

AMOUNT OF FINANCE COMMITTED TO ACHIEVING 1.5°C NOW AT SCALE NEEDED TO DELIVER THE TRANSITION

Capital committed to net zero now at over \$130 trillion, up from \$5 trillion when the UK and Italy assumed COP26 Presidency

Glasgow, 3rd November 2021

Today, through the Glasgow Financial Alliance for Net Zero (GFANZ) over \$130 trillion of private capital is committed to transforming the economy for net zero.^[1] These commitments, from over 450 firms across 45 countries, can deliver the estimated \$100 trillion of finance needed for net zero over the next three decades.

To support the deployment of this capital, the global financial system is being transformed through 24 major initiatives for COP26 that have been delivered for the summit. This work has significantly strengthened the information, the tools and the markets needed for the financial system to support the transformation of the global economy for net zero.

New analysis, commissioned by the UN High Level Climate Action Champions, finds that the private sector could deliver 70% of total investments needed to meet net zero goals.^[2]

In its progress report published today, GFANZ announces that financial sector commitments to net zero now exceed \$130 trillion, a 25-fold increase under UK and Italian Presidency.^[3]

Now firms across the entire financial spectrum - banks, insurers, pension funds, asset managers, export credit agencies, stock exchanges, credit rating agencies, index providers and audit firms - have committed to high ambition, science-based targets, including achieving net zero emissions by 2050 at the latest, delivering their fair share of 50% emission reductions this decade, and reviewing their targets towards this every five years. All firms will report their progress and financed emissions annually.

The progress report also outlines the ambitious body of work underway – led by GFANZ CEOs – to address some of the biggest climate finance challenges, including defining net zero pathways for carbon-intensives sectors, aligning on what constitutes a robust transition plan for corporates and financial institutions, and a sector-wide plan to mobilise capital needed for decarbonisation in emerging markets. Collectively, this work will accelerate the implementation of net zero commitments and help to rapidly scale capital flows to support the net zero transition.

It comes as UK Chancellor, Rishi Sunak, announced today new requirements for firms to publish net zero transition plans setting out how they will decarbonise through 2050. This follows calls from GFANZ for G20 countries to implement policies to unlock and accelerate capital to support the transition, including mandatory net zero transition plans.^[4]

Already, firms are turning ambition into action that will align their portfolios with 1.5°C. Over 90 of the founding institutions of GFANZ have already delivered on setting short-term targets, including 29 asset owners that have committed to reducing portfolio emissions by 25-30% by 2025, as well as 43 asset managers that have published targets for 2030 or sooner.^[5] And the first targets have also been published by Net Zero Banking Alliance members.

The 24 other major finance initiatives, led by Mark Carney as part of the private finance priorities for COP26, will help transform the financial architecture by mainstreaming and scaling: climate-related reporting; climate risk management; climate-related investment returns and the mobilisation of private finance to emerging and developing economies.^[6]

Today, the IFRS Foundation, the international accounting standard body, announces the establishment of a new International Sustainability Standards Board to develop globally consistent climate and broader sustainability disclosure standards for the financial markets. This work has been welcomed by Finance Ministers from over 50 countries stretching across 6 continents and follows support from the G7 and others to make climate disclosures mandatory.

Through the work of the Network for Greening the Financial System climate risk management is also being transformed. Thirty-eight central banks, in countries comprising 67% of the world's emissions, have committed to climate-related stress tests to review the resilience of the world's largest financial firms in the face of several climate-related risks. And 33 central banks and supervisors, representing 70% of the world's emissions, have committed to issuing guidance to firms on managing climate-related financial risks.

And to measure more accurately the alignment of lending, investment and underwriting with net zero, the Taskforce on Climate-related Financial Disclosures (TCFD) has published guidance on metrics, targets and transition plans.

Finally, for COP26, the Chair of GFANZ Mark Carney is publishing a new plan on how to scale private capital flows to emerging and developing economies. This includes the development of country platforms to connect the now enormous private capital committed to net zero with country projects, scaling blended finance through MDBs and developing high integrity, credible global carbon markets.^[7]

GFANZ is supporting these mobilisation efforts and has identified an initial set of five catalytic initiatives to accelerate the transition in these countries, based on their scalability and potential impact. In doing so, GFANZ has committed to bring together technical expertise and balance sheets to scale capital commitments ahead of COP27.^[8]

GFANZ is taking a number of measures to accelerate the global transition to net zero beyond COP26 with new leadership, announcing that UN Special Envoy on Climate Ambition and Solutions and Race to Zero Ambassador Michael Bloomberg will join UN Special Envoy Mark

Carney as co-chair of GFANZ. Mary Schapiro, Head of the Secretariat for the Taskforce on Climate-related Financial Disclosures and former Chairman of the US Securities and Exchange Commission, will be the vice-chair. They join UN High Level Champion Nigel Topping in the GFANZ leadership team. A new permanent secretariat will have a presence in Europe, the Americas, Africa, and Asia. GFANZ also unveils it will periodically report on its work to the G20's Financial Stability Board.

