

Net Zero Delivery Summit

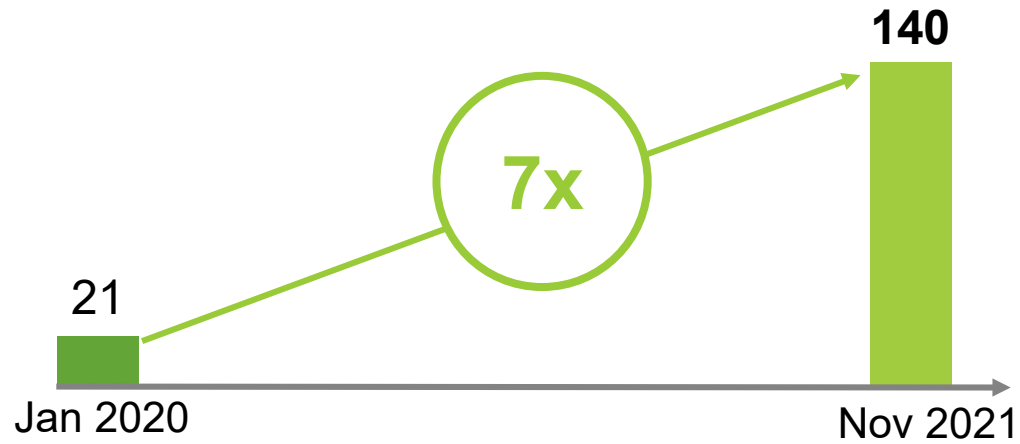
Financing the Net Zero Revolution

MARK CARNEY

11 MAY 2022

Net-zero transition is accelerating

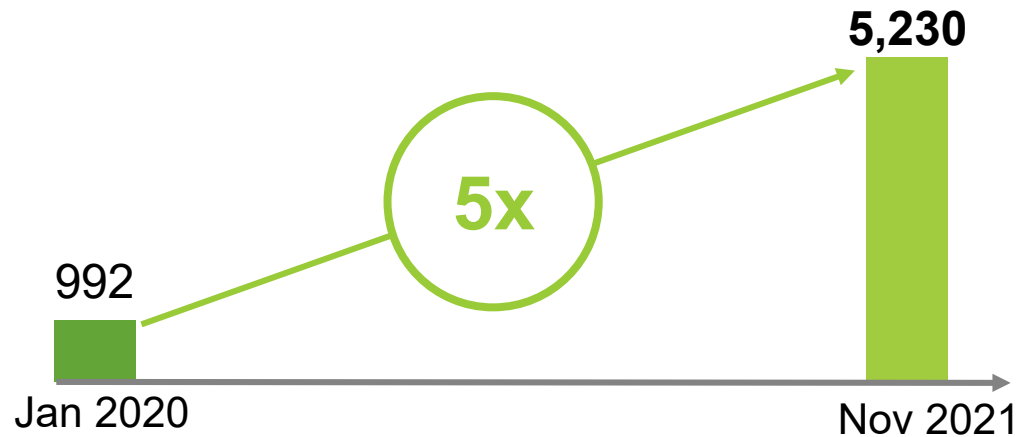
Countries with net-zero commitments



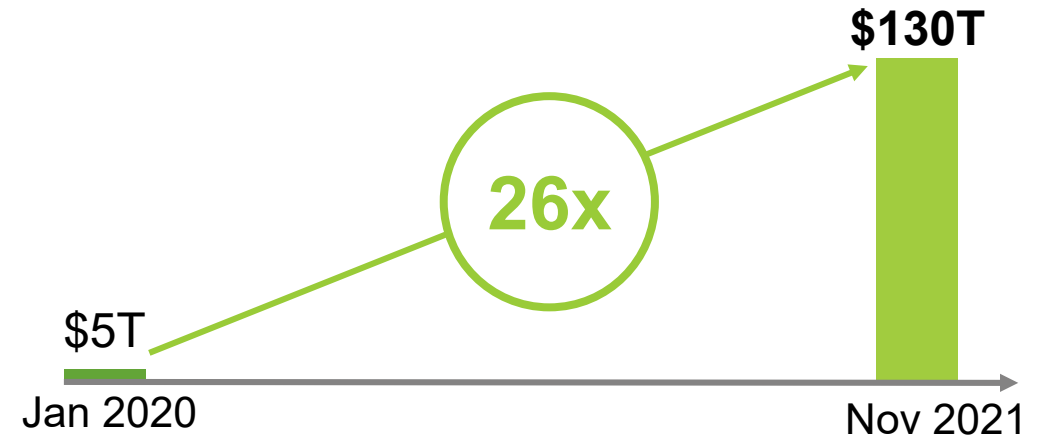
Emissions covered by country net-zero commitments



