

CALL TO ACTION

One Year On



GFANZ

Glasgow Financial Alliance for Net Zero

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Introduction

This report outlines the policy levers that G20 governments could pull to provide households, businesses, financial institutions, and investors with sufficient clarity and confidence on how each G20 country will deliver on its climate commitments. Together, these policy levers represent essential components of transition planning by governments, absent which progress towards net zero will be delayed and risks that the transition is disorderly¹ and unjust will be increased. GFANZ remains supportive of G20 governments undertaking ambitious policy that will support real economy net-zero transition and is committed to playing its part by working with policymakers and regulators on such policy initiatives.

Governments around the world face challenges on numerous fronts. The war in Ukraine has exacerbated energy and food security concerns, adding to inflationary pressures and severe cost of living crises. Meanwhile, the climate change emergency is worsening. 2022 brought devastating wildfires, droughts, and floods globally and 2021 a year in which average temperatures were more than 1°C above pre-industrial levels.² Rather than peaking, as the Intergovernmental Panel on Climate Change (IPCC) has said should happen before 2025 at the latest, carbon emissions were at their highest in the history of humankind in 2021.³ The climate stakes could not be higher.

So despite near-term challenges, it is critical that G20 governments bridge the gap between their Paris commitments⁴ and their plans to transition.

The current energy crisis provides compelling motivation for governments to accelerate transition from existing energy sources to more affordable, accessible, resilient, and reliable clean energy. Governments should publish economy-wide transition plans, underpinned by sectoral pathways and specific policies. In so doing, it is imperative to explain how any new, short-term reliance on fossil fuels, given the current energy crisis, will be accommodated within longer-term transition plans consistent with science-based pathways. More broadly, transition planning can support people and businesses in weathering today's crises, while also delivering net-zero transition in a way that stimulates investment, growth, jobs, and a better quality of life.

The financial sector can support delivery of these government plans given an increasing strategic alignment with the net-zero transition. GFANZ includes 550 financial institutions in 50 jurisdictions that recognize the critical role that the financial sector can play in supporting real-economy transition, through the households and businesses they finance, and their investing clients. Via their membership in one of seven sector-specific alliances, each financial institution has made

1 GFANZ uses the term “orderly transition” to refer to a net-zero transition in which both private sector action and public policy changes are early and ambitious, thereby limiting economic disruption related to the transition (e.g., mismatch between renewable energy supply and energy demand). This explanation applies to all mentions of the term “orderly transition” in this document. For further detail please refer to the endnote. For reference, the [Network for Greening the Financial System](#) (NGFS), which develops climate scenarios used by regulators and others, defines “orderly scenarios” as those with “early, ambitious action to a net-zero GHG emissions economy,” as opposed to disorderly scenarios (with “action that is late, disruptive, sudden and/or unanticipated”). In an orderly transition, both physical climate risks and transition risks are minimized relative to disorderly transitions or scenarios where planned emissions reductions are not achieved.

2 Source for H1 2022 estimates: [NOAA](#). Source for past seven years: [WMO](#).

3 Source: [IPCC](#) and [IEA](#).

4 The [Paris Agreement](#) commits to holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels.

a voluntary commitment to support an economy-wide transition to net-zero greenhouse gas (GHG) emissions by 2050, to support mitigation of the risks and seizing of the opportunities, as well as transparent reporting on their progress.⁵ A recently issued [Progress Report](#) reviews the progress made this year by GFANZ as a forum for leading financial institutions to develop frameworks and tools to support financial institutions in delivering on their commitments and supporting the transition to net zero.

While a growing proportion of the financial sector is supporting the transition, this cannot be a substitute for government action. GFANZ's

2021 [Call to Action](#) urged G20 governments to draw on five broad policy levers to deliver on the goals of the Paris Agreement. These levers represent essential components for transition planning by governments. GFANZ reiterates its call on G20 governments to act with urgency because while the world has changed in 2022, the realities of climate physics and the global carbon budget have not.⁶ This Report revisits the five policy levers to draw out how they can support government transition planning, while highlighting the approaches being explored by financial institutions, with a view to sharing lessons learned.

