

Exiting Petrochemicals:

A Policy Guide for Financial Institutions, *Executive Summary*

Even as global temperatures rise and the world transitions to renewable energy, the fossil fuel industry is pushing a major expansion in the production of petrochemicals, which are made from coal, oil, and gas. Plastics and fertilizers account for 74 percent of all petrochemicals. The unchecked expansion of petrochemicals would be devastating for the environment, climate and human health.

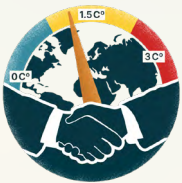
It's time for financial institutions to adopt the policies, targets, and exclusions needed to address this unfolding environmental disaster.

We call on financial institutions to:



Stop Financing Petrochemicals

Immediately prohibit all financing for petrochemicals expansion and adopt absolute greenhouse gas emissions reduction targets (including scope 1, 2, and 3 emissions) leading to the phaseout of financing to the petrochemicals sector.



Require Clients to Adopt Transition Plans

Require that all petrochemical clients develop and publicly disclose transition plans consistent with limiting global warming to 1.5°C above pre-industrial levels and reversing biodiversity loss. These plans should include a timeline for absolute greenhouse gas emissions reductions without reliance on offsets, carbon capture, or carbon removal.



Stop Financing Environmental Racism and Injustice

Adopt environmental justice policies to end financing for petrochemical projects in communities of color and low-income communities that are already overburdened with pollution, including regional exclusions for the Gulf South and Ohio River Valley.



Respect Human Rights and Indigenous Sovereignty

End financing for any petrochemical company that repeatedly violates environmental regulations, human rights, or Indigenous Peoples' sovereignty, and their right to Free, Prior, and Informed Consent.



Responsibly Exit the Petrochemical Supply Chain

Rapidly phase out all fossil fuel financing, adopt policies to address the specific harms of plastics, fertilizers, and pesticides, and provide remedy for past harms.

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Policy Scope

Financial institutions should adopt policies concerning the entire petrochemical supply chain, including any company involved in the production, processing, storage, trade, or distribution of petrochemical inputs or end products. This covers all associated infrastructure, including manufacturing plants, pipelines, fractionators, storage facilities, desalination plants, hydrogen production, chemical recycling plants, ports, and export/import facilities.

Policies should cover the full extent of financial institutions' engagement with the petrochemicals industry and related sectors, including lending, underwriting, investment, insurance, and advisory services, as well as both project and general corporate financing. Policies should also apply to both existing and new clients, as well as whole corporate groups, including any company that receives five percent or more of its revenues from petrochemicals.

Key Facts

Petrochemicals Boom

- More than 120 petrochemical expansions are proposed in the US—with global emissions from plastic production predicted to double or even triple by 2050.
- As of 2018, the petrochemicals sector accounted for 14 percent of oil and 8 percent of gas consumption and could become the largest driver of world oil demand by 2050.

Environment and Human Health Impacts

- Petrochemical production releases carcinogenic and other highly toxic substances into the air, exposing fenceline communities to higher risks of cancer, leukemia, reproductive and developmental problems, nervous system impairment, and genetic impacts.
- Petrochemical production also pollutes waterways with contaminated wastewater. In fact, Formosa Plastics was fined \$50M in 2019 for illegally discharging plastic pollution into Texas waterways and another \$19.2M as of June 2024 for continuing violations.
- Transporting petrochemicals is dangerous. The East Palestine, Ohio train derailment released toxic chemicals, polluted waterways, displaced residents, and exposed them to severe long-term health risks. Pipeline spills, fires, and leaks also put communities at risk.
- There are over 16,000 chemicals used or present in plastics, and 73 percent of chemicals with available information were considered hazardous to human and ecosystem health. Microplastics containing these chemicals now universally contaminate our air, water, food, soil, and bodies.

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- The overuse of fossil fertilizers and pesticides exposes farmworkers and communities to toxic pollution and serious chronic diseases, causes algal blooms and dead zones in waterways, leeches into underground drinking water, and degrades and pollutes soil.

Environmental Racism

- In the US, communities of color have been disproportionately exposed to public health risks from polluting industries. In fact, racial minorities make up 66 percent of residents living on the fence line of petrochemicals but only 39 percent of the US population.
- Many proposed petrochemical facilities would be in “sacrifice zones”—communities of color and low-income communities already exposed to high levels of pollution and health risks — including in Texas, Louisiana, and the Ohio River Valley:
 - Houston Ship Channel: largest cluster of petrochemical plants in the US with 600 facilities
 - Louisiana Cancer Alley: 200 facilities and some of the highest risk of cancer in the US
 - West Virginia Chemical Valley: fenceline cancer risk 36 times EPA accepted level

Climate Impacts

- The US petrochemicals sector already emits 172 million metric tons of carbon dioxide equivalent a year—equal to over 40 coal-fired power plants.
- Plastics and fossil fertilizers contribute 7-10 percent of annual greenhouse gas emissions.
- Increasing plastic production could account for 31 percent of the remaining carbon budget to limit global warming to 1.5°C, undermining financial institutions’ ability to align with targets set by the Paris Agreement and the Kunming-Montreal Global Biodiversity Framework.

Stranded Assets

- There is already a global overproduction of plastic, and evidence that demand for plastics has peaked in OECD countries, which account for almost half of global plastic demand.
- New targets, taxes, rules, and regulations could reduce demand for plastics and result in up to \$400B in stranded assets locked up in the petrochemicals sector.
- The petrochemical industry also faces many potential physical and transition risks, including policy, legal, technology, market, and reputational risks.