Companies with net-zero commitments



Financial commitments to net zero

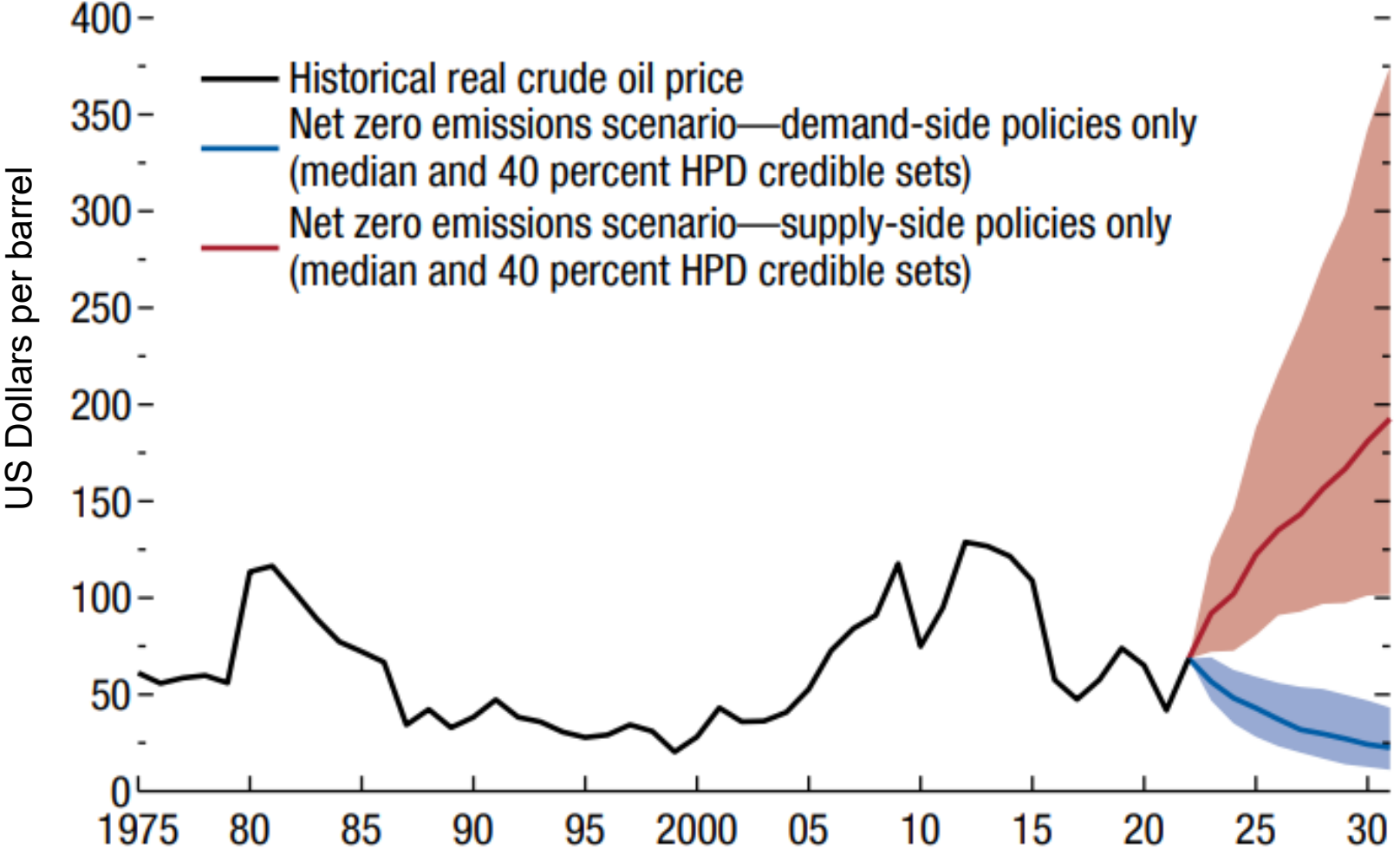


Sources: Climate Action Tracker, United Nations Climate Change, Race to Zero, United Nations Climate Change Race to Zero, Glasgow Financial Alliance for Net Zero (GFANZ).

