# Asset managers face rising political and regulatory challenges in meeting climate and biodiversity targets



Investors and asset managers are navigating a tumultuous landscape as pressures mount regarding emissions targets and biodiversity commitments. A recent report highlights that only five of the world's largest asset management firms have set robust interim targets aimed at cutting portfolio emissions by 50% by 2030. Alarmingly, more than half of these institutions fail to meet even a single biodiversity standard, raising significant concerns about the sincerity and effectiveness of their climate pledges.

This situation comes at a time when political dynamics are shifting dramatically, particularly in the United States. Major financial institutions, including BlackRock and JPMorgan, have faced severe criticism from Democratic lawmakers for withdrawing from significant climate coalitions such as the Net Zero Banking Alliance and the Net Zero Asset Managers Initiative. These withdrawals, perceived as politically motivated, have led to doubts regarding the commitment of these firms to their prior greenhouse gas reduction pledges aligned with the Paris Agreement. Lawmakers have urged these CEOs to reaffirm their climate commitments, scrutinising their communications with the Trump administration about watering down environmental, social, and governance (ESG) initiatives.

As American asset managers retreat from these international climate commitments, their European counterparts are grappling with heightened scrutiny and political backlashes. Amid growing reluctance about public climate action—fueled by right-wing campaigns against ESG investing—European firms find themselves treading carefully. Despite the chilling effect of U.S. political rhetoric, many European asset managers continue to assess climate risks and comply with stringent regulations, albeit discreetly. By 2025, these European institutions must meet rigorous climate and biodiversity reporting requirements, further challenging their efforts to balance regulatory adherence with business sustainability.

A significant development in this realm is the increasing emphasis on nature-related financial disclosures. At the World Economic Forum in Davos, 320 organisations from over 46 countries committed to guidelines aimed at helping companies disclose their dependencies and impacts on nature. These recommendations stemmed from the Taskforce on Nature-related Financial Disclosures (TNFD), which represents over $20 trillion in assets and aligns with global biodiversity goals established in the Kunming-Montreal Global Biodiversity Framework. This initiative underscores a growing recognition of the interplay between finance and environmental sustainability, even amid the backdrop of political challenges.

The broader context is equally concerning. The Glasgow Financial Alliance for Net Zero, which sought to position itself as a leader in financing the global energy transition, has seen a dilution of its climate commitments. Originally anchored to a strict goal of limiting warming to 1.5°C, the alliance now aims for a broader target consistent with keeping warming "well below 2°C." The exit of numerous major North American, Japanese, and Australian banks has significantly diminished its influence, with total assets in the alliance dropping by 22%. Such retreats not only undermine collective climate action but also pose substantial risks to the credibility of global finance in combating climate change.

The implications of these moves stretch far and wide. As financial institutions recalibrate their approaches in response to political pressures, the notion of sustainability becomes increasingly contentious, particularly in the U.S. With ongoing political challenges, including the re-election of Donald Trump—a staunch critic of broad sustainability initiatives—companies may feel compelled to align their practices more closely with prevailing political sentiments rather than with stringent environmental standards.

Despite these challenges, global investments in sustainable funds continue to grow, particularly in regions like Europe, where support for climate action remains robust. Distinct from the divisive atmosphere surrounding ESG investing in the U.S., European investment firms are holding firm to their commitments to sustainable practices, showcasing a potential path forward even amidst political storm clouds.

In summary, the current landscape for asset managers is fraught with challenges, reflecting both the complexities of climate commitments and the interplay of political dynamics. As firms grapple with pressures to either conform or resist, the future role of finance in achieving meaningful climate action hangs in the balance, shaped by both corporate responsibility and political will.

**Reference Map**

1. Paragraph 1: Sources 1
2. Paragraph 2: Sources 2, 5
3. Paragraph 3: Sources 3, 6
4. Paragraph 4: Sources 4
5. Paragraph 5: Sources 6, 7
6. Paragraph 6: Sources 7

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

## Bibliography

1. <https://carbon-pulse.com/399428/> - Please view link - unable to able to access data
2. <https://www.reuters.com/sustainability/cop/us-finance-ceos-challenged-leaving-climate-pacts-by-democratic-lawmakers-2025-05-15/> - Democratic lawmakers have criticized CEOs of major U.S. financial institutions, including BlackRock and JPMorgan, for withdrawing from international climate coalitions such as the Net Zero Banking Alliance and the Net Zero Asset Managers Initiative. These exits, influenced by political pressure, raise concerns about the institutions' commitment to previous greenhouse gas reduction pledges aligned with the Paris Agreement. Lawmakers have urged these CEOs to reaffirm their climate commitments and disclose any communication with the Trump administration about scaling back environmental, social, and governance initiatives.
3. <https://www.ft.com/content/e2bc352b-aa8c-41fc-87b4-b61b676cfcbf> - European asset managers are increasingly cautious about public climate action due to political pressures from the U.S., especially following recent right-wing campaigns against environmental, social, and governance (ESG) investing. Despite this caution, these managers continue to assess climate risks and adhere to regulations discreetly. The 'chilling effect' from the U.S. has led to a noticeable absence of asset managers at climate action meetings. European institutions, however, continue to face stringent climate and biodiversity reporting requirements due by 2025, presenting significant challenges to fulfilling climate commitments.
4. <https://www.reuters.com/legal/legalindustry/new-frontier-nature-related-financial-disclosures-what-finance-industry-needs-2024-03-07/> - At the 2024 World Economic Forum in Davos, 320 organizations from over 46 countries committed to nature-related financial disclosures based on recommendations from the Taskforce on Nature-related Financial Disclosures (TNFD). These guidelines, published in September 2023, aim to help companies disclose their dependencies, impacts, risks, and opportunities related to nature. The TNFD initiative, representing over $20 trillion in assets, includes notable firms across various sectors and aligns with global biodiversity goals set by the Kunming-Montreal Global Biodiversity Framework.
5. <https://www.ft.com/content/1902b661-90ea-44ee-ba51-fe2d3520f1bc> - Under President-elect Trump, U.S. banks like Citigroup, Bank of America, Morgan Stanley, Wells Fargo, and Goldman Sachs have exited the Net-Zero Banking Alliance (NZBA) to adopt more targeted strategies while navigating the conflict between anti-woke political attacks and increasing EU environmental regulations. As political pressures mount against 'woke' practices, some banks and asset managers withdraw from climate groups and fossil fuel divestments to avoid antitrust lawsuits alleged by red-state politicians. Despite the exits, banks continue offering green financing solutions to meet clients' needs and mitigate climate-related risks.
6. <https://www.reuters.com/sustainability/sustainable-finance-reporting/esg-watch-watered-down-climate-targets-by-banks-sign-times-2025-04-22/> - In 2021, the Glasgow Financial Alliance for Net Zero (GFANZ) and its coalition, the Net Zero Banking Alliance (NZBA), emerged optimistically as leaders in financing the global energy transition. However, by 2025, the geopolitical and economic environment has grown more challenging. The NZBA recently diluted its climate commitment from a strict 1.5°C target to a broader aim aligned with the Paris Agreement to limit warming 'well below 2°C.' Major North American, Japanese, and Australian banks have exited the alliance, weakening its influence and reducing total assets by 22%.
7. <https://www.ft.com/content/14ee5968-79de-42bf-80a4-811531e80de7> - In 2025, the re-election of Donald Trump, who has threatened to roll back sustainability initiatives like the Inflation Reduction Act, is influencing the landscape of sustainable investing. U.S. banks and investment managers are withdrawing from net zero alliances to align with the new administration. However, despite these challenges, global investments in sustainable funds continue to grow, with notable support still present in Europe. European investment firms have maintained their commitments to climate action, contrasting with the U.S., where the term ESG has become contentious and divisive.