# European green-labelled funds hold $33bn in fossil fuels despite sustainability claims



An investigative report has unveiled that European investment funds marketed as “green” are holding over $33 billion in major fossil fuel companies, contradicting the very principles they claim to uphold. This paradox raises critical questions about the integrity and effectiveness of sustainable investing. Notably, funds branded with titles like Sustainable Global Stars and Europe Climate Pathway have come under scrutiny for their substantial investments in the very industries driving the climate crisis.

The investigation, conducted by Voxeurop and The Guardian, highlighted that more than $18 billion is channelled into the five largest polluters: TotalEnergies, Shell, ExxonMobil, Chevron, and BP, which dominate the 2023 Carbon Majors rankings. In addition to these giants, the funds also include stakes in US-based fracking operations like Devon Energy and Canadian tar sands developer Suncor. This alarming revelation has amplified criticism from environmental advocates who argue that such investments not only contravene the spirit of sustainable finance but also facilitate greenwashing—a term describing the deceptive practice of presenting an environmentally responsible image while engaging in environmentally harmful activities.

Asset managers contend that holding shares in these firms enables them to exert influence and guide these corporations toward greener practices. However, recent findings from Carbon Tracker suggest otherwise. Their April report indicated that no major oil and gas producer is currently aligned with international climate targets and many firms have weakened their commitments over the past year.

Prominent investment firms, including JP Morgan, BlackRock, and DWS in Germany, have been identified as the largest stakeholders in these “green” investments. While they have not violated the EU's Sustainable Finance Disclosure Regulation (SFDR)—which does not explicitly prohibit fossil fuel holdings in certain fund classifications—the narrative that accompanies their sustainable branding has come under fire. Giorgia Ranzato, sustainable finance manager at Transport & Environment, stated that “for a fund claiming to be ‘green’, holding investments in major fossil fuel companies should be a red line.” She emphasised that investing in firms that do not make substantial contributions to the energy transition undermines the legitimacy of green finance.

Despite the findings, some asset managers maintain that they manage their funds according to regulatory guidelines and funnel investments towards decarbonisation. A spokesperson for BlackRock noted, “Our sustainable funds are managed in line with applicable regulations governing sustainable investing.” In contrast, the investigation found that a potential rebranding of certain funds is underway; asset manager Robeco announced it would remove “sustainable” from its fund title after being contacted by The Guardian.

This discourse is amplified by a backdrop of evolving regulatory frameworks. The ESMA has recently called for stricter guidelines and has proposed measures that would require funds to demonstrate their environmental commitments more explicitly, particularly as they relate to investments in coal and oil. Effective from May 2025, these recommendations aim to mitigate greenwashing practices, compelling funds to reassess their portfolios. The measures have sparked debate; many stakeholders, including Paul Schreiber from Reclaim Finance, advocate for outright prohibitions on fossil fuel investments within any ESG-related fund.

The complexities of green finance are further exacerbated by differing national regulations. For instance, France has established stringent guidelines that could enforce divestments from fossil fuels for funds displaying its socially responsible (ISR) label. These developments point to a burgeoning divergence in sustainability standards across Europe, potentially complicating compliance for funds operating in multiple jurisdictions.

Compounding the issue, an analysis of approximately 14,000 European funds has revealed that around 5,000 are engaged in fossil fuel investments, totalling over €123 billion. This staggering amount underscores the challenge facing regulators who seek to define and enforce genuine sustainable investment practices amid accusations that the ESG label has been diluted by inconsistent interpretations and applications.

The impending deadline for the ESMA’s new guidelines, along with growing scrutiny from advocacy groups and regulatory bodies, suggests that the landscape of sustainable investing in Europe might soon witness a significant transformation. However, sceptics remain wary, asserting that without more stringent enforcement and a clear delineation between genuinely green investments and those that merely project an eco-conscious facade, the promise of sustainable finance may remain unfulfilled.

As the world grapples with escalating climate crises, the urgency for transparent, accountable investment practices has never been clearer. Stakeholders are increasingly calling for meaningful commitment and actionable policies to drive real change, aligning financial practices with the imperatives of sustainability and ethical investing.

### Reference Map

1. All paragraphs
2. Paragraphs 2, 3, 8
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6. Paragraphs 3, 6, 10
7. Paragraphs 4, 6, 9

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

1. <https://www.theguardian.com/environment/2025/may/18/revealed-european-green-investments-hold-billions-in-fossil-fuel-majors> - Please view link - unable to able to access data
2. <https://www.ft.com/content/c0a48eb7-18c7-4cb5-ba73-936d4116391d> - European ESG funds have attracted significant investments despite controversies over defining 'green' investments. The European Securities and Markets Authority (ESMA) faced backlash for proposing rules that would restrict ESG funds labeled 'green' from investing in major polluters. These rules demanded divestment or rebranding for funds holding assets from significant coal, oil, or gas revenue companies. However, ESMA decided to allow green-labeled funds to include green bonds from polluting businesses while still restricting equity funds. Asset managers and investors argued that green bonds should focus on the activity funded rather than the issuer’s overall behavior. This decision has implications for the ESG fund landscape, with many funds needing to change names, objectives, or portfolios by mid-2025. The debate reflects broader questions about the effectiveness and transparency of the ESG label in sustainable investing.
3. <https://www.reuters.com/sustainability/sustainable-finance-reporting/eu-watchdog-frees-green-bonds-fund-naming-rules-2024-12-16/> - The European Securities and Markets Authority (ESMA) has clarified that green bond funds within the European Union can continue investing in bonds from major polluters like power and energy companies without needing to change their fund names or divest assets. This comes as part of allowances introduced to the new fund naming guidelines, which initially caused backlash due to increased difficulty for utilities and power companies to raise money via green bonds. The rules, effective for new funds from November, dictate criteria for sustainability-themed fund labels and exclude investments in oil, coal, and high-polluting electricity companies. However, ESMA has made an exception for green bonds under its upcoming Green Bond Standard and allowed the holding of green bonds used to finance renewable projects by companies in carbon-intensive sectors. This exception does not extend to companies not meeting UN or OECD guidelines. According to Agnes Gourc of BNP Paribas, the update provides clarity during a critical issuance period. Energy and power companies made up a significant portion of the global green bond market, issuing over $70 billion in debt this year.
4. <https://www.reuters.com/business/finance/bnp-paribas-fund-arm-exclude-new-oil-gas-bonds-2024-11-27/> - BNP Paribas Asset Management announced it will cease investing in new bonds from companies involved in oil and gas exploration and production, promoting the transition to sustainable energy. Existing debt and equity investments will continue under specific conditions. This policy aligns with BNP Paribas Group's practices and European trends towards sustainability-focused investment, reducing exposure to fossil fuel financing. The firm will monitor oil and gas companies' climate commitments and transition plans regularly. TotalEnergies is notably a significant part of BNP Paribas Asset Management's current holdings. Reclaim Finance praised the decision, highlighting the importance of bond financing in the fossil fuel sector.
5. <https://www.ft.com/content/12399810-a782-465b-8378-5099252306a5> - The European Investment Bank (EIB) is concerned about a significant reputational risk due to the new EU sustainable reporting rules. The revised regulations require the bank to declare a Green Asset Ratio (GAR), which is significantly lower than its self-reported Climate Action ratio. The EIB has positioned itself as a leading climate-friendly financial institution, phasing out fossil fuel investments since 2021. However, the new GAR, based on EU-defined metrics, may show only 1% of its assets as green compared to the current 50% under the EIB’s metrics. Internal communications reveal EIB's intention to seek a delay in compliance and to negotiate changes with the European Commission. The complexity and burden of the EU’s sustainable finance rules, especially for SMEs, also raise concerns among EU governments and industry bodies. The EIB faces criticism from campaign groups and former employees for lacking transparency and proper due diligence in its operations. The EIB's efforts to recalibrate green reporting rules are ongoing, with significant engagement with the European Commission aimed at mitigating the reporting challenges.
6. <https://www.pionline.com/esg/close-5000-esg-funds-europe-now-hold-oil-gas-and-coal> - Almost 5,000 funds marketing themselves as ESG now hold stakes in companies in the fossil-fuel industry, according to a fresh study of the European market by a team of nonprofits. The study, which is based on an analysis of more than 14,000 European funds claiming to target environmental, social and governance goals, found that well over a third of those funds had together invested more than €123 billion ($134 billion) in companies 'actively pushing' projects that expand the production of oil, gas and coal, according to its authors Urgewald and Facing Finance. The analysis is the latest to raise questions about the value of ESG labels, which have been slapped on funds exposed to everything from Russian government bonds to fossil fuels and — most recently — weapons of war. For that reason, Europe’s markets regulator, ESMA, has sought to rein in interpretations of ESG, forcing fund managers to demonstrate that their portfolios are actually aligned with what the label is supposed to represent.
7. <https://www.ft.com/content/4ff287f9-9239-4f38-a12e-3abff50477ca> - France’s stipulation for its sustainable ISR label could lead to billions of euros of divestments by pan-European vehicles. Pan-European funds claiming to invest on an environmental, social and governance basis may need to sell all their fossil fuel holdings following a ruling by the French government. The move could lead to billions of euros worth of forced divestments over the course of 2024. France has ruled that funds operating under its “socially responsible” ISR label will, from the start of 2025, be barred from investing in any companies that launch new hydrocarbon exploration, exploitation or refining projects. Companies that exploit coal or “unconventional” hydrocarbons will also be off limits. Fund managers “are going to have to think hard. Do they align with the French label when the product is sold in different countries?” added Bioy, who feared a proliferation of differing ESG standards across the continent. She said there could be as many as 15 national and European labels by 2025. “You are going to have to make a choice, [for example] say we are not going to align with the French one because we are going to align with the UK one.” The existing 1,200 ISR-labelled funds hold €7bn of stock in traditional energy companies, according to calculations by Morningstar Direct, with 45 per cent of such funds holding oil and gas stocks. The Tocqueville Value Europe ISR, CM-AM Europe Value, DNCA Invest Archer Mid-Cap Europe and two BNP Paribas funds all have exposures of at least 13 per cent to oil and gas companies, Morningstar said. In euro terms, the largest positions are held by BlackRock’s iShares MSCI USA SRI Ucits ETF, at €324mn as of mid-November, the iShares MSCI World SRI Ucits ETF (€208mn), and Eleva European Selection (€171mn). French oil major TotalEnergies is held by 161 ISR-labelled funds with aggregate holdings of €2.4bn, Morningstar found, representing 1.6 per cent of the company’s market capitalisation. Rival energy groups Neste, Eni, Repsol, Galp Energia, BP, Shell and OMV also appear in many funds, although ISR funds may not have to sell some of these, such as Finland’s Neste. The exclusions will also apply to fixed income funds, potentially precipitating a sell-off in the bonds of energy companies. The French economy and finance ministry said the “strengthening” of the security selection requirements of ISR funds “make the fight against climate change a key principle of the label”. The measures are also designed to help achieve a “progressive alignment of ISR portfolios with the [2015] Paris Agreement”, it added. A newly introduced stipulation means ISR funds must invest at least 15 per cent of their portfolios in companies with carbon transition plans in line with Paris, a number that will be progressively raised over time.