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

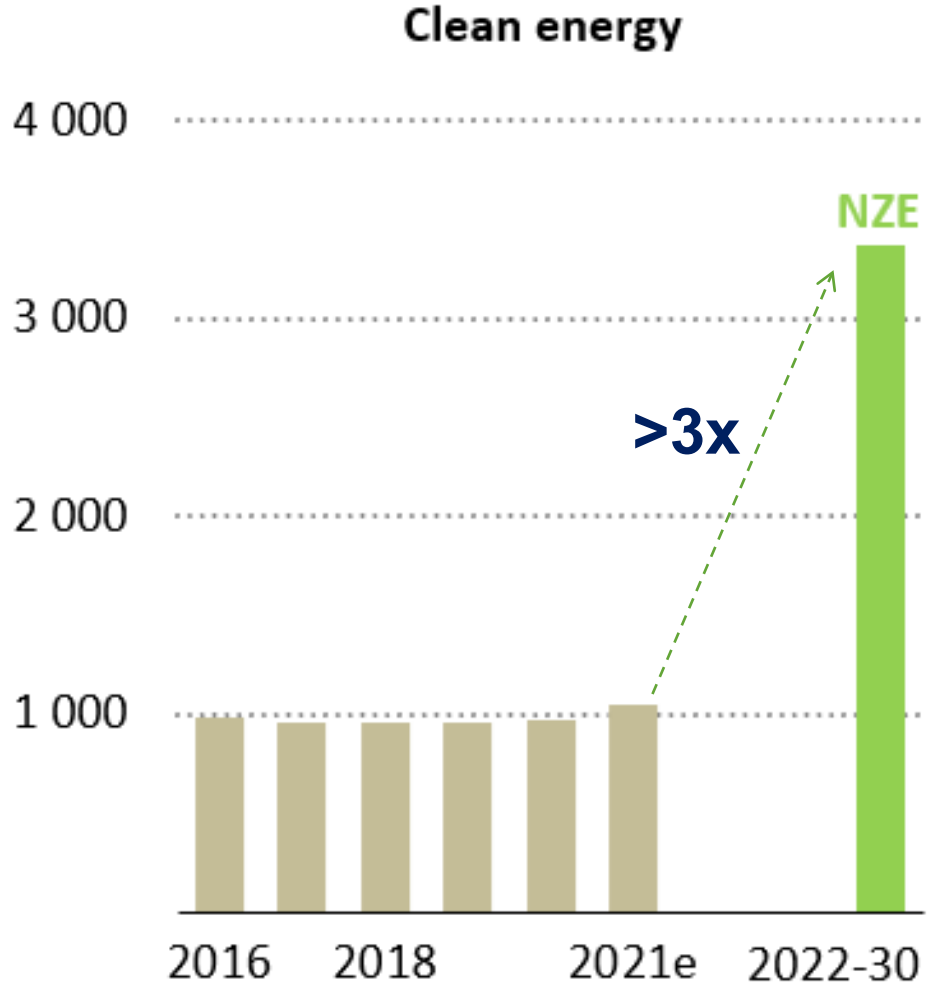
