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Citigroup to Invest $100bn in Tackling Climate Change

The global financial institution is putting $100bn towards financing renewable-energy projects, affordable green housing, municipal projects and more

Siri Srinivas | Feb. 18, 2015

Citibank announces ten year, $100bn financing target for sustainability. Photograph: Justin Sullivan/Getty Images

Citigroup, the third largest US financial institution, on Wednesday said it will invest a whopping $100bn over the next decade to reduce the impacts of climate change. The bank said it will use the money the finance green initiatives and sustainable growth.

The global financial corporation's CEO Michael Corbat made the announcement at a breakfast gathering of stakeholders, employees and partner organizations in New York.

The money will be used to finance large renewable-energy projects, for example, to aid greener affordable housing and to finance municipal infrastructure to reduce water waste and more, says Valerie Smith, director of corporate sustainability at Citigroup.

It will also be used to help Citigroup reduce the environmental impacts of its global operations and supply chain, and to help its clients address environmental risks, according to Corbat's prepared statement.

This isn't the first time Citigroup has committed money to tackling climate change. The company in 2007 set a similar goal of making $50bn in green investments by 2016, a goal which it met three years early. Now it is doubling down.

Sustainability is good business

In the last few years, several large banks have set similar investment goals. Bank of America and Wells Fargo both committed $50bn for financing sustainable initiatives and green transport in 2013, for example. It adds up to real money.

But some industry insiders question whether all the new money for sustainable investments is enough to defray the environmental damage from banks' investments in coal and other fossil fuels. Citibank also is still active in the coal market, although it has said coal is "in structural decline".

It's no secret that banks are in business to make money. This slew of environmental commitments is interesting because it underlines that sustainability is in high demand.

Citigroup's Smith confirmed that the company's announcement comes in the face of immense client demand for sustainable investing: "You probably can follow the chain. Our clients are demanding it, our clients' clients are demanding it, our clients' investors are demanding it. There is a momentum and focus on solving big global societal problems that everybody is rallying to."

In addition to investing decisions being driven by sustainability metrics, there is a business case for investing in instruments such as green bonds.

“The business case is that we are at the inflection point of the greatest transition in human history from a fossil-fuel-based economy to a clean economy,” says Andrew Behar, the CEO of As You Sow, a nonprofit promoting environmental and social corporate responsibility.

The World Economic Forum estimates this transition will require $1tn in investments each year for the next 20 years, Behar says.

“Investors are looking at this and going, ‘I want to be a part of this,’” he said. “Look at a municipal bond, they’re going to want to change their streetlights to LEDs, why? Sustainable electricity. Why would they want to put solar on their roofs? [So] they can lock in 20-year rates. It’s the economics now. It’s not just about wanting to save the planet.”

A strong signal to clients

The business case, he agrees, provides the context for banks’ new strategies. “They’ve seen the demand and are stepping up and providing the products,” he said.

According to Behar, the larger movement towards sustainable investment was prompted at least in part by the Valdez Principles, instituted by sustainable business nonprofit Ceres after the Exxon Valdez oil tanker spill in 1989.

The 10-point code directs corporations, amongst other things, to better inform the public and establish audits and reports on their environmental impact. The availability of metrics coupled with the larger transition of energy systems makes this the time for financial institutions to keep pace.

“We’ve been starting to see that the smarter investment people are getting ahead of the curve and making sure that there’s enough capital to make this transition,” Behar said.

Citi’s new ambitious goals were based on the lessons learned from its previous targets, Smith said. “This strategy and the goals are related with the fact in mind that we saw activity increase much more than we expected with our previous $50bn finance goals.”