that levels remain persistently high despite public climate commitments. Notably, \$347 billion in 2023 went to companies actively expanding fossil fuel operations. Financing for liquefied natural gas (LNG) infrastructure also rose, with total commitments to companies developing import and export capacity increasing from \$116 billion in 2022 to \$121 billion in 2023—highlighting a shift toward fossil fuels perceived as less carbon-intensive rather than an actual transition away from them.^v Despite public commitments to net-zero goals, these institutions continue to be major backers of fossil fuel expansion, underscoring the gap between their ambitions and actions.



SLCE Analysis

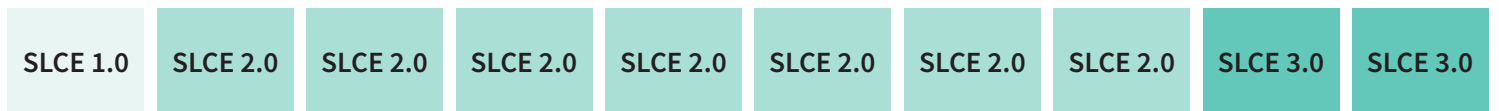
Our analysis of 10 leading investment banks finds that:

- 9 have publicly committed to achieving net-zero greenhouse gas emissions by 2050; Wells Fargo is the exception, having abandoned its net-zero commitment as of February 2025.^{vi}
- 9 are reporting in alignment with the Task Force on Climate-related Financial Disclosures (TCFD)
- 4 are current members of the Net-Zero Banking Alliance (NZBA); JPMorgan Chase, Goldman Sachs, Bank of America, Citigroup, Morgan Stanley, and Wells Fargo have exited the Alliance since December 2024
- 4 are signatories to the Principles for Responsible Banking (PRB)
- 3 are members of the Equator Principles; Citigroup, Bank of America, Wells Fargo, and JPMorgan Chase withdrew in March 2024



In our analysis of 10 leading investment banks, seven fall under SLCE 2, showing strategic ESG integration but limited systemic action. Two stand out as SLCE 3 leaders, while one has regressed to SLCE 1 after discontinuing its net-zero commitment and withdrawing from major climate frameworks.

Investment banks on the SLCE Spectrum



► This graphic illustrates where 10 of the largest investment banks sit on the SLCE Spectrum, which is a framework designed to assess the strength and integrity of their commitment to a sustainable, low-carbon economy based on their alignment to industry best practices. SLCE 1.0 represents “Minimal Commitment,” while SLCE 2.0 represents “Active Integration” and SLCE 3.0 represents “Systemic Leadership.” To learn more about the SLCE Spectrum, including how investment banks were assessed against HMI’s criteria, please review the separate [Methodology](#) publication.

Opportunities

As SIFIs, investment banks carry weight in nearly every aspect of the financial system. Everything they say or do sends signals to the market. Their influence in capital markets is particularly strong through lending and underwriting decisions, which provide critical liquidity to companies, investors, and entire sectors. These decisions shape how and where capital flows—and, by extension, which business models succeed.

Beyond regulatory compliance, investment banks have a strategic opportunity to support clients through decarbonization and climate adaptation. While around 95% of private climate finance to date has focused on mitigation, adaptation and resilience (A&R) remain critically underfunded. BCG estimates that private sector investment in A&R could reach \$2-3 trillion annually by 2030.^{vii} Banks are well-positioned to help close this gap through physical risk assessments, innovative financing structures, and advisory services, while also financing infrastructure upgrades, supply chain resilience, and nature-based solutions.^{viii} A systematic, cross-sector, and systems-based approach to A&R can deliver far-reaching benefits, presenting a material growth opportunity for banks, strengthening their portfolios against physical climate risks, and aligning with evolving regulatory expectations.^{ix}

Regulatory developments also underscore the importance of taking early action. The Financial Stability Board and the Basel Committee on Banking

Supervision are jointly developing a global framework to guide banks in identifying, measuring, and disclosing climate-related financial risks, despite U.S. political headwinds.^x Banks in the UK and EU are increasingly expected to integrate climate considerations into their governance, risk, and due diligence frameworks to avoid litigation and regulatory exposure.^{xi} Institutions that align early with emerging regulatory expectations can help shape market norms, build credibility, and influence how climate risk is integrated across the financial system. Being proactive can help them to stay ahead of future regulatory shifts and play a role in defining the standards others may follow.