5 See: Net Zero Asset Managers ([NZAM](#)) Initiative, Net-Zero Asset Owner Alliance ([NZAOA](#)), Net-Zero Banking Alliance ([NZBA](#)), Net Zero Financial Service Providers Alliance ([NZFSPA](#)), the Net-Zero Insurance Alliance ([NZIA](#)), the Net Zero Investment Consultants Initiative ([NZICI](#)), and Paris Aligned Asset Owners ([PAAO](#)).

6 The 1.5°C carbon budget will be exhausted within less than a decade on current trajectories. Used with permission of the [Global Carbon Project](#).

Progress and Transition Planning Priorities for G20 Governments

1 Set net-zero targets underpinned by economy-wide transition plans and sector-specific pathways



1.1 Develop economy-wide transition plans underpinned by sector-specific strategies that deliver on governments' stated climate ambitions and emissions reductions targets, underpinned by clear implementing policies such that private finance can make informed capital allocation decisions in support of the net-zero transition.

1.2 Urgently update energy transition strategies to take into account any short-term policy measures taken in response to the energy crisis and clarify policy to get back on track to deliver on both energy security and net-zero transition policy objectives.

1.3 Establish that transition finance should extend across the entire economy, supporting companies in the process of aligning with transition pathways and providing solutions for the managed phaseout of high-emitting assets. If the G20 recognized managed phaseout as a legitimate financing strategy — subject to guardrails to be developed alongside appropriate transparency — governments, MDBs, and private finance would be better placed to support orderly and just transition.

2 Align the multilateral and international financial architecture with net-zero delivery



2.1 Accelerate work at the G20-level to forge consensus around what is needed to build frameworks for transition finance, drawing on practitioner-led market-based approaches, such as the Financial Institution Net-Zero Transition Plan Framework developed by GFANZ members in consultation with stakeholders.

2.2 Ensure regulatory approaches, including micro- and macro-prudential regulation, continue to allow for the financial system to play a role in supporting orderly real-economy transition and do not unduly tighten the flow of transition finance to countries, sectors, and companies that are actively seeking to transition.

2.3 Ensure that climate and sustainability disclosure standards already being developed, intentionally and nationally, take into account the data needed to support transition and transition planning.

3 Commit to pricing the externalities of carbon emissions



3.1 Continue to implement direct and indirect carbon pricing, covering a wider scope of activities and with a forward path for pricing that reflects the externalities of high-emitting activities, while building frameworks to measure the comparability of indirect and direct carbon pricing approaches.

3.2 Urgently act to address the ongoing uncertainty around how carbon markets will work cross-border, with particular focus on the types of credits qualifying, the various approaches to recognizing benefits, and how compliance and private voluntary markets will complement each other now and in future.

3.3 Support and engage with ongoing private sector-led work to develop high-integrity voluntary carbon markets and to build the market infrastructure needed.

4 Create incentives to help the transition of people, businesses, and communities to a net-zero future and protect natural capital



4.1 Ensure that policies support the transition of individuals, businesses, and communities — including the incentivization of lower carbon footprints — are just, with targeted protection and support for the most vulnerable.

4.2 Identify areas where government policy or public-private collaboration is needed to support transition across the economy and in specific sectors. Work with each sector and the financial community to remove barriers and sources of friction; bring about the necessary collaboration; and explore what incentives are needed.

4.3 Translate commitments to safeguard nature and prevent deforestation into tangible government policies that can cascade through the private and financial sectors.

5 Mobilize capital flows to emerging markets and developing economies (EM&DEs)



5.1 Support EM&DEs in their net-zero transitions by pursuing new architecture and approaches to address longstanding barriers to the mobilization of private finance at scale. Capture these approaches within an updated G20 Country Platform Framework and wider frameworks and approaches that are replicable globally.

5.2 Support EM&DEs that are already pursuing ambitious net-zero transitions through collective efforts to identify and address barriers and build and finance bankable projects. There should be a particular short-term focus to ensure that transition finance frameworks support the managed phaseout of high-emitting assets.

5.3 Ensure that MDBs set their own net-zero targets, and pilot approaches that will allow them to contribute more risk capital, for more flexible use, to crowd in private finance at scale. Ultimately, financing the net-zero transition globally likely requires bold reform, and the G20 should build on its recent independent review of MDBs' capital adequacy to ensure MDBs can play a full part in supporting the transition.