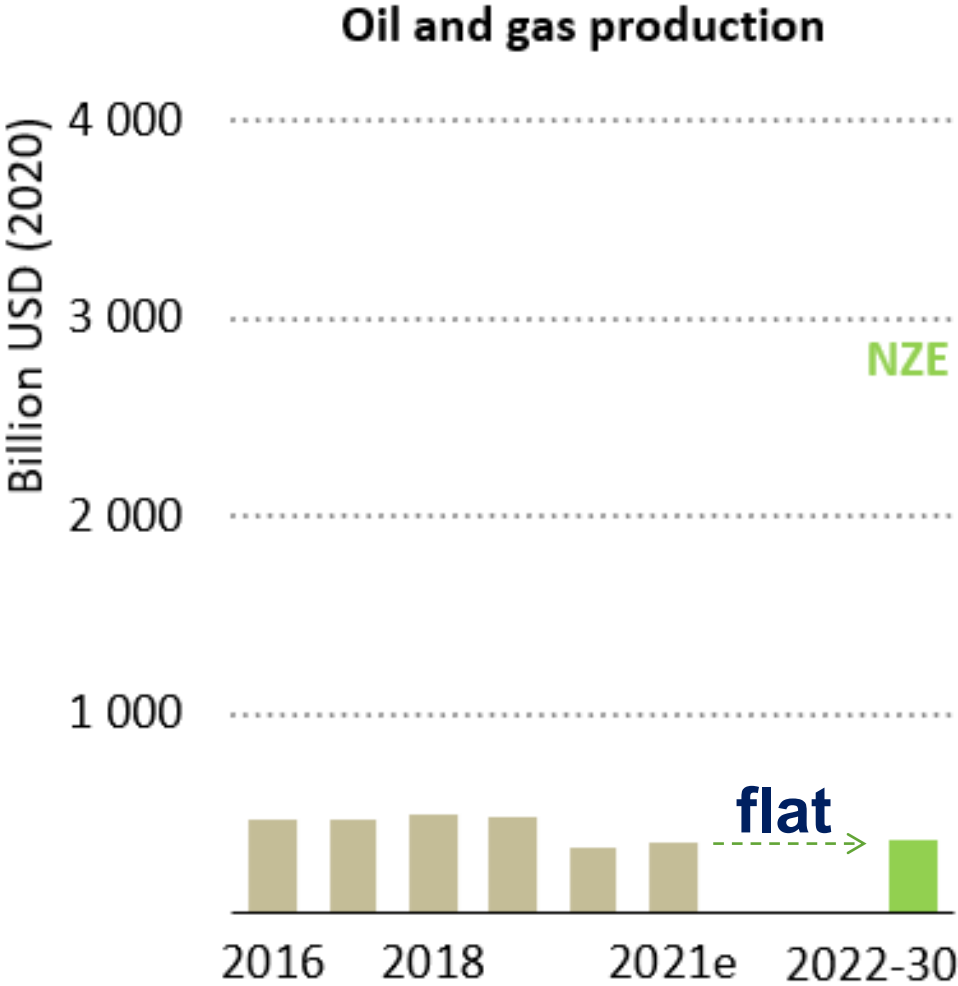
Net Zero Transition improves Energy Security

