ShareAction»

Analysis of Barclays' February 2024 energy policy

Barclays published a new energy policy in February 2024. This briefing reviews key updates to the policy, focusing on oil & gas[1] . It compares Barclays' position to its direct peers and leading practice in the European banking sector. It also outlines what investors can do to ensure Barclays' commitments have the intended impact and further encourage the bank to close the remaining gaps in its energy policy.

Highlights:

- Barclays' new energy policy includes some positive commitments. The bank will stop financing new oil & gas expansion projects and related infrastructure. It has also put oil & gas companies on notice – Barclays will determine, on an annual basis, if continued support to companies engaged in expansion and those with transition plans that are least aligned with its Client Transition Framework is appropriate.
- In line with evolving practices in the banking sector, Barclays will seek to constrain financing for 'pureplay' upstream companies considering the heightened transition risks these companies face. However, Barclays' commitment falls short of European peers' policies – the bank will continue financing pureplay upstream companies engaging in long lead time expansion projects by exception, and places no specific restrictions on companies engaged in short lead time expansion – most of its financing to pureplay companies – apart from an annual mandatory review process.
- Overall, the new energy policy enables Barclays to retain significant discretion over its continued support of oil & gas expansion activities that are incompatible with 1.5C scenarios. The bank will need to demonstrate its approach is effective in addressing the significant climate risks these activities pose to the bank and its investors.
- Financing restrictions for unconventional and high-risk oil & gas have also been tightened in the new policy. Barclays now excludes direct financing of ultra-deepwater oil & gas. Barclays will also exclude financing for companies whose share of production across several unconventional oil & gas segments exceeds 20% of total production. The

1 Barclays' new energy policy includes minor adjustments to its position on thermal coal.

- threshold doesn’t cover ultra-deepwater oil & gas despite the newly introduced asset finance restriction. The scope of the policy continues to be narrow for fracking (limited to EU and UK operations) and Arctic oil & gas (limited to Arctic circle and specific onshore areas).

Shareholders must continue to hold Barclays accountable until it takes the necessary steps to heed their concerns by closing the loopholes in its policy to ensure the bank’s climate action matches its climate promises.

A note on methodology

ShareAction assesses banks’ position on oil & gas expansion across three pillars:

- **Asset finance**: exclusion of dedicated financing for exploration and development of new oil & gas fields and related transportation infrastructure.
- **Corporate finance**: strategy to restrict general corporate purpose financing for companies involved in the exploration and development of new oil & gas fields.
- **Transition plans**: requirement for clients to publish transition plans by a specific date, specifying that these plans should exclude the exploration and development of new oil & gas fields.

Separately, ShareAction assesses banks’ position on ‘unconventional’ oil & gas (defined as Arctic oil & gas, fracking, oil sands, and ultra-deepwater oil & gas) across three pillars:

- **Asset finance:** exclusion of dedicated financing for specific unconventional oil & gas assets or projects and related transportation infrastructure (new projects and expansion of existing projects).
- **Corporate finance**: restrictions on general corporate purpose financing delivered to a company, designed to exclude companies that are overly exposed to unconventional oil & gas activities (e.g. based on revenue thresholds).
- **Phase-out:** commitment to phase out financing to unconventional oil & gas on an accelerated timeline.

Oil & gas expansion

Expanding oil & gas supply beyond what credible 1.5C aligned scenarios require creates substantial risks in the form of depressed revenues and stranded assets, with contagion to the wider economy through credit risk and shocks to the value of financial assets[i] According to the IEA's Net Zero Emissions scenario (NZE)—which Barclays' energy policy draws upon—"no new long lead time conventional oil and gas projects are approved for development".[ii] The NZE does allow for limited investments in existing fields and new shale projects in the near term, but investment levels fall dramatically after 2030. Importantly, the pace of transition under the NZE means that, by 2040, seven million barrels per day of oil and 650 billion cubic meters of natural gas are excess to demand.[ii]

The NZE is based on a carbon budget that limits global warming at 1.5C with a probability of 50% and, like many models used by financial institutions to guide climate strategy, doesn't reflect the impact of phenomena such as tipping points. This level of uncertainty means that action needed to limit temperature rise might need to accelerate even more.