1. SET NET-ZERO TARGETS UNDERPINNED BY ECONOMY-WIDE TRANSITION PLANS AND SECTOR-SPECIFIC PATHWAYS

While nearly all G20 governments have committed to reaching net-zero emissions, their commitments and implementing policies are not yet sufficient to deliver the overarching aims of the Paris Agreement. More consistent efforts are needed to translate high-level ambitions into economy-wide transition plans with sector-specific pathways and clear implementing policies. Together, such plans and policies could send clear signals to the market and unlock private capital in support of transition. To address uncertainty, governments should explain how they will transition energy systems to clean alternatives over appropriate timelines, including how they will get back on track after any short-term measures taken in response to the energy crisis. While the cost-of-living and energy crises have brought short-term challenges, net-zero transition can address both short- and long-term policy priorities.

COP26 delivered significant gains, but it is urgent that G20 countries accounting for 80% of global carbon emissions, continue to raise ambition on their climate commitments and implementing policies.⁷ The Glasgow commitments of governments

globally — alongside accelerated costs reductions for clean energy — have the potential to limit warming to 1.7°C by 2100, but the policies identified to deliver on them are sufficient only to limit warming to 2.5°C.⁸ By COP26, 19 G20 jurisdictions had set net-zero targets;⁹ 11 had submitted long-term strategies to the UNFCCC in accordance with the Paris Agreement;¹⁰ and 14 had submitted updated nationally determined contributions (NDCs).¹¹ Following COP26, and despite the challenging backdrop, so far Australia, Brazil, India, Indonesia, and the United Kingdom have followed through on the commitment all G20 countries made to revisit and strengthen their NDCs by the end of 2022.

Uncertainty remains, exacerbated by the energy crisis, over whether G20 governments will follow through on their commitments with implementing policies. Without such clarity, the private and financial sectors' ability to support a just and orderly transition also will be diminished. It helps that nine G20 jurisdictions have enshrined their net-zero commitments into law;¹² and ten have established routine review cycles that can provide accountability.¹³ Importantly, a number of G20 governments have proceeded since COP to make material policy progress, including through legislation. Examples include the European Union's Fit for 55 and REPowerEU policies; India's National

7 Source: OECD (2021). [Carbon Pricing in Times of COVID-19: What Has Changed in G20 Economies?](#)

8 Source: [IEA](#) (2022), World Energy Outlook 2022, IEA, Paris, License: CC BY 4.0 (report); CC BY NC SA 4.0 (Annex A).

9 Source: [Climate Watch Net-Zero Tracker](#). 2021. Washington, DC: World Resources Institute. Refers to any net-zero pledges made before the end of COP26.

10 Source: [Climate Watch LTS Explorer](#). 2020. Washington, DC: World Resources Institute. Jurisdictions were Australia, Canada, China, France, Germany, Indonesia, Japan, Mexico, South Africa, South Korea, and the United Kingdom.

11 Source: [Climate Watch 2020 NDC Tracker](#). 2021. Washington, DC: World Resources Institute. Jurisdictions were Canada, China, the EU, France, Germany, Indonesia, Italy, Japan, Mexico, Saudi Arabia, South Africa, the United Kingdom, and the United States. Argentina submitted an update to its second NDC.

12 Source: [Climate Watch Net-Zero Tracker](#). 2021. Washington, DC: World Resources Institute. Jurisdictions are Australia, Canada, the EU, France, Germany, Japan, Russia, South Korea, and the United Kingdom.

13 Source: [Climate Action Tracker](#). In-depth country profiles are not available for Italy and France. As of September 2022.

Hydrogen Mission; Japan's Asia Energy Transition Initiative; South Africa's proposed climate change bill; and the United States' Inflation Reduction Act. That said, only a handful of G20 jurisdictions have made policies that could be sufficient to align with a trajectory for 1.5°C warming. Most G20 countries have policies that are considered "insufficient" or "critically insufficient".¹⁴ In many G20 countries, the current energy crisis has resulted in policies that either delay or partially reverse progress towards reduced dependency on fossil fuels.