Energy
security

Sustainable
Energy =
Energy
Security

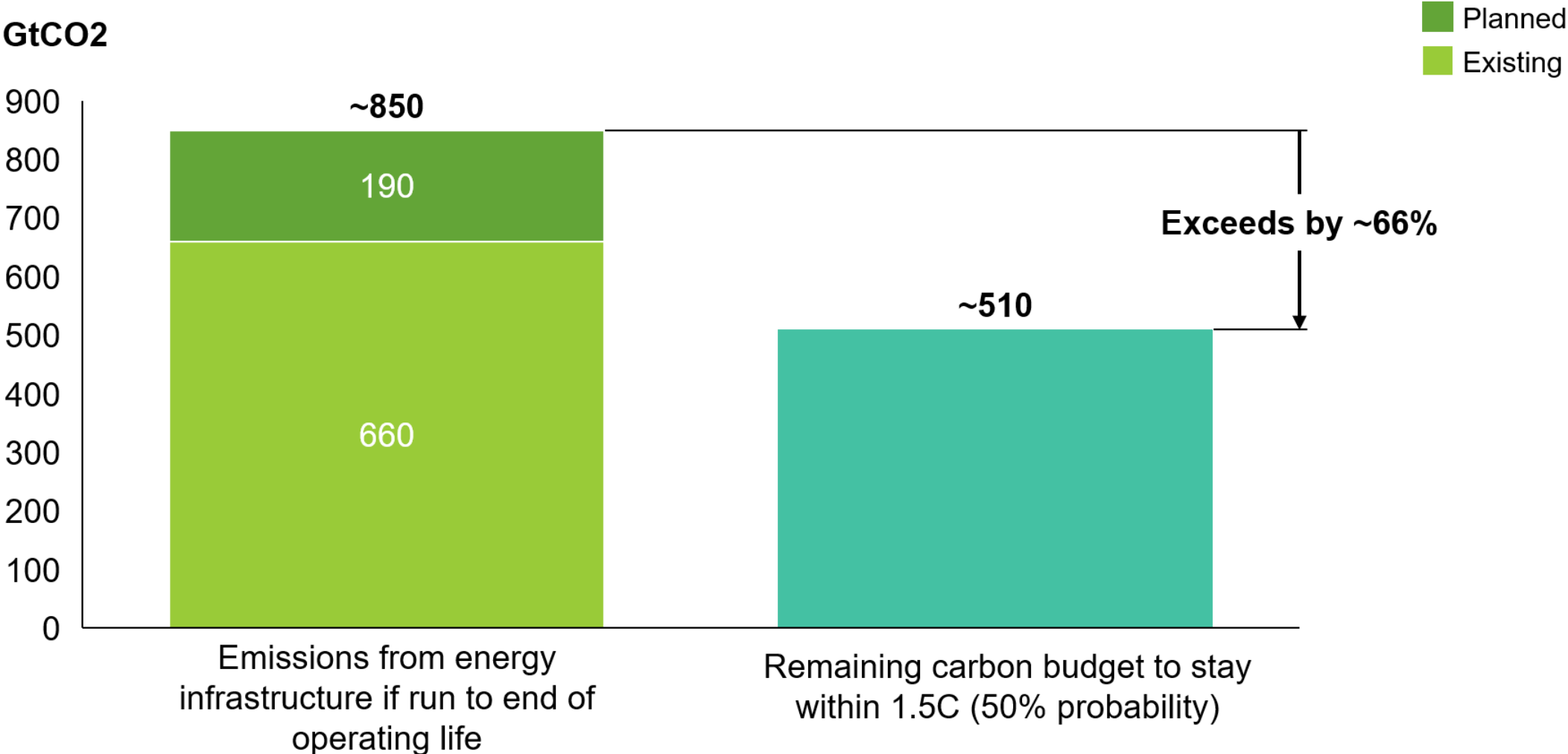
Energy
sustainability

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

✓
**TCFD
STOCKTAKE**

✓
**TCFD
IMPLEMENTATION
GUIDANCE**

✓
**COMPANIES
COMMITTED TO
TCFD**

✓
**TCFD
LISTING
GUIDANCE**

✓
**GLOBALLY-
CONSISTENT
REPORTING**

✓
**ASSURANCE
OF COMPANY
ACCOUNTS**

✓
**COUNTRIES
MANDATE
TCFD**

✓
**CLIMATE
RISK
GUIDANCE**

✓
**CLIMATE
SCENARIO
ANALYSIS**

✓
**SECTOR-
SPECIFIC
SCENARIOS**

✓
**CENTRAL
BANK
MANDATES**

✓
**CENTRAL
BANK
DISCLOSURE**

✓
**CLIMATE
TRAINING
ALLIANCE**

✓
**IMF
SURVEILLANCE**

✓
**INTERNATIONAL
REGULATORY
APPROACH**

✓
**INSURANCE
& RISK
MODELLING**

✓
**CREDIBLE
NET-ZERO
TRANSITION
PLANS**

✓
**PORTFOLIO
ALIGNMENT
METRICS**

✓
**FINANCE
COMMITMENTS
TO NET ZERO**

✓
**COUNTRY
PLATFORMS**

✓
**ADDRESSING
PROTECTION
GAP**

✓
**DEVELOPMENT
BANKS'
LENDING**

✓
**VOLUNTARY
CARBON
MARKETS**

✓
**CONSUMER-
FRIENDLY
METRICS**

GFANZ spans the financial sector

Net Zero Asset Owners Alliance

Members: 69 investors representing **\$10.5tn**

Commitments: transition portfolios to net zero emissions by 2050, publishing interim targets every 5 years, starting with 2025

Structure: UN convened

Net Zero Asset Managers Initiative

Members: 220 AMs representing **\$57tn**

Commitments: 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.

