Net Zero Delivery Summit

Financing the Net Zero Revolution

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Net-zero transition is accelerating

**Countries with net-zero commitments**

- **21** countries in January 2020
- **140** countries in November 2021
- An increase of **7x**

**Emissions covered by country net-zero commitments**

- **30%** in January 2020
- **90%** in November 2021
- An increase of **3x**

**Companies with net-zero commitments**

- **992** companies in January 2020
- **5,230** companies in November 2021
- An increase of **5x**

**Financial commitments to net zero**

- **$5T** in January 2020
- **$130T** in November 2021
- An increase of **26x**

COP26 Key Takeaways

- **1.5 ‘still alive’** with formal agreement, G20 pact, and increased country pledges

- ‘Mind the (policy) gap’: new **1-year review** to drive more ambition

- **Deep decarbonization** gaining momentum (methane, deforestation, and coal)

- COP rule book finalized: large-scale **carbon offset markets** now possible

- Growing **private sector** leadership

- Net zero financial system is being built to drive **capital/solutions**
Oil prices rise when Net Zero transition driven by supply policies and decline when driven by demand policy

Source: IMF World Economic Outlook, April 2022
Net Zero Transition improves Energy Security

Energy security

Sustainable Energy = Energy Security

Energy sustainability
Fossil fuel investment in line but clean energy not rising fast enough

Source: IEA World Energy Outlook 2021
The Imperative of Managed Phase Out

Source: IPCC. Climate Change 2022, Mitigation of Climate Change
A new financial system

**Industrial Revolution**

**Fractional Reserve Banking**
- Maturity transformation
- Financial leverage

**Central Banks**
- Lender of last resort
- Supervision

**International Monetary & Financial System**
- Gold standard
- Free flow of capital

**Sustainable Revolution**

**Financial System**
- Aligning with Net Zero transition
- ‘Carbon’ leverage

**Central Banks / Supervisors**
- Climate disclosure
- Supervision of transition risks

**International Monetary & Financial System**
- Blended finance
- Transition-aligned private flows
- Carbon markets

Industrial Revolution

Sustainable Revolution
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<th>TCFD STOCKTAKE</th>
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<th>GLOBALLY-CONSISTENT REPORTING</th>
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GFANZ spans the financial sector

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<td>Net Zero Asset Owners Alliance</td>
<td>69 investors representing $10.5tn</td>
<td>transition portfolios to net zero emissions by 2050, publishing interim targets every 5 years, starting with 2025</td>
<td>UN convened</td>
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<td>Net Zero Asset Managers Initiative</td>
<td>220 AMs representing $57tn</td>
<td>interim 2030 target for proportion of assets to be managed in line with net zero by 2050. Review target every 5 years, working for 100% asset coverage by 2050.</td>
<td>led by Investor Agenda (IIGCC, AIGCC, Ceres, IGCC, CDP, PRI)</td>
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<td>Net Zero Banking Alliance</td>
<td>102 banks representing $67tn</td>
<td>align operational and financed emissions with net-zero by 2050 or sooner, including 2030 interim targets</td>
<td>industry-led, co-founded by UNEP FI and HRH’s Sustainable Markets Initiative (SMI).</td>
</tr>
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<td>Paris Aligned Investment Initiative</td>
<td>53 asset owners representing $2.9tn</td>
<td>transition investment portfolios to net zero emissions by 2050, including 2030 interim targets</td>
<td>convened by IIGCC, Ceres, AIGCC and IGCC</td>
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<tr>
<td>Net Zero Insurance Alliance</td>
<td>21 (re)insurers</td>
<td>members commit to transition underwriting portfolio to net zero emissions by 2050, including 2030 interim targets</td>
<td>U-convened</td>
</tr>
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<td>Net Zero Financial Service Providers Alliance</td>
<td>23 across credit rating agencies, data providers and listing exchanges</td>
<td>align services and products to support financial firms to reach net zero by 2050 or sooner, consistent with a maximum average global temperature rise of 1.5°C above pre-industrial levels</td>
<td></td>
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Formalised in international architecture

- Reports into the FSB, ensuring policy recommendations and workstream outputs captured in international regulations
- Underpinned by the rigour of UNFCCC’s Race to Zero. Criteria set by independent expert group of academics, scientists and NGOs/
- Regional hubs in Asia and Africa to ensure geographic representation and reach
Ending the tragedy of the horizon

TODAY
Annual Reporting

12-18 MONTHS
5 Year Decarbonization Plans

2030
Fair Share of 50% Decarbonization

2050
Net Zero
GFANZ working to translate net zero pledges into climate action

Transition-consistent Energy Financing

Transition plan framework for financial institutions

Guidance for real-economy company transition plans

Guidance on decarbonization pathways across sectors

Guidance on portfolio alignment

Frameworks to phase out high-emission assets

Just Energy Transition Partnerships for EMDE Transition Financing
Building a net-zero financial system

GFANZ 2022 Work Program

Financial Institution Net-zero Transition Plans
To finance or enable climate solutions, the net-zero transition of firms, the managed phaseout of stranded assets, and firms already aligned to net-zero

- Managed Phaseout of Stranded Assets
- Real-economy Transition Plans
- Sectoral Pathways
- Portfolio Alignment Measurement

Mobilizing Capital
Facilitating the net-zero transition in Emerging Markets & Developing Economies (EM&DEs)

- Augment International Finance Architecture
- Scale Market-Making Initiatives
- Drive Country-Targeted Solutions

Net-zero Public Policy
Communicating the wider reforms needed to align the financial system to net-zero while ensuring an orderly and just transition, and embedding GFANZ and relevant partner deliverables within financial and regulatory systems

Building blocks of the net-zero financial system

- Standard-setting and disclosure requirements (e.g., TCFD, ISSB, SEC, EFRAG)
- Science and industry-based pathways (e.g., IPCC, IEA, OECM, SBTi, MPP)
- Nationally Determined Contributions (NDCs) and country climate plans
- Data availability and comparability
- Net-zero measurement/accounting (e.g., PCAF, GHG Protocol)
- Taxonomies and classification systems
- Carbon markets and undergirding infrastructure (e.g., CCPs)
- Other climate-aligned policy and regulation

KEY: X → Y Indicates that X is a reference for or input into Y
GFANZ 2022 Outputs

May

- BNEF: Publication of Energy Transition Investment Research
- FI Transition Plan Guidance: Consultation on report
- Sectoral Pathways Guidance: Final Report
- Portfolio Alignment Measurement: Concept Note
- Managed Phaseout: Initial Report
- Data Needs: Report
- Country Platform Statement (date TBC)

June

July

August

- Portfolio Alignment Measurement: Interim Report

September

- Real Economy Transition Plans Guidance: Final Report
- Sector Briefs (Steel, Aviation, Oil & Gas)

October

- State of Finance Mobilization to EM&DEs: Final Report
- FI Transition Plan Guidance: Final Report
- Portfolio Alignment Measurement: Final Report

November

- Publication of GFANZ Progress Report

Legend:

- △ Interim paper
- ○ Final publication
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