

# Fossil Free Finance Act

## Office of Senator Markey

*This legislation will mandate that bank holding companies adopt a transition plan and reduce financing for greenhouse gas emissions.*

The purpose of this legislation is to require banks and certain systemically important nonbank financial institutions to manage climate risks by adopting a transition plan to reduce financing for greenhouse gas emissions and deforestation risk commodities. This will address emerging threats to financial stability, as identified by the Biden administration, by requiring financial institutions to implement:

- 50 percent reduction in financed emissions by 2030
- 100 percent reduction in financed emissions by 2050
- Discontinue financing for new or expanded fossil fuel projects no later than 60 days after enactment, thermal coal financing by 2025, and fossil fuel financing by 2030
- Stop financing deforestation risk commodities

The Fossil Free Finance Act will ensure that bank financing will no longer support an unsustainable level of risk from financing greenhouse gas emission and safely transition along with the economy by:

- **Mandating bank holding companies to align financing with science-based emissions targets** if the company holds more than \$50 billion in assets, in line with the trajectory set by the Inflation Reduction Act
- **Incorporate financing of emissions into the systemically important financial institutions (SIFI) designation process** and adds financed emission to the list of criteria for designating nonbank financial institutions as well as codifying the Federal Reserve's authority to mandate alignment with science-based emissions targets
- **Requires the Federal Reserve to report to Congress on commitments** made by banks and nonbank SIFIs to reduce financed emissions and progress on those targets

This legislation is cosponsored by Senators Jeff Merkley (D-OR) and Bernie Sanders (I-VT). The House version is led by Representative Ayanna Pressley (D-MA-07) and Rashida Tlaib (D-MI-12).