Economy-wide transition plans set by governments with clear sector-specific pathways and implementing policies provide confidence, clarity, and appropriate incentives to real-economy companies and financial institutions planning their own transitions. Drawing on a voluntary and principles-based pan-sector [Net-Zero Transition Plan Framework](#) developed by GFANZ members, individual financial institutions can consider how to support the real-economy transition by facilitating the allocation of capital and provision of related services, in a manner consistent with their role and individual fiduciary, contractual, legal, or regulatory obligations. This transition finance extends across (i) the developing and scaling of climate solutions; (ii) activity already aligned to a 1.5°C pathway; (iii) companies making progress in aligning with 1.5°C-aligned pathways; and (iv) the accelerated managed phaseout (e.g., via early retirement) of high-emitting physical assets. In so doing, financial institutions will need to engage extensively with policymakers and the households and businesses they finance. However, success in the long run will

depend on governments setting sector-by-sector net-zero transition policies and on real-economy corporates planning their own transitions.

Across global, national, and corporate-level transition planning, sectoral pathways provide the critical link between the science of the remaining carbon budget and the detailed steps that can be taken to reduce emissions to a particular level over a specified timeline. GFANZ's work has highlighted the importance of deepening awareness of the pathways that each sector in the real economy might follow, so that these can be scrutinized, debated, and advanced by public- and private-sector stakeholders. GFANZ's [Guidance on Use of Sectoral Pathways for Financial Institutions](#) describes how financial institutions can use sectoral pathways to support their wider engagement with the real-economy corporates they finance. Even so, most of the work needed — at global, national, and sector level — to map out these pathways lies ahead and will require input from a broad set of stakeholders including governments.

Given the uncertainties caused by the current energy crisis, G20 governments should communicate how any short-term measures to secure energy supply and shield the most vulnerable will be reflected and accommodated in longer-term plans to transition energy systems to a net-zero future. While the Glasgow Climate Pact called for a "phase down" of unabated coal power and a "phase out" of inefficient subsidies for fossil fuels, and some G20 governments had begun to articulate ambitious strategies to achieve these

¹⁴ "Could be" sufficient refers to the Climate Action Tracker assessment of "almost sufficient" climate policies and actions. Source: [Climate Action Tracker](#). In-depth profiles not available for Italy and France. "As of" dates vary.

goals, implementation has slowed or been partially unwound. Where governments have determined that due to the energy crisis they need to increase fossil fuel usage and investments compared to previous plans, greater clarity is needed as to how they then intend to get back on course to transition their energy systems and avoid longer-term fossil fuel dependencies. Such clarity could encourage private sector investment in clean energy systems, thereby boosting jobs and growth. Ultimately, it could deliver energy supplies that are affordable, accessible, resilient, and reliable.

Scaling up investments in clean energy alternatives and the phaseout of high-emitting assets will need appropriate governmental policy frameworks and support. There is a need to scale up clean energy infrastructure and energy efficiency investment from the expected \$1.4 trillion in 2022¹⁵ to \$4 trillion per year globally by the end of this decade.¹⁶ While renewable energy is cheaper in most G20 countries than fossil fuels, credible, internationally accepted climate scenarios suggest that clean energy investment will need to run at four times the current rate of fossil fuel investment by the end of this decade and rise further beyond 2030.¹⁷ Through their transition planning, governments can do more to address policy barriers and support the investment needed. At the same time, it will be critically important to ensure that transition finance extends across the economy — beyond climate solutions and companies already aligned to 1.5°C — to ensure that the financial sector can play its part in both supporting companies in the process of developing their own transition plans to align, and also the early retirement of high-emitting assets in an orderly and just manner. In relation to the latter,

and as set out in the GFANZ [Managed Phaseout of High-emitting Assets](#) Report, there is a need for greater recognition by the G20 that, subject to appropriate guiderails to be developed alongside appropriate transparency, managed phaseout is a legitimate financing activity for governments, multilateral development banks (MDBs), and private financial institutions.

Priority policy recommendations to G20 Governments for transition planning:

- 1.1 Develop economy-wide transition plans underpinned by sector-specific strategies that deliver on governments' stated climate ambitions and emissions reductions targets, underpinned by clear implementing policies such that private finance can make informed capital allocation decisions in support of the net-zero transition.
- 1.2 Urgently update energy transition strategