To amend the Bank Holding Company Act of 1956 and the Dodd-Frank Wall Street Reform and Consumer Protection Act to require disclosure of certain financed emissions, and for other purposes.

IN THE SENATE OF THE UNITED STATES

Mr. Markey (for himself and Mr. Merkley) introduced the following bill; which was read twice and referred to the Committee on

A BILL

To amend the Bank Holding Company Act of 1956 and the Dodd-Frank Wall Street Reform and Consumer Protection Act to require disclosure of certain financed emissions, and for other purposes.

1 Be it enacted by the Senate and House of Representa-
2 tives of the United States of America in Congress assembled,
3 SECTION 1. SHORT TITLE.
4 This Act may be cited as the “Fossil Free Finance
5 Act”.

SEC. 2. ALIGNMENT OF FINANCED EMISSIONS WITH SCIENCE-BASED TARGETS.

The Bank Holding Company Act of 1956 (12 U.S.C. 1841 et seq.) is amended by adding at the end the following:

“SEC. 15. ALIGNMENT OF FINANCED EMISSIONS WITH SCIENCE-BASED TARGETS.

“(a) DEFINITIONS.—In this section:

“(1) COVERED BANK HOLDING COMPANY.—The term ‘covered bank holding company’ means a bank holding company with total consolidated assets equal to or greater than $50,000,000,000.

“(2) DEFORESTATION RISK COMMODITIES.—
The term ‘deforestation risk commodities’ means globally-traded goods and raw materials—

“(A) that originate from natural forest ecosystems, either—

“(i) directly from within forest areas;

or

“(ii) from areas previously under forest cover; and

“(B) the extraction or production of which contributes significantly to the conversion of natural forest to agriculture, tree plantation, or other non-forest land use.
“(3) FINANCED EMISSIONS.—The term ‘financed emissions’ means, with respect to a covered bank holding company, and any nonbank financial company, the share of the emissions of such company attributable to investment in, or the providing of financial services to, a company or project of a company, including—

“(A) investments in a debt or equity investment in such another company or the assets of such another company;

“(B) project finance investment;

“(C) underwriting;

“(D) syndication or securitization of loans or asset-backed securities;

“(E) derivative transactions related to financing or hedging; and

“(F) market making.

“(4) FOSSIL FUEL FINANCING.—The term ‘fossil fuel financing’ means, with respect to a covered bank holding company, investment in—

“(A) a company that derives 15 percent or more of revenue from exploration, extraction, processing, exporting, transporting, and any other significant action with respect to oil, natural gas, coal, or any byproduct thereof; or
“(B) a fossil fuel project.

“(5) FOSSIL FUEL PROJECT.—The term ‘fossil fuel project’ means a project intended to—

“(A) facilitate or expand exploration, extraction, processing, exporting, transporting, or any other significant action with respect to oil, natural gas, coal; or

“(B) construct any infrastructure related to the activities in subparagraph (A), such as wells, pipelines, terminals, refineries, or utility-sale generation facility.

“(6) NATURAL FOREST.—The term ‘natural forest’ means a natural arboreal ecosystem that—

“(A) has a species composition a significant percentage of which is native species; and

“(B) contains a tree canopy cover of more than 10 percent over an area of not less than 0.5 hectares.

“(7) NEW OR EXPANDED FOSSIL FUEL PROJECT.—The term ‘new or expanded fossil fuel project’ means a fossil fuel project that would increase the—

“(A) level of proven or developable oil, natural gas or coal reserves;
“(B) midstream throughput of pipelines, terminals or refineries; or

“(C) combustion of oil, natural gas or coal for utility-scale electricity generation.

“(b) REQUIREMENTS.—Not later than 210 days after the date of the enactment of this subsection, and not less than once every 2 years thereafter, a covered bank holding company shall—

“(1) submit to the Board an emission reduction plan for reducing emissions in accordance with this section; and

“(2) if the plan is accepted under subsection (d), implement such plan.