Against this backdrop, Barclays remains an important financier of companies expanding fossil fuel supply. Barclays' financing to these companies has decreased significantly in the last two years, but the volatility of fossil fuel financing volumes following the COVID-19 pandemic (where fossil fuel companies needed financial support due to the economic shutdowns) and subsequent energy crisis (where fossil fuel companies were flooded with cash) means this trend needs to be assessed with care. Looking at financing volumes between 2020 and 2022 to minimise bias, Barclays was the 3rd largest financier of top fossil fuel expanders among European Banks and 7th largest globally, with US$21.5 billion in financing provided over this period.[iii]

Summary table - Barclays' existing and new policy on oil & gas expansion compared to European peers and leading practice:

Bank	Asset Finance		Corporate Finance		Client transition plans		
	Upstream	Transport	Upstream	Transport	Required	Expansion red line	By
Barclays (previous policy)	N	N	N	N	N	-	-
Barclays (new policy)	Y	Y*	Y**	N	Expected	N	2025
BNP Paribas	Y	N	Y**	N	Assessed	N	-
Societe Generale	Y	Y	Y**	N	Assessed	N	-
Danske Bank ⁂	Y	N	Y**	N	Required	Y	2023
HSBC	Y*	Y*	Y**	N	Expected	N	2023-2024
Lloyds Banking Group	Y	N	Y**	N	Required	N	2023
NatWest	Y*	N	N	N	Required	N	2021

No Exceptions	Exceptions	Material Exceptions	No commitment	⁂ Leading Practice

Asset finance: exclusion of dedicated financing for exploration and development of new oil & gas fields and related transportation infrastructure.	
Previous policy	**New policy**
No commitment	We will not provide project finance for expansion projects or infrastructure projects primarily to be used for such expansion projects. We will not provide other direct financing to Energy Groups for expansion projects or infrastructure projects primarily to be used for such expansion projects. Expansion refers to any upstream oil & gas projects with a final investment decision (or equivalent) after 31 December 2021.

Barclays' asset finance commitment aligns with European leading practice as it covers both upstream activities and related infrastructure. Seventeen out of the 25 European banks tracked by ShareAction have some commitment in place to restrict dedicated financing for oil & gas expansion, and only five other banks have done so for infrastructure to date. However, this commitment comes a considerable time after several peers. HSBC excluded finance to new oil & gas fields and infrastructure primary used in conjunction with new fields in December 2022.[iv] Barclays has, however, exceeded the ambition set by peers including HSBC and BNP Paribas as it has committed to exclude financing for projects rather than fields.[iv v] This wording gives the policy broader applicability to areas such as fracking, where expansion can be on a project rather than field basis.

<table>
<tr><td colspan="2">Corporate finance: strategy to restrict general corporate purpose financing for companies involved in the exploration and development of new oil & gas fields.</td></tr>
<tr><td>Previous policy</td><td>New policy</td></tr>
<tr><td>No commitment</td><td>From the date of this statement, we will not provide financing to new clients where more than 10% of the relevant Energy Group's total planned oil & gas capital expenditure is in expansion.

From 1 January 2025 any new financing or renewal of existing financing for non-diversified groups where more than 10% of their total planned oil & gas capital expenditure is in long-lead expansion would be by exception. Non-diversified groups means non-state owned Energy Groups that generate almost all of their revenues from upstream oil and gas activities.

From 1 January 2026 we will only provide financing to Energy Groups if they are able to demonstrate that they are committed to reducing their own emissions by having:

• net zero-aligned near-term Scope 1 and 2 emissions reduction targets (absolute or intensity-based), and
• targets to reduce methane emissions by 2030, aligned with OGCI, OGMP2.0, or similar industry guidance; and
• a commitment to end all routine / non-essential venting and flaring by 2030.

