



Yellen Backs Aligning U.S. Portfolios With Climate Goals

April 6, 2021

by Christopher Condon, Jesse Hamilton

Treasury Secretary Janet Yellen on Tuesday outlined her department's plans on fighting climate change with remarks that are likely to ramp up a dispute with Republican lawmakers over the appropriate use of financial regulation on that front.

Yellen said the Biden administration would "encourage financial institutions to credibly align their portfolios and strategies with the objectives of the Paris Agreement," the international accord to which the Biden administration recently recommitted the U.S.

The Treasury will also seek to align tax policy with climate goals, "including a transition to a decarbonized economy," Yellen said in the text of remarks delivered at a virtual meeting of global finance ministers.

The comments are likely to provoke a response from Senate Republicans who have warned against regulatory overreach as the Biden White House embraces policies aimed at halting global warming.

Pennsylvania Senator Patrick Toomey, the Banking Committee's top Republican, has been especially critical, urging financial regulators last month against "using their authorities to advance a progressive social agenda on climate change." Republicans have indicated they're concerned regulators will allow banks to shut out legal but less popular industries, for instance making financing more difficult for fossil-fuel companies.

"The tension between the Biden administration and Republicans like Toomey on climate policy increases every time Yellen or another administration official talks about their intentions," said Ian Katz, an analyst at Capital Alpha Partners in Washington. "Pushing financial firms to align themselves with the objectives of the Paris Agreement raises that tension another notch."

The Treasury Department didn't immediately respond to a request for more details on Yellen's remarks about financial institutions and their "portfolios."

Trump Withdrawal

The U.S. was an original signator of the Paris accord under President Barack Obama in 2016. President Donald Trump signaled his intent in 2017 to withdraw the country from the treaty and followed through formally in 2019.

Yellen's Tuesday remarks don't represent a significant departure from comments made by officials at the Federal Reserve and international bodies such as the Financial Stability Board.

The Fed's vice chairman for supervision, Randal Quarles, a Trump appointee, is also the current FSB chair and has been pursuing a global standard for how the financial industry should brace for environmental threats. He told FSB members in a letter released Tuesday that the July G-20 meeting will see a new "coordinated, forward-looking roadmap" from the FSB on climate-related financial risk, alongside the group's work on disclosures of climate risks and associated data.

Battle lines had already been drawn over whether U.S. lenders should be able to turn away legal businesses based on environmental concerns.

Before he left his role as acting chief of the Office of the Comptroller of the Currency in January, Brian Brooks -- a Trump appointee -- had made a controversial push to ban banks from discriminating against potential customers. That rule, cheered by Republican lawmakers, would have insisted Wall Street banks keep their doors open to oil, gas and gun companies. But a day-one memo from the Biden administration strangled that "fair access" rule before it could go into effect.

For their part, the big banks lobbied to maintain the power to make big-picture decisions on the kinds of customers they want to do business with, which has a direct effect on their reputations. Some of them have already shied away from oil and gas projects as public scrutiny increased on such businesses.