Fossil Free Finance Act of 2026

This legislation will require large bank holding companies to adopt emission transition plans to reduce financial sector emissions.

The Fossil Free Finance Act of 2026 would require banks and certain systemically important nonbank financial institutions to manage climate risks by adopting a transition plan that reduces financial sector emissions and deforestation risks. The bill would require financial institutions to implement a plan to:

- Reduce financial sector emissions by 50 percent by 2035
- Reach zero financial sector emissions by 2050
- Discontinue financing for new or expanded fossil fuel projects within 60 days of enactment
- Immediately discontinue thermal coal financing and facilitation, and discontinue all fossil fuel financing and facilitation by 2035
- Eliminate financing and facilitation of deforestation risk commodities

The Fossil Free Finance Act will address climate-related threats to financial stability and help align the financial sector with science-based emissions targets by:

- **Defining financial sector emissions** to include both financed and facilitated emissions, covering lending and investment as well as activities such as underwriting, securities issuance, private placements, and syndicated lending
- **Mandating bank holding companies with at least $50 billion in assets** to align with science-based emissions targets
- **Incorporating financial sector emissions into the systemically important financial institution (SIFI) designation process and prudential standards**
- **Requiring the Federal Reserve to report to Congress** on financial sector emissions, commitments by covered institutions, progress toward emissions targets, regulatory gaps, data challenges, and equitable transition needs

This legislation is cosponsored by Senator Jeff Merkley, Senator Bernie Sanders, and Senator Elizabeth Warren. The House version is led by Representative Ayanna Pressley (D-MA) and Representative Rashida Tlaib (D-MI). The bill is endorsed by Public Citizen, Americans for Financial Reform.