Energy Groups meeting any of the following will be subject to mandatory annual review by the Client Transition Review Forum (CTRF) to determine whether continued financing support is appropriate in the context of their investment plans and overall decarbonisation or transition plans:

• Energy Groups where more than 10% of their total planned upstream oil & gas capital expenditure is in expansion.
• Non-diversified groups (which we recognise may present greater transition risk than diversified Energy Groups, in particular, those engaged in expansion).
• Energy Groups with the lowest CTF assessment scores.</td></tr>
</table>

Barclays' corporate finance restrictions for new clients are similar to those set by HSBC in December 2022.[iv] In fact, Barclays goes slightly beyond its peer by applying the policy to expansion generally, while HSBC only restricts finance to new clients with more than 10% of capex in oil & gas exploration. On the other hand, Barclays' materiality threshold applies to 'Energy Groups' — defined as Groups (parent company and consolidated subsidiaries) that have over 20% revenues from upstream oil & gas activities — whereas it applies to clients in the case of HSBC.

Barclays has stated it will only finance private non-diversified private companies engaged in long lead time expansion by exception. It will also implement a mandatory review process for all non-diversified private oil & gas companies, regardless of planned capex and lead time for expansion projects. These non-diversified or 'pureplay' upstream oil & gas companies are particularly exposed to transition risks — something Barclays recognises — as they are extremely dependent on revenues from a commodity facing structural decline and have limited options to transition at the pace required in 1.5C scenarios.

Barclays' position on pureplay companies is significantly weaker than some European peers' policies. BNP Paribas, Societe Generale, and Crédit Agricole's financing restrictions are based on a single criterion — whether an oil & gas company is diversified or dedicated to upstream activities.[v] [vi] [vii] Under Barclays' policy, three criteria are used: first, whether a company is diversified; second, whether it is engaged in expansion; and third, whether that expansion is through long lead time projects. As a result, the companies covered by Barclays' restrictions are a smaller subset of the companies covered by peers' policies. Barclays places no specific restrictions on companies engaged in short lead time expansion other than the mandatory review process, and even allows companies engaged in long lead time expansion to obtain finance as an exception.

Barclays has committed to disclose the combined number and aggregate value of exceptions granted. Investors should pay careful attention to ensure the functioning of this process reflects the high financial and environmental risks associated with expansion. It is important to keep in mind however that the number of exceptions are also a factor of clients' financing needs in any given year and of the timing of renewal of existing facilities.

While not explicit in Barclays' proposed wording, the companies that Barclays is carving out from its case-by-case approach are mostly pureplay companies engaged in fracking. Fracking projects tend to have much shorter development times than conventional oil & gas projects.[viii] The proposed wording is in effect designed to protect Barclays' U.S. fracking client base. In comparison, BNP Paribas "has not been financing players specialising in non-conventional hydrocarbons since 2017".[v]

ShareAction has conducted a preliminary analysis of Barclays' financing to private companies involved in upstream oil & gas. We found that in recent years, non-diversified companies represent a significant proportion of oil & gas clients with upstream operations and that most of these non-diversified businesses are focused on fracking. Therefore, by carving out non-diversified private companies engaging in short lead time projects from the policy, Barclays could exempt a significant number of clients and a material share of financing to upstream oil & gas companies

Barclays justifies making a distinction between long lead time and short lead time expansion and based on the NZE. However, the space for investment in short lead time expansion in the NZE is strictly limited and companies involved in expansion, regardless of project development lead times, are exposed to rapidly shifting patterns of demand.

In addition, non-diversified companies engaged in short lead time expansion would still need to compete with more diversified companies engaged in these activities and/or other producers with expansion plans that are currently more aligned with the Stated Policies Scenario (STEPS) than the NZE.[x xi] Investors should therefore expect the mandatory review process to lead to a dramatic reduction in finance for pureplay companies involved in short lead time expansion projects.

We also note that the bank has not proposed a clear definition of 'long lead time', which raises questions about its ability to monitor and classify clients, and implement its commitments in line with the spirit with which they were developed.

Case Study: Is Fracking Endangering Communities in New Freeport and West Virginia?

By not completely excluding financing for pureplay fracking companies, Barclays has left the door open to continue funding firms such as EQT Corporation (EQT) without restrictions, despite the fact that this could expose the bank to social, climate and environmental risks. Barclays provided EQT with US$344 million in 2022, and a total of US$1.8 billion since 2016, the most the bank has provided to any fracking company, according to research by Banking on Climate Chaos.[iii]

EQT is one of America's largest producers of shale gas and has plans to expand production, such as through its role as a major supplier for the Mountain Valley Pipeline[xii] Looking solely at projects with a final investment decision after 31 December 2021, the Rainforest Action Network reports that EQT's expansion plans would produce 805 million barrels of oil equivalent (MMboe) of additional gas supply[xii] EQT's expansion plans fail to align with the conclusions of the IEA Net-Zero Emissions scenario. Communities living close to two of EQT's flagship projects in Pennsylvania and West Virginia have also claimed that fracking activity has had detrimental impacts on their local environment and health, allegations that EQT denies.

Water safety concerns leave a Pennsylvania community relying on bottled water

In New Freeport, Pennsylvania, NBC reported in August 2023 that residents were concerned that EQT's fracking activity may have polluted their water supply[xiii] This followed an incident in June 2022 when EQT's drilling operations allegedly disturbed an abandoned gas well, causing fluid and gas to spew into the air, according to several witnesses.[xiii] Residents reported issues with their water quality, including feeling unwell, according to testimonies gathered by local campaign group the Center for Coalfield Justice.[xiv] A year after the incident, some residents NBC spoke to felt they had not had conclusive evidence that their water was safe to drink and were therefore paying for bottled water.[xiii] EQT has argued that its operations were not to blame. Following an appeal process with the Department for Environmental Protection (DEP), a settlement was agreed, and the company was authorised to continue fracking in Pennsylvania.[xv]

Health concerns in West Virginia lead residents to abandon their homes

In March 2024, PublicSource reported that residents of Knob Fork, a hamlet in West Virginia, have experienced numerous health problems which they believe stem from EQT's fracking in the area.[xvi] In early 2021, EQT acquired THQ Appalachia in a $5.2 billion deal [xvii], which saw the company expand its fracking operations in West Virginia. Soon after, residents reported difficulty breathing, rashes and twitching muscles, which they believe to be caused by contact with harmful fracking chemicals.

By mid-2022, having made multiple complaints to the West Virginia Department of Environmental Protection (WVDEP) and the U.S. Environmental Protection Agency (EPA), four families abandoned their homes, with one resident stating, "Our home is no longer a home. It is a place of sickness, confusion and sadness."[xvi]

PublicSource reports that the WVDEP are "actively engaged in investigating the concerns raised," noting that the agency did not observe any violations at EQT's facilities.[xvi] However, the evidence presented by PublicSource suggests that the agency relied on EQT to carry site inspections itself. EQT admitted a spill at one of its wells, Sizemore Pad, in January 2022, but otherwise reported that it found no problems or odours at its fracking sites.[xvi] As of March 2024, the EPA is investigating EQT's Knob Fork operations, after an inspection by the body in March 2023 found leaks and harmful emissions in the region. The company declined to answer the 27 questions PublicSource sent, nor make a statement in response.[xvi]

Leak risks from abandoned oil and gas wells

At least 3.7 million abandoned oil and gas wells can be found across the U.S. in forests, backyards and even near waterways.[xviii] Many of these wells are at risk of leakage because they are left unplugged. More than 120,000 of these (18,471 in Pennsylvania alone) are documented "orphan wells", wells that have been left behind by companies that no longer exist.[xix]

In February 2024, the Financial Times reported that a group of landowners in West Virginia are taking EQT Corp to court for alleged "fraudulent transfer" of 700 aging wells to Diversified Energy to avoid clean up responsibilities, something EQT denies.[xx]

In line with peers, Barclays' proposed restrictions for non-diversified companies exempts stateowned entities despite the fact National Oil Companies (NOCs) produce about half of the world's oil, hold more than half of its refining capacity, and own the bulk of oil & gas reserves.[xxi] Based on 3-year average exploration capex (2021-23) captured by GOGEL, the seven largest investors in fossil fuel expansion are NOCs and NOCs with international operations (INOCs).

