

# Green Party backs proposal to starve fossil fuel sector of finance



6 March 2022

- **Molly Scott Cato: “It’s time for us to ensure that banks play their part in the transition to a green economy”**

The Green Party has passed a hard-hitting new policy to deprive the fossil fuel sector of investment finance and accelerate the transition towards clean forms of energy [1].

Celebrating the passing of the new policy at the Party’s Spring conference, Green spokesperson on finance and economy Molly Scott Cato said:

“In spite of all the fine words from financiers in Glasgow at the COP26 climate summit, our largest banks are still pumping billions into new oil and gas production, pursuing dirty profits and putting the lives of our grandchildren at risk [2].

“This motion means the government will have to put its money where its mouth is on the climate crisis. They will need to bring forward rules and regulations that force the UK finance sector to clean up its act and play its part in the rapid transition away from fossil fuels. Banks, stock markets and other financial actors need to shift finance towards the sustainable sectors of the green economy.

“It is time to hold UK banks to account, starting at the top, with the Bank of England. A condition of holding a UK banking licence must be the presentation of an investment strategy outlining a clear pathway to divest from fossil fuel assets.

“With UK pension funds holding around £128 billion in fossil fuel assets, regulation is also desperately needed to eliminate fossil fuel assets from securities portfolios, pensions and insurance products.”

“The finance sector has for too long been funding climate chaos and this has been diverting finance from investing in a healthier and cleaner economy. The pursuit of dirty profits means that we will all pay the price. It’s time for us to ensure that banks play their part in the transition to a green economy.”

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## Notes

1

Key elements of the new policy:

- The Bank of England will be required to produce a climate roadmap for the financial system; with no bank holding a UK banking licence permitted to invest in new fossil fuel development; UK pension and investment funds will be required to remove fossil fuel assets from their investment portfolios.
- The Bank of England should adopt a policy of credit guidance with minimum but rapidly increasing quotas of lending to fund a just but urgent sustainability transition.
- We will introduce credit bans/ceilings for unsustainable activities. These targets will be mandatory for all banks relying on the central bank as a lender of last resort.
- The Bank of England's mandate will be changed so that funding the sustainability transition becomes a central objective, alongside the maintenance of price stability.
- The UK will adopt a position in negotiations at the Basel Committee that fossil fuel assets will be subjected to higher risk weights and capital surcharges until their value as collateral is gradually eliminated

2

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