Mark Carney, UN Special Envoy for Climate Action and Finance and COP26 Private Finance Advisor to PM Johnson said:

“The architecture of the global financial system has been transformed to deliver net zero. We now have the essential plumbing in place to move climate change from the fringes to the forefront of finance so that every financial decision takes climate change into account. Only this mainstream focus can finance the estimated \$100 trillion of investment needed over the next three decades for a clean energy future.

“The rapid, and large-scale, increase in capital commitment to net zero, through GFANZ, makes the transition to a 1.5°C world possible. To seize this opportunity, companies must deliver robust transition plans and governments set predictable and credible policies. This will give finance the confidence to invest, pulling forward climate actions and smoothing the transition to net zero, driving growth and jobs upwards, and forcing emissions downwards. Let's work together to seize this opportunity.”

Nigel Topping, UN High Level Climate Action Champion for COP26 said:

“To keep 1.5°C within reach, we need the owners, managers, lenders, and underwriters of capital to realign their business models with the climate science. The core of the financial system is now publicly committed to that task. And it will have a ripple effect across the global economy. Now we need governments to help get the job done, by setting the ambitious policies that can unlock, accelerate and help direct the investment to where it's needed most.”

Rishi Sunak, Chancellor of the Exchequer said:

“I'm proud that under the UK's leadership, the number of financial firms committed to Net Zero plans has tripled, with the assets now covered totalling \$130 trillion. Harnessing the trillions of dollars controlled by these companies in the fight against climate change is crucial. So I've announced new requirements for firms to publish their net zero transition plans. Together we can provide the cash the world needs to stop catastrophic climate change”

Michael R. Bloomberg, Co-Chair of the Glasgow Financial Alliance for Net Zero said:

“Winning the battle against climate change will require vast amounts of new investment and the majority will have to come from the private sector. Leaders in finance have strong incentives to act, and under Mark Carney and Nigel Topping's leadership, GFANZ has grown

to include some of the largest financial institutions in the world. We look forward to building on this progress in the next phase of the alliance’s work, by creating the tools and industry-wide coordination we need to turn commitments into action and speed up the transition to a net-zero global economy.”

Klaas Knot, Vice Chair of the Financial Stability Board, said:

“An orderly transition of the financial sector to meeting net zero commitments supports financial stability. So, we look forward to regular updates to the FSB on the progress of GFANZ, as part of the FSB’s broader outreach in taking forward its roadmap to address financial risks from climate change.”

CONTACT DETAILS:

rtz@brunswickgroup.com

Phil Drew: +44 7823 527185

Ruairidh Macintosh: +44 7469 083 487

Notes to editors:

The Glasgow Financial Alliance for Net Zero (GFANZ) is a global coalition of leading financial institutions in the UN’s Race to Zero that is committed to accelerating and mainstreaming the decarbonisation of the world economy and reaching net-zero emissions by 2050. It provides a practitioner-led forum for financial firms to collaborate on substantive, crosscutting issues that will accelerate the alignment of financing activities with net zero and support efforts by all companies, organisations, and countries to achieve the goals of the 2015 Paris Agreement. To ensure credibility and consistency, access to GFANZ is grounded in the UN’s Race to Zero campaign, and entry requirements are tailored to the activities of the diverse firms represented. Further details can be found on gfanzero.com.

Race to Zero

Race to Zero is the UN-backed global campaign rallying non-state actors – including companies, cities, regions, financial and educational institutions – to take rigorous and immediate action to halve global emissions by 2030 and deliver a healthier, fairer zero carbon world in time. All actors must meet stringent criteria which will bring them to the starting line to credibly race to zero emissions. The Race to Zero campaign has an independent, academic-led Expert Peer Review Group (EPRG) tasked with reviewing applications to join the Race to Zero and ensuring they meet the ambitious criteria for participation.

This means all GFANZ members must align with the Race to Zero criteria, which are (1) use science-based guidelines to reach net-zero emissions across all emissions scopes by 2050, (2) set 2030 interim targets that represent a fair share of the 50% decarbonisation required by

the end of the decade, (3), set and publish a net-zero transition strategy, (4) commit to transparent reporting and accounting on progress against those targets, and (5) adhere to strict restrictions on use of offsets. Further details can be found on [racetozero.unfccc.int/](https://www.racetozero.unfccc.int/).

The Alliance members of GFANZ, summary of commitments

Membership of GFANZ is through one of the member Alliances.

- **The Net Zero Asset Managers initiative (NZAM)**, launched in December 2020, is an international group of asset managers committed to supporting the goal of net-zero GHG emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees C and investing aligned with the same goal. In delivering net-zero alignment, the asset managers commit to prioritising real-economy emissions reductions, take account of material portfolio Scope 3 emissions, create investment products aligned with net-zero emissions, and facilitate increased investment in climate solutions. In addition, to ensure investors are driving broader change, NZAM is putting in place a stewardship and engagement strategy consistent with net-zero emissions by 2050 and ensuring all policy advocacy supports the same objective. Signatories also commit to transparent and rigorous accountability. They will publish TCFD reporting annually, including a climate action plan, and submit reports through the PRI19 and/or CDP20 platforms.
- **The Net-Zero Asset Owner Alliance (NZAOA)**, launched in September 2019, is the first net zero finance sector initiative to have joined the Race to Zero. It shows united asset owner action to align portfolios with a 1.5 degrees C scenario, taking into account best available scientific knowledge, including the findings of the IPCC based on low or no-overshoot scenarios. NZAOA places great emphasis on ambitious, intermediary, quantitative targets being set every five years, starting with a first generation of such targets being published now for attainment by 2025, based on the Alliance's own and comprehensive 2025 Target- Setting Protocol, which underwent a public consultation and is revised on a yearly basis. NZAOA members aligned on an Alliance-wide Position on Thermal Coal, stating a phaseout of most thermal coal assets by 2030 for industrialised countries and a full phaseout globally by 2040.
- **The Net-Zero Banking Alliance (NZBA)**, launched in April 2021, is the banking element of GFANZ and Race to Zero. Signatories are committed to aligning their lending and investment portfolios with net-zero emissions by 2050, as well as with a temperature outcome of no more than 1.5 degrees C by 2100, based on low or no-overshoot scenarios and considering best available scientific knowledge. Combining near-term action with accountability, this ambitious commitment sees banks setting intermediate targets for 2030 or sooner, using robust, science-based guidelines.
- **The Net-Zero Insurance Alliance (NZIA)**, launched in July 2021, brings together the world's leading insurers, reinsurers and insurance marketplaces to play their part

in accelerating the transition to net-zero emission economies. Signatories are committed to individually transitioning their underwriting portfolios to net-zero greenhouse gas emissions by 2050, as well as with a temperature outcome of no more than 1.5 degrees C by 2100, taking into account the best available scientific knowledge, including the findings of the IPCC based on low or no-overshoot scenarios.

- **The Net Zero Investment Consultants Initiative (NZICI)**, launched in September 2021, brings together leading investment consultants, to support the goal of reaching global net-zero GHG emissions by 2050 or sooner. First among these actions is integrating advice on net-zero alignment into investment consulting services as soon as possible and within two years of making this commitment and supporting efforts to decarbonise the global economy by helping their clients to prioritise real-economy emissions reductions.
- **The Net Zero Financial Service Providers Alliance (NZFSPA)**, launched in September 2021, brings together 22 leading organisations, including the world's largest credit rating agencies, audit networks, leading index providers, global stock exchanges, data providers, and providers of advisory services, who will all be critical to unlocking a net-zero financial system. As members of the NZFSPA, these organisations have committed to aligning all relevant services and products to net zero by 2050. Members will set science-based targets for their emissions, including interim targets for 2030, and report on their progress against those targets annually, including disclosures using existing frameworks such as those the TCFD recommendations.
- **The Paris Aligned Investment Initiative (PAII)**, established in May 2019, is an investor-led global forum enabling investors to align their portfolios and activities to the goals of the Paris Agreement. Through the Paris Aligned Asset Owners net-zero commitment, signatories commit to a comprehensive range of actions toward net zero including (1) transitioning investments to achieve net-zero portfolio GHG emissions by 2050 or sooner, with the aim of achieving emissions reductions in the real economy, (2) setting interim targets by 2030 or sooner for decarbonising portfolios and investing in climate solutions, consistent with the 50% reduction in global emissions set in the IPCC special report on global warming of 1.5 degrees C, and (3) implementing a stewardship and voting strategy consistent with achieving net zero.