In addition to these commitments, Barclays has announced that it will exclude financing to companies that don't meet criteria on operational emissions targets from 2026. Barclays will require companies to set net-zero-aligned 2030 targets — although it would consider longer timeframes by exception. In this sense, the policy leads peers like HSBC, which treats operational emissions as part of its broader assessment of existing clients' transition plans and only sets mandatory operational standards for prospective clients[iv] However, these criteria are unlikely to disincentivise expansion as scope 3 emissions targets are not included. Overall, the impact of these criteria on Barclays' client base remains unclear.

Research by Carbon Tracker shows the 25 largest oil & gas companies — most of which Barclays finances — have all set some form of operational emissions reductions targets.[xxii] Taking a broader view, the IEA has stated that "just under half of current global oil and gas output is produced by companies that have announced a target to reduce their scope 1 and 2 emissions", and "around 40% of these companies have announced a target for only 2050".[ii] Finally, the Oil & Gas Decarbonisation Charter, launched at COP28 and signed by 50 companies (30 NOCs and 20 IOCs) representing more than 40% of global oil production, mandates a commitment to netzero operations by 2050, as well as an end to routine flaring and near-zero upstream methane emissions by 2030.[xxiii]

Transition plans: requirement for clients to publish transition plans by a specific date, specifying that these plans should exclude the exploration and development of new oil & gas fields.	
Previous policy	**New policy**
Sector-specific indicators for the Energy sector are included in Barclays' Client Transition Framework (CTF), which as of today is primarily a benchmarking tool: methane commitment aligned to the Global Methane Pledge; end routine flaring; and minimise leaks.	We assess the information available on Energy Groups' plans for alignment with our emissions reduction targets through the Client Transition Framework (CTF) against several factors including, but not limited to, the following: • Scope 1 and 2 emissions reduction targets, including methane. • Scope 3 absolute emissions reduction targets/ commitments. • Plans to expand production. • Low carbon business model activities and plans. By 1 January 2025, we expect all Energy Groups to be producing relevant information in relation to their transition plans or decarbonisation strategies.

Barclays 'expects', but does not require, clients to produce transition plans — an approach similar to HSBC's policy.[iv] UK peers Lloyds Banking Group and NatWest go further as they 'require' clients to produce transition plans by a specific date. [xxiv] [xxv]

Barclays would assess all material components of transition plans (emissions reductions across scope 1-3, oil & gas expansion, low-carbon investment), but it has not established redlines for these components and will not disclose how the assessment impacts client's categorisation in the CTF.

Barclays' approach is in line with peers— including HSBC, BNP Paribas, and Societe Generale — but lags leading practice.[iv] [v] [vi] Danske Bank has committed to exclude financing for oil & gas companies that do not produce a credible transition plan including a commitment not to expand supply beyond fields approved for development by the end of 2021. [xxvi]

In addition, Barclays has committed to assess the plans of 'Energy Groups'. The definition of Energy Groups (generating more than 20% revenues from upstream activities) could potentially narrow the scope of the policy. For example, Shell generated less than 20% of its revenues from its 'upstream' segment in 2022, which means it could be excluded from the scope of Barclays' review depending on how revenue segmentation is applied.[xxvii]

However, Barclays has committed to disclose the outcome of the CTF analysis by client count and lending limits, which should provide some clarity as to what impact its assessment of transition plans is having on its client base.

Unconventional oil & gas

Unconventional oil & gas sources present banks with heightened environmental and financial risks. These risks result from the sensitive areas where these activities take place, elevated damages inherent in extraction processes, type of resource extracted, and higher costs that companies operating in these segments can incur.

For example, flaring from Arctic oil & gas contributes significantly to black carbon air pollution, which translates through to increased warming in the Arctic region.[xxviii] [xxix] Similarly, ultra-deep oil & gas exploitation has led to a litany of large-scale spills. Most notably The Deepwater Horizon disaster, which imposed costs on BP estimated at US$65 billion and as high as US$144.89 billion.[xxx] [xxxi] Fracking is a driver of water contamination, with 120 studies detailing knock-on health effects in areas ranging from infant health to heart problems. [xxxii] [xxxiii] [xxxiv] [xxxv] Oil sands operate with 30% higher emissions intensity than average oil fields, and their breakeven price is considerably higher than conventional forms of oil extraction.[xxxvi]

Between 2016 and 2022, Barclays was one of Europe's largest financiers of unconventional oil & gas. While it has significantly slowed its financing of Arctic oil & gas and oil sands since 2021 – a trend to be monitored (see previous section) – and introduced further restrictions for oil sands in 2023, Barclays remains Europe's largest financiers of fracking, providing US$34 billion since 2016 and US$3.4 billion in 2022 alone.[iii]

Summary table - Barclays' existing and new policy on unconventional oil & gas compared to European peers and leading practice

Bank	Asset finance		Corporate finance			Phase-out	Arctic region
	Upstream	Transport	Relative threshold		Transport	Bank	defined
Barclays (previous policy)	(A,F**,O)	(A,O)*	(A, F**,O*)	10% revenues (O) 'primarily engaged' (A,F)	N	N	Y**
Barclays (new policy)	(A,F**,O,D)	(A,O)*	(A, F**,O)	20% production (A&F&O) 10% revenues (O) / 20% revenues (A,F)	(A)	N	Y**
BNP Paribas ⁂	(A,F,O,D)	(A,F,O)	(A,F,O)	Pureplays: 10% reserves pureplays (A)(F&O) Diversified: 10% reserves x revenues (A)(F&O)	(F,O)	N	Y*
Danske Bank ⁂	(A,F,O,D)	N	(A,F,O,D)**	5% revenues (A&D)(F&O)	N	Y**	Y*
HSBC	(A,F**,O**,D)	(A,F,O,D)*	(A,F**,D)	Existing clients: 'substantial operations' (A,F,D) New clients: 10% production (A,F,D)	N	N	Y*
Lloyds Banking Group	(A,F,O)	(A,F,O)	N	-	N	N	Y**
NatWest	(A,F,O,D)	N	(F,O)**	No tolerance	N	N	Y**

No Exceptions	Exceptions	Material Exceptions	No commitment	⁂ Leading Practice

Asset finance: exclusion of dedicated financing for specific unconventional oil & gas assets or projects and related transportation infrastructure (new projects and expansion of existing projects).	
Previous policy	**New policy**
Arctic oil & gas: We will not directly finance oil and gas projects in the Arctic Circle, including but not limited to the ANWR. We will also not provide financing to ancillary Arctic oil and gas businesses where proceeds are known to be for supporting new oil and gas exploration, production or new pipeline transportation projects in the Arctic Circle. Fracking: We will not directly finance projects involving fracking in the UK and Europe. Oil sands: We will not provide financing for the construction of new oil sands exploration, production and/or processing assets; or pipelines whose primary use is for the transportation of crude oil extracted from oil sands. Ultra-deepwater oil & gas: No commitments.	Arctic oil & gas: We will not directly finance oil & gas projects in the Arctic Circle. We will not provide financing to Clients with ancillary oil and gas businesses in the Arctic Circle where proceeds are known to be for supporting new oil and gas exploration, production or new pipeline transportation projects in the Arctic Circle. Arctic Circle refers to the area within the Arctic Circle which is subject to sea ice, the Arctic National Wildlife Refuge (ANWR) and Coastal Plains. Fracking: We will not directly finance projects involving Fracking in the UK and Europe. Oil sands: We will not provide direct financing wholly or primarily to be used for the construction of new Oil Sands exploration, production, and/or Oil Sands processing assets; or Oil Sands pipelines. Ultra-deepwater oil & gas and extra-heavy oil: We will not provide direct financing to Energy Groups for any oil & gas projects involving Ultra-Deep Water and/or Extra Heavy Oil, or infrastructure projects primarily to be used for such oil & gas projects.

Barclays' asset finance exclusion for fracking remains inadequate as it applies solely to Europe and the UK — where fracking is mostly banned or under moratorium. Fracking activity, and Barclays' financing of this segment, is concentrated in North America.[viii] Barclays is now one of very few large European banks that has not yet implemented a credible asset level commitment for fracking gas expansion projects across all segments.

The new policy is also a missed opportunity for Barclays to update its definition of the Artic region. Its current definition (area within the Arctic Circle which is subject to sea ice, the Arctic National Wildlife Refuge (ANWR) and Coastal Plains) is narrow compared to peers like BNP Paribas, which define this zone in line with the Arctic Monitoring and Assessment Programme

(AMAP).[xxxvii] This definition is based on the region's physical, geographical, and ecological characteristics, reflecting boundaries related to climate, vegetation, and marine environments. As such, it provides a more accurate basis on which to set fossil fuel policies, respecting the connectivity of Arctic and sub-Arctic ecosystems.

In a more welcome move, Barclays has expanded the scope of its asset level financing restrictions to include ultra-deepwater oil & gas — though, as discussed in detail in the proceeding section, ultra-deepwater is not covered at the level of corporate financing. The bank defines ultra-deepwater as a water depth of 1,500 meters or more, in line with leading practice. This definition matters — while many risk factors come into play, research has found every 30.5 metres of additional depth can increase the probability of spills, accidents, or injuries by 8.5%.[xxxviii]

Corporate finance: restrictions on general corporate purpose financing delivered to a company, designed to exclude companies that are overly exposed to unconventional oil & gas activities (e.g. based on revenue thresholds).	
Previous policy	**New policy**
<u>Arctic oil & gas</u>: We will not provide any financing to companies primarily engaged in oil and gas exploration and production operations or plan in the Arctic Circle, including but not limited to the ANWR. <u>Fracking</u>: We will not provide any financing to companies primarily engaged in fracking activities in the UK and Europe. <u>Oil sands</u>: We will not provide financing to oil sands exploration and production companies. Oil sands exploration and production companies are those that majority own (>50%) or operate oil sands exploration, production and processing assets, other than companies that generate less than 10% of revenue from these activities. <u>Ultra-deepwater</u>: No commitments.	<u>Arctic oil & gas</u>: We will not provide financing to Clients materially engaged (i.e. over 20% revenues or approved capex) in oil and gas exploration and production or pipeline transportation operations in the Arctic Circle. <u>Fracking</u>: We will not provide financing to Clients materially engaged (i.e. 20% revenue) in Fracking activities in the UK and Europe. <u>Oil sands</u>: We will not provide financing to Oil Sands exploration and production companies (definition of oil sands companies remains unchanged). <u>Ultra-deepwater</u>: No commitments. <u>Cross-cutting commitment</u>: From 30 June 2024, we will not provide financing to Energy Groups whose aggregate share of production in Oil Sands, Extra Heavy Oil, Fracking in the UK/EU, and Arctic Circle oil and gas exceeds 20% of their total oil and gas production.

For corporate finance, Barclays is planning to introduce a new threshold that aggregates exposure across key unconventional segments — with the notable exception of ultra-deepwater oil & gas. The threshold relies on a production metric, which is more stringent than revenues for integrated companies. While revenues are compared across different segments of the value chain, production is located solely in upstream operations. As a result, unconventional oil & gas would normally make up a larger share of production than revenues for integrated companies.

However, the ambition of Barclays' blended threshold appears to fall below that of its peers. BNP Paribas will not finance companies for which non-conventional hydrocarbons (shale oil & gas, oil sands, and extra-heavy crude) or Arctic oil & gas make up 10% or more of activities. For specialist companies, this 10% threshold is applied as a share of total reserves, while for diversified companies, it is applied through a non-conventional or Arctic ratio (proportion of sales/revenues from upstream activities multiplied by the proportion of total non-conventional/Arctic reserves).[v]

It is also difficult to assess if the new blended threshold is more ambitious than the previous position on corporate financing, especially as the new commitment applies to 'Energy Groups' whereas previous restrictions applied to companies. This is particularly true for Barclays' financing of oil sands, given the bank previously applied its policy to 'companies' rather than groups and imposed a 10% revenue threshold.