“(c) ELEMENTS OF PLAN.—Each plan required under subsection (b)(1)—

“(1) shall include—

“(A) a plan for the covered bank holding company to reach zero financed emissions by January 1, 2050;

“(B) a plan to reduce the financed emissions of the bank holding company by 50 percent by January 1, 2030;

“(C) a plan to discontinue new or expanded fossil fuel projects not later than January 1, 2023;
“(D) a plan for the covered bank holding company to discontinue thermal coal financing by January 1, 2025;

“(E) a plan for the covered bank holding company to discontinue fossil fuel financing by January 1, 2030; and

“(F) a plan for the covered bank holding company to eliminate financing of deforestation risk commodities;“

“(G) such other requirements as the Board determines is necessary to protect the financial stability of the United States;

“(2) may not include carbon offsets;

“(3) may include proven negative carbon emission technologies to meet the requirements under paragraph (1)(A) alone, provided that these projects do not negatively impact low-income, minority, or indigenous communities;

“(4) shall prioritize—

“(A) the covered bank holding company withdrawing funding from companies and projects that have a disproportionately negative impact on health and well-being of low-income and minority communities; and
“(B) lending to companies for purposes of carrying out severance, retraining, and other benefits to workers impacted by the transition to zero financed emissions.

“(d) CONSIDERATION OF PLAN.—Not later than 6 months after receiving a plan under subsection (b)(1), the Board shall—

“(1) accept the plan; or

“(2) reject the plan if it does not align with science-based targets without the use of offsets or unproven carbon emission reduction technologies and require the covered bank holding company to revise such plan in accordance with the suggestions of the Board.

“(e) PENALTIES.—In the case of a covered bank holding company that does not submit a plan in accordance with this section or meet the requirements set out in such a plan—

“(1) the Board shall—

“(A) apply the penalties under section 8, through procedures prescribed by the Board by rule;

“(B) require divestiture of assets in order to bring the financed emissions of a covered
bank holding company into compliance with the
requirements set out in such a plan; and

“(C) notify the Board of Directors of the
Federal Deposit Insurance Corporation of the
noncompliance of such covered bank holding
company; and

“(2) the Board of Directors of the Federal De-
posit Insurance Corporation may, with respect to
any covered bank holding company described in
paragraph (2)(B) or a subsidiary of such bank hold-
ing company that contributes to the failure of such
covered bank holding company to comply with this
section—

“(A) terminate insurance under section
8(a)(2) of the Federal Deposit Insurance Act
(12 U.S.C. 1818(a)(2)); and

“(B) carry out any other corrective action
available under section 38 of the Federal De-

“(f) REGULATIONS.—Not later than 180 days after
the date of the enactment of this section, the Board shall
issue regulations establishing the format and timing for
submission of the plans required under this section.”.
SEC. 3. CONTRIBUTION TO CLIMATE CHANGE INCLUDED IN FSOC DESIGNATION.

(a) Authority to Require Supervision and Regulation of Certain Nonbank Financial Companies.—Section 113 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (12 U.S.C. 5323) is amended—

(1) in subsection (a)(2)—

(A) in subparagraph (J), by striking “and” at the end;

(B) by redesignating subparagraph (K) as subparagraph (L); and

(C) by inserting after subparagraph (J) the following:

“(K) the extent to which the company makes a non-trivial contribution to the financed emissions (as defined in section 15 of the Bank Holding Company Act of 1956) of the financial system of the United States;”;

and

(2) in subsection (b)(2)—

(A) in subparagraph (J), by striking “and” at the end;

(B) by redesignating subparagraph (K) as subparagraph (L); and

(C) by inserting after subparagraph (J) the following:
“(K) the extent to which the company makes a non-trivial contribution to the financed emissions (as defined in section 15 of the Bank Holding Company Act of 1956) of the financial system of the United States; and”.