Structure: led by Investor Agenda (IIGCC, AIGCC, Ceres, IGCC, CDP, PRI)

Net Zero Banking Alliance

Members: 102 banks representing **\$67tn**

Commitments: align operational and financed emissions with net-zero by 2050 or sooner, including 2030 interim targets

Structure: industry-led, co-founded by UNEP FI and HRH's Sustainable Markets Initiative (SMI).

Paris Aligned Investment Initiative

Members: 53 asset owners representing **\$2.9tn**

Commitments: transition investment portfolios to net zero emissions by 2050, including 2030 interim targets

Structure: convened by IIGCC, Ceres, AIGCC and IGCC

Net Zero Insurance Alliance

Members: 21 (re)insurers

Commitments: members commit to transition underwriting portfolio to net zero emissions by 2050, including 2030 interim targets

Structure: U-convened

Net Zero Financial Service Providers Alliance

Members: 23 across credit rating agencies, data providers and listing exchanges

Commitments: 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

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



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

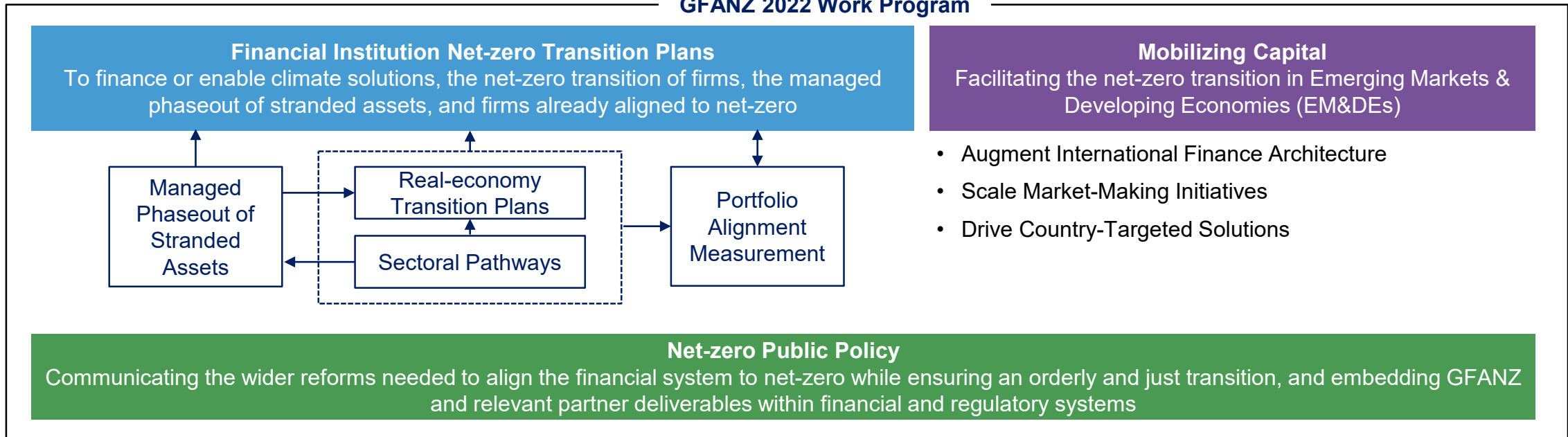
Guidance on **portfolio alignment**

Frameworks to **phase out** high-emission assets

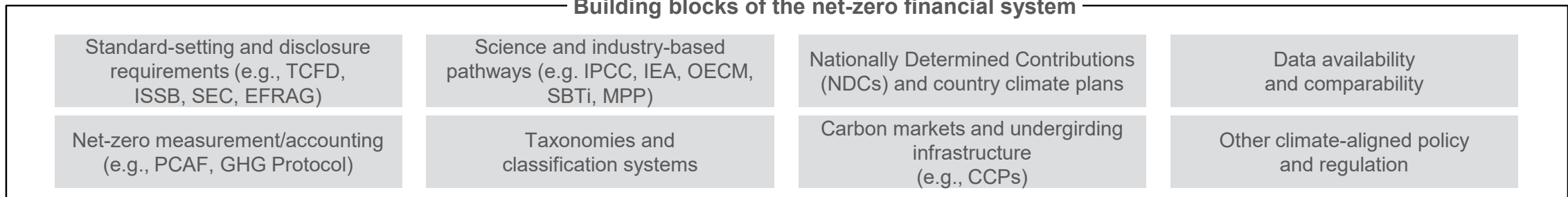
Just Energy Transition Partnerships for EMDE Transition Financing

Building a net-zero financial system

GFANZ 2022 Work Program

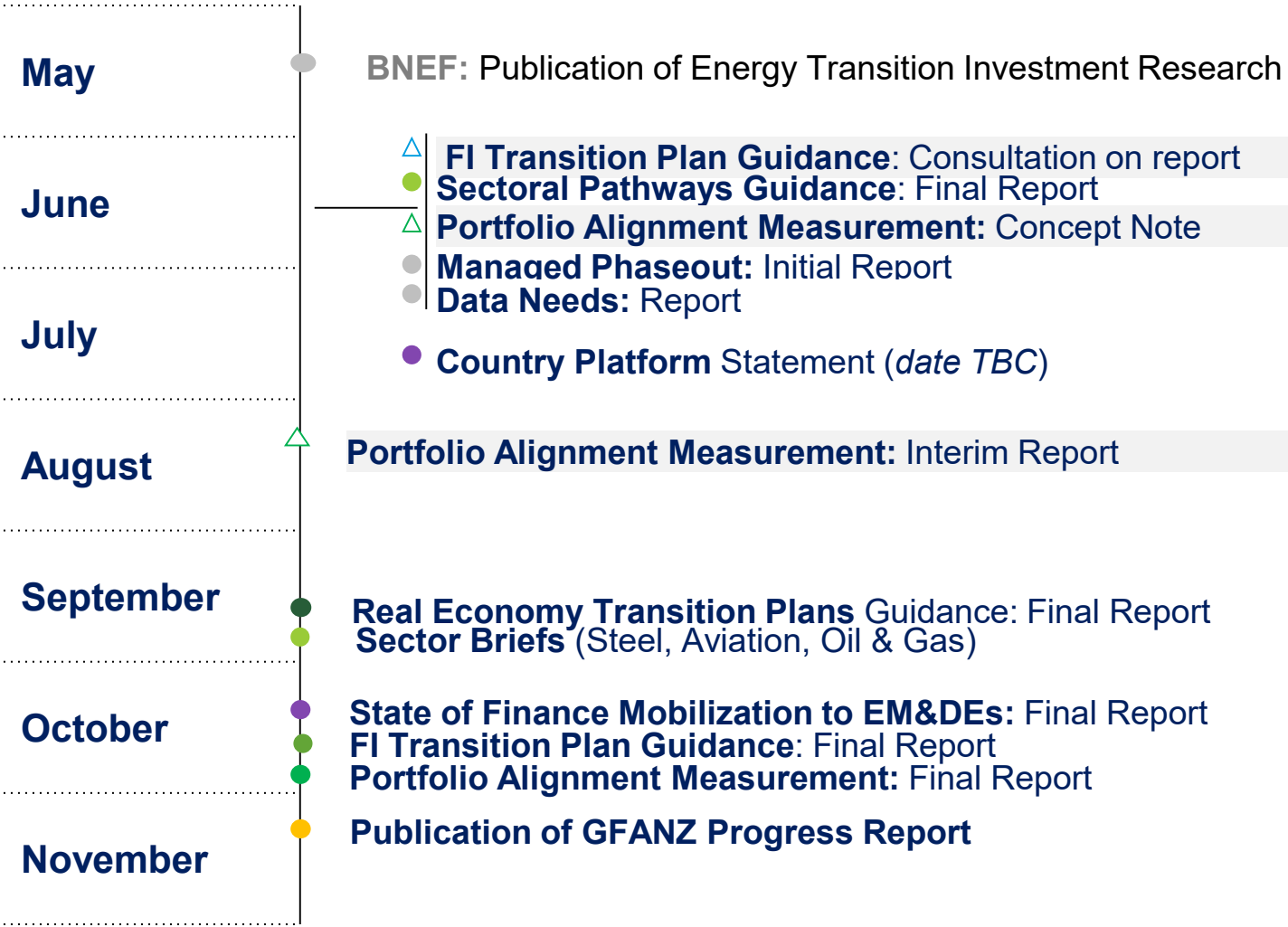




Building blocks of the net-zero financial system



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

GFANZ 2022 Outputs



Legend:  Interim paper  Final publication

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