Leadership from bank executives, however, remains inconsistent. In his 2024 shareholder letter, JPMorgan Chase CEO Jamie Dimon emphasized the need for energy system transformation but also suggested that policymakers embrace a “realpolitik” approach, calling for continued investment in fossil fuels to address energy security.^{xii} This shift reflects mounting pressure and also reveals a “leadership vacuum.”^{xiii}

With several major U.S. banks stepping back from voluntary climate alliances, there is now a clear opportunity for others to define credible climate leadership. CEOs who step forward with consistent, transparent, and science-aligned strategies can help set a higher standard and shape the next phase of sustainable finance.

Pain Points

Despite making bold public statements about achieving net-zero targets, many investment banks continue to finance the expansion of fossil fuels.

According to the Transition Pathway Initiative’s 2024 assessment, 85% of major banks are still open to funding new coal projects, and only 8% have committed to ending financing for new oil and gas fields. None have pledged to entirely phase out coal financing in line with a 1.5°C pathway. Moreover, most banks’ net-zero commitments apply to less than 22% of their overall revenues, meaning that large parts of their business remain untouched by these climate pledges.

Part of the challenge lies in regulation. Banks are among the most heavily regulated institutions in the financial system, which often limits how quickly or far they can shift their policies. Pulling back from lending to certain sectors—even when they want to—can be risky as it may open the door to lawsuits, regulatory scrutiny, or shareholder pushback. According to the 2025 South Pole Net Zero Report, 47% of financial institutions cite regulatory uncertainty as a significant barrier to achieving their net-zero goals, and 55% report a lack of clear, sector-specific guidance to support climate-aligned decision-making.^{xiv}

In the United States, rising political opposition to ESG has added further pressure. In 2024, several major U.S. banks, including JPMorgan Chase, Citigroup, Bank of America, and Wells Fargo, withdrew from the Equator Principles, a widely used framework for managing environmental and social risks in project finance.^{xv} Then, in early 2025, six major U.S. banks—including

those same institutions, joined by Morgan Stanley and Goldman Sachs—withdraw from the UN-convened Net-Zero Banking Alliance (NZBA), reportedly in response to intensifying scrutiny from anti-ESG factions. Citing the broader implications, Morningstar analysts warned that such exits could “*slow the climate transition momentum in the region and increase physical climate risks over time,*” with implications for the “*safety and soundness*” of the banking sector.^{xvi}





While the move was widely viewed as an effort to avoid backlash from political actors and industry groups critical of climate finance restrictions,^{xvii} it also underscored how political and regulatory headwinds are reshaping banks' willingness to engage with voluntary climate commitments. Following these high-profile exits, the NZBA revised its position in April 2025, dropping its requirement that member banks align their financing activities with the 1.5°C global warming target.^{xviii} The NZBA framed this shift as a response to the “new reality” facing banks, particularly in jurisdictions where ESG frameworks face growing legal, regulatory, and political resistance, and emphasized that member banks remain ultimately accountable to shareholders, investors, supervisors, regulators, and society.^{xix}

The move drew sharp criticism from values-driven, climate-first institutions concerned about the Alliance's credibility. Triodos Bank announced its withdrawal, stating that it had decided to leave NZBA “due to the recent vote by a majority of member banks for lowering the climate ambition of the alliance and setting less strict requirements.”^{xx} It warned that “the shift from strict requirements to more lenient guidance significantly undermines the effectiveness of the NZBA” in ensuring banks align their portfolios with the 1.5° C scenario

and concluded that continuing membership “would not align with our own climate ambition and commitment to combating climate change.”^{xxi}

There's also the issue of internal conflicts. Different parts of a bank often have different priorities. A securities team may be ready to reduce exposure to high-carbon sectors. At the same time, the investment banking division may continue to work with fossil fuel clients due to the high fees associated with mergers, acquisitions, and capital raising. These tensions make it difficult to adopt a consistent, SLCE-aligned approach, especially when commercial incentives still outweigh reputational risks.

And because banks are intermediaries, they're often at the mercy of their clients. U.S.-based customers may be more resistant to ESG expectations, especially amid growing political and legal pushback. In recent cases, U.S. companies and nonprofits have faced lawsuits for pursuing climate goals too aggressively.^{xxii} In contrast, European clients—operating under stricter regulatory regimes—tend to push for stronger climate alignment. Environmental group Milieudefensie, for example, sued Dutch bank ING for failing to act on climate change, highlighting how European corporations can face legal consequences for inaction.^{xxiii}

Finally, market competition makes it harder for investment banks to take bold sustainability stances—particularly in a commoditized industry where clients can easily shift business. Even companies with strong climate credentials often rely on large banks with fossil fuel exposure because smaller, climate-aligned institutions may lack the capital base or global reach to handle large-scale underwriting or advisory mandates. While some firms have expressed reluctance to engage with fossil-friendly banks, the dominance of major players means few alternatives exist at scale. This structural imbalance reinforces the status quo, placing banks that attempt to lead on SLCE issues at a potential short-term disadvantage compared to peers willing to take fewer risks.

Summary

Opportunities

- Investment banks have the size, authority and influence to be a central player in the transition to a sustainable, low-carbon economy.
- Investment banks have multiple levers they can pull to support the SLCE transition, including via how they make financing decisions and how they deploy their asset management arms.

Challenges

- The recent pullback by some investment banks from climate-related initiatives like the Net Zero Banking Alliance and the Equator Principles is a worrying sign that these institutions are highly susceptible to external pressures, especially from policymakers and regulators.
- With a few exceptions, the leaders of these institutions have been hesitant to speak up about climate-related issues and challenges in public forums, representing a missed opportunity to rally their peers across the financial services industry.

Additional reading and resources about investment banks

- **Banking on Climate Chaos:** [Banking on Climate Chaos Fossil Fuel Finance Report 2024](#)
- **BCG Global:** [Leading Banks Are Shifting from Assessing Climate Risks to Helping Clients Address Them](#)
- **Freshfields:** [Climate change and the Banking Industry](#)
- **Rainforest Action Network (RAN):** [Banking on Climate Chaos Fossil Fuel Finance Report 2023](#)
- **Sierra Club:** [Leaders or Laggards? Analyzing major US banks' net-zero commitments](#)
- **South Pole:** [The 2025 South Pole Net Zero Report](#)
- **Thinking Ahead Institute and Pensions & Investments:** [The world's largest 500 asset managers](#)
- **Transition Pathway Initiative:** [State of Transition in the Banking Sector 2024](#)
- **Union of Concerned Scientists:** [Decades of Deceit: The Case Against Major Fossil Fuel Companies for Climate Fraud and Damages](#)

Endnotes

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About the Authors

High Meadows Institute is focused on the role of business leadership in society. Our mission is to contribute to sustainable economic and social progress in a global economy and society. High Meadows Institute was founded in 2013 by a small group of senior business and finance leaders with deep experience in the private and non-profit sectors. The Institute works in close partnership with other leading think tanks and academic and business organizations to advance its mission.

17 Communications is a mission-driven marketing and communications consultancy specializing in the ESG, impact investing and sustainable finance sectors. We are committed to catalyzing the flow of capital towards sustainability and impact-oriented investments and solutions through a combination of communications, advocacy, research and education.



Chris Pinney
President, High Meadows
Institute
cpinney@
highmeadowsinstitute.org



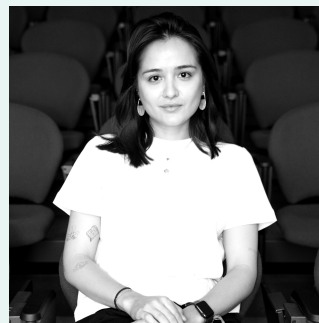
Dmitriy Ioselevich
CEO & Founder, 17
Communications



Allison Kostka
Communications Manager,
High Meadows Institute



Sule Dedekarginoglu
Research Manager, 17
Communications



Zumrad Mirzalieva
Research Assistant, 17
Communications

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TIIP THE INVESTMENT
INTEGRATION PROJECT

High Meadows Institute

361 Newbury Street
5th floor
Boston, MA 02115

Phone: (617) 453-8308

Email: info@highmeadowsinstitute.org

Web: www.highmeadowsinstitute.org