(b) **Enhanced Supervision and Prudential Standards for Nonbank Financial Companies Supervised by the Board of Governors and Certain Bank Holding Companies.**—

(1) **Development of Prudential Standards.**—Section 115(b)(1) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (12 U.S.C. 5325(b)(1)) is amended—

(A) in subparagraph (H), by striking “and”;

(B) in subparagraph (I), by striking the period at the end and inserting “; and”; and

(C) by adding at the end the following:

“(J) divestiture of financed emissions (as defined in section 15 of the Bank Holding Company Act of 1956).”.

(2) **Required Standards.**—Section 165(b)(1)(A) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (12 U.S.C. 5365(b)(1)(A)) is amended—
(A) in clause (iv), by striking “and”;
(B) in clause (v), by striking the period
and inserting “; and”; and
(C) by adding at the end the following:
“(vi) emissions reduction plans in ac-
cordance with section 15 of the Bank
Holding Company Act of 1956 (12 U.S.C.
1841 et seq.).”.

SEC. 4. REPORTS.

(a) DEFINITIONS.—In this section:

(1) COVERED BANK HOLDING COMPANY.—The
term “covered bank holding company” means a bank
holding company with total consolidated assets equal
to or greater than $50,000,000,000.

(2) FINANCED EMISSIONS.—The term “fi-
nanced emissions” means, with respect to a covered
bank holding company, and any nonbank financial
comp any attributable to investment in, or the providing
of financial services to, a company or project of a
comp any, including—

(A) investments in a debt or equity invest-
ment in such another company or the assets of
such another company;

(B) project finance investment;
(C) underwriting;
(D) syndication or securitization of loans
or asset-backed securities;
(E) derivative transactions related to fi-
nancing or hedging; and
(F) market making.

(3) **Science-based emissions targets.**—The
term “science-based emissions targets” means reduc-
tion in greenhouse gas emissions consistent with pre-
venting an increase in global average temperature of
greater than or equal to 1.5 degrees Celsius com-
pared to pre-industrial levels.

(b) **Initial report.**—Not later than 180 days after
the date of the enactment of this subsection, the Board
of Governors of the Federal Reserve System shall submit
a report to Congress that—

(1) identifies current level of financed emissions
in the financial system of the United States;
(2) includes an analysis of trends in financed
emissions reductions;
(3) includes a summary of the commitments of
covered bank holding companies to reduce financed
emissions;
estimates the financed emissions in the financial system of the United States needed to meet science-based emissions targets;

(5) identifies regulatory gaps in reducing financed emissions that cannot be addressed with authorities of the Board and recommendations for addressing such gaps;

(6) identifies data quality challenges for assessing financed emissions and recommendations to address those challenges;

(7) identifies the equitable transition needs for workers and communities that will be impacted by a shift to a zero financed emissions economy;

(8) analyzes—

(A) the number and groups of people affected by a transition to zero financed emissions; and

(B) the economic impact of such a transition with respect to such groups; and

(9) identifies regulatory and legislative options for mitigating the economic impacts described in paragraph (8)(B), including—

(A) the use of existing authorities, including the Community Reinvestment Act of 1977 (12 U.S.C. 2901 et seq.) and emergency lend-
ing powers under section 13 of the Federal Reserve Act (12 U.S.C. 342); and

(B) the establishment of a public investment bank to finance investment in an equitable transition to a zero financed emissions economy.

(c) Periodic Report.—Not later than 180 days after the date of the enactment of this subsection and not less than once every 2 years thereafter, the Board of Governors of the Federal Reserve System shall submit a report to Congress that includes—

(1) an analysis of the progress against aligning with financed emissions targets;

(2) the estimates described in subsection (b)(4);

and

(3) an analysis of the progress made in the preceding 2 years towards an equitable transition to a zero financed emissions economy; and

(4) recommendations with respect to assistance Congress and other Federal agencies may provide to—

(A) facilitate a reduction of financed emissions; and

(B) support an equitable transition to a zero financed emissions economy.
(d) COLLECTION OF DATA.—The Board of Governors of the Federal Reserve System shall collect such data as needed from bank holding companies to carry out the reports under this section.