



## Why Beyond Fossil Fuels favours the 6:1 sustainable power supply to fossil fuel financing ratio

Europe's power sector needs to be free from coal by 2030 and from fossil gas by 2035. These are necessary milestones towards limiting global warming to 1.5°C, and to ensure predictable and affordable energy. In order to get there, there need to be, over the next couple of years, significant investments in wind and solar power, efficiency and savings, energy storage, as well as upgrading and expanding our electricity grids.

In 2024, the Beyond Fossil Fuels (BFF) coalition intends to set the bar for financial institutions (FIs) on sustainable power finance. For banks to claim that they support the energy transition in a credible manner, they must adopt policies and targets in order to achieve a 6:1 financing ratio by 2030 in sustainable<sup>1</sup> energy supply compared to fossil fuels<sup>2</sup>, today. This means that for every euro spent on fossil fuels, six should be spent on sustainable energy supply, mainly for sustainable power generation, transmission and distribution<sup>3</sup>.

For banks to be credible in supporting the energy transition, investing more in sustainable energy supply ought to be coupled with the following:

- They must restrict any financing for coal and fossil gas to companies that have committed to a coal and fossil gas phase-out (for coal by 2030 in the OECD and 2040 worldwide; for fossil gas by 2035 in the OECD and 2040 worldwide).
- Banks must immediately end their support for fossil fuel expansion - to limit global warming to 1.5°C, it is critical that no new upstream project be developed.

### *Why a 6:1 sustainable power supply to fossil fuel financing ratio*

The 6:1 sustainable power supply to fossil fuel financing ratio is the only ratio recognised by BFF. This is because:

- It is **aligned with the latest IEA Net Zero Emissions by 2050 (NZE) scenario**<sup>4</sup> (dated September 2023). According to the IEA, *“Global investment in clean energy is set to outstrip investment in fossil energy by a factor of 1.8 to 1 in 2023. This ratio rises to 10 to 1 in 2030 in the NZE Scenario, when around USD 2.5 trillion is invested primarily in clean electricity and marginally in low-emissions fuels and around USD 1.8 trillion in energy efficiency and end-uses, while investment in fossil fuel supply falls to around USD 0.4 trillion.”* In this 10:1 ratio

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<sup>1</sup> Sustainable power supply includes power produced by sustainable energy sources as outlined [here](#). Furthermore, it needs to be developed in a socially responsible manner.

<sup>2</sup> In this context, fossil fuels include production, transformation, transport and use of coal, oil and gas.

<sup>3</sup> Sustainable power supply encompasses two main sectors: power generation (technologies used to generate power, such as wind turbines or solar panels) and power distribution & transmission. The latter includes technologies used to distribute power from where it is generated to where it is consumed, to improve flexibility of the grid (including transmission infrastructure, battery storage and seasonal storage), as well as expansion and renovation of the grid.

<sup>4</sup> The IEA updated its projections for the NZE scenario in September, it can be found [here](#). The update of the NZE is confirmed in the [World Energy Outlook 2023](#), published in October.

(energy supply + energy efficiency + end-uses), sustainable power supply represents a ratio of 6:1. The ratio covers all types of bank financing, including direct lending and off-balance sheet capital market activities.

- It is framed around **power generation from sustainable energy sources**, rather than ‘clean’ solutions, i.e. technologies that are incompatible with a rapid and just transition of our energy system (e.g. biomass, nuclear energy, and hydrogen produced using fossil fuels combined with CCS) or immature or non-existent at a commercial scale technologies (e.g. carbon capture utilisation and storage). Sustainable energy sources comprise renewable sources that benefit communities and have limited negative impacts on biodiversity, and whose development is guided by robust human rights policies<sup>5</sup>, such as the United Nations Guiding Principles on Human Rights (UNGPs)<sup>6</sup> and the UN Declaration on the Rights of Indigenous Peoples, including its requirements for Free, Prior and Informed Consent (FPIC)<sup>7</sup>. These include solar (photovoltaic and thermal), wind (on and offshore), ocean power, and geothermal with low CO2 emissions.

As the IEA’s NZE scenario gives only a 50% chance of limiting global warming to 1.5°C, it is critical for any investment/financing targets to be driven by support for sustainable energy sources, rather than so-called ‘clean solutions’, which include technologies whose development is uncertain or associated with damaging social, environmental and climate impacts or risks, or poses too great a threat to the likelihood to achieve the 1.5°C objective and global biodiversity objectives.

*What about other ratios used by banks?*

Beyond Fossil Fuels’ partners call on banks to adopt the 6:1 ratio rather than ratios that may be less ambitious, that may not differentiate between clean and sustainable power solutions, or rely on excessive levels of negative emissions technologies (NETs) such as CCUS, or on offsetting.

**ENDS/**

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<sup>5</sup> See BHRRC’s recommendations for human rights in the renewable energy sector, June 2020.

<sup>6</sup> United Nations, Guiding Principles on Business and Human Rights, 2011.

<sup>7</sup> Free, Prior and Informed Consent | Indigenous Peoples | Food and Agriculture Organization of the United Nations (fao.org)