The 24 initiatives were set out in the COP26 Private Finance Strategy in November 2020. They cover a range of areas:

- **Reporting:** improving the quantity, quality and comparability of climate-related disclosures by implementing a common framework built on the Taskforce for Climate-related Financial Disclosures (TCFD) recommendations.

- **Risk management:** ensuring that the financial sector can measure and manage climate-related financial risks.
- **Returns:** helping investors identify the opportunities in the transition to net zero and report how their own portfolios are aligned for the transition.
- **Mobilisation:** increasing private financial flows to emerging and developing economies, by connecting available capital with investable projects and encouraging new market structures.

Further detail can be found here:

https://ukcop26.org/wp-content/uploads/2020/11/COP26-Private-Finance-Hub-Strategy_Nov-2020v4.1.pdf

IFRS Foundation: The International Financial Reporting Standards (IFRS) Foundation is a public interest organisations established in 2001 to develop a single set of high-quality, understandable, enforceable and globally accepted accounting IFRS Standards. IFRS Standards are currently required in more than 140 jurisdictions. Since the start of 2021 the IFRS Foundation Trustees have been working towards the creation of a new standard-setting board within the IFRS Foundation to develop comprehensive global baseline sustainability reporting standards to meet the needs of the capital markets. For more information, see: <https://www.ifrs.org/>

Network for Greening the Financial System: The Network for Greening the Financial System (NGFS) is a group of central banks and supervisors that exchange experiences, share best practices, contribute to the development of environment and climate risk management in the financial sector, and mobilize mainstream finance to support the transition toward a sustainable economy. Established at the Paris “One Planet Summit” in December 2017, membership has grown from eight founding members to 100 members and 15 observers, representing countries responsible for 85% of global emissions and spread across the five continents. Its purpose is to define and promote best practices to be implemented within and outside of the Membership of the NGFS and to conduct or commission analytical work on green finance. So far, it has published guidance and best practice covering a range of central bank and supervisor responses to climate risks, including supervision, scenario analysis exercises, sustainable investment practices, and monetary policy implementation. For more information, see: <https://www.ngfs.net/en>

Country platforms: A country platform is a mechanism that convenes and aligns stakeholders – including national and international governments, businesses, NGOs, civil society organisations (CSOs), donors and other development actors—around a specific issue or geography to agree and coordinate priorities. Country platforms were highlighted in the [G20 Eminent Persons Report](#), which outlined some of the principals of country platforms.

List of initial 5 catalytic initiatives. ***Climate Finance Leadership Initiative (CFLI) Country Pilots;*** GFANZ will work to support CFLI’s Country Pilot in India and other countries as they emerge. CFLI India is an early example of a country platform initiative involving

governments, major private-sector Indian and multinational corporations and financial institutions

- **FAST-Infra**; *establishing a consistent, globally applicable labelling system for sustainable infrastructure assets, so investors can have confidence in them and support projects that will generate long-term, stable returns. Developed as a public private partnership led by HSBC, Macquarie, and the Global Infrastructure Facility.*
- **The Global Energy Alliance for People and Planet**; *delivering transformational programs to accelerate and scale an equitable energy transition in developing and emerging economies through fossil fuel transitioning, grid-based renewables, and distributed renewables. Backed by an initial \$10 billion commitment from preeminent philanthropic, government, donor, multilateral development bank, development finance institution, and private sector partners, the alliance will reach 1 billion people with reliable, renewable energy, creating tens of millions of green jobs and avoiding 4 billion tons of greenhouse gas emissions.*
- **Innovative Finance for the Amazon, Cerrado and Chaco (IFACC)**; *scaling innovative financial mechanisms—including farm loan products, farmland investment funds, corporate debt instruments and capital markets offerings—and helping farmers implement proven business models to decouple beef and soy production models from deforestation and conversion of natural habitats. Key partners include United Nations Environment Programme; the Nature Conservancy; the World Economic Forum and the Tropical Forest Alliance , an initiative hosted by the World Economic Forum.*
- **MOBILIST**; *designed to catalyse innovative, scalable and replicable investment products on major and local exchanges across the world, delivering on the Global Goals and supporting the net-zero transition for developing countries. For asset owners, MOBILIST offers a platform to develop the products that public market investors want, and to enable climate financing to respond to the scale of the opportunity and needs in that transition. MOBILIST is a Foreign, Commonwealth & Development Office flagship programme backed by capital, technical expertise and HMG's global network.*