On the other hand, Barclays has now defined a threshold to determine if a company is 'materially' engaged in Arctic oil & gas and fracking (20% revenues and/or capex in the in the case of Arctic oil & gas), providing further clarity on how it assesses each individual segment. The bank has also expanded the scope of its corporate finance restrictions for Arctic oil & gas to include pipeline transportation operations. The fact that Barclays relies on a production metric for the blended threshold but on revenues for individual segments might be driven by data availability, but the effectiveness of these thresholds is difficult to reconcile as a result.

As with its asset financing policy, the scope of corporate financing restrictions for fracking remains weak as they focus solely on the UK and Europe — where fracking activity is minimal. In addition, Barclays has not implemented corporate finance thresholds for ultra-deepwater oil & gas despite its new exclusion of direct financing for this segment. According to GOGEL 2023, 27 companies would have exceeded a 20% production threshold for ultra-deepwater in 2022. These companies were responsible for 844 million out of 1,722 million barrels of ultra-deepwater oil & gas attributed in the GOGEL database. [ix] Barclays provided finance to entities linked with two of these companies — Delek US Holdings and Reliance Industries — through deals worth over US$350 million.[iii] The same year, Delek and Reliance were responsible for just short of 50 million barrels of ultra-deepwater oil & gas.[ix]

Phase-out: Commitment to phase out financing to unconventional oil & gas by a specific date and on an accelerated timeline.	
Previous policy	**New policy**
No commitment	No commitment

Barclays has not introduced a phase-out commitment or ratchet mechanism to reduce its corporate finance threshold to a residual exposure over time. This leaves the bank exposed to high-risk oil & gas segments on an open-ended basis and doesn't incentivise its clients to gradually transition away from these activities. It also leaves Barclays behind the leading practice of European peers. Nordea committed to phase out financing for clients drilling in certain parts of the Arctic region by 2023 and has set 2025 as a cut-off for financing clients drilling for offshore oil & gas. By 2026, it plans to fully phase-out exposure to all clients for whom unconventional oil & gas represents over 5% of their exploration and production volumes.[xxxix] Danske Bank has gone further. It will not provide finance to exploration and production companies — both pureplay and diversified — that generate more than 5% of revenue from unconventional (tar sands and shale) or frontier (Arctic and ultra-deepwater) oil & gas.[xxvi] Finally, La Banque Postale has set a 2030 phase out for all oil and gas financing.[xxxx]

Conclusion and recommendations for investors

Barclays has made progress through the latest update to its energy policy, but overall, the picture is mixed. The bank has moved closer to leading practice in several ways but falls short in other areas. Shareholders must continue to hold Barclays accountable by using their shareholder rights – including the right to speak and vote at Annual General Meetings, and file resolutions - until it takes the necessary steps to heed their concerns by closing the loopholes in its policy to ensure the bank's climate action matches its climate promises. This includes:

- Pushing Barclays to use its discretion to constrain financing for companies engaged in expansion.
- Scrutinising Barclays' financing flows to pureplay companies and the number of exceptions granted by the bank.
- Asking Barclays to exclude oil & gas pureplay upstream companies – including those with short-lead time projects – as they have limited ability to transition and face important transition risks.
- Highlighting the extensive risks of fracking to Barclays, and asking the bank to update its fracking policy to cover everywhere in the world rather than just the UK and EU.

- Engaging with Barclays to ensure that fossil fuel expansion has a significant impact on the mandatory reviews it will conduct based on the CTF.
- Asking Barclays to change its definition of ‘Energy Groups’ to cover all organisations involved in upstream oil and gas.
- Monitoring the impact of Barclays’ 2026 requirements and pushing Barclays to add new criteria including a requirement for clients to have scope 3 emissions targets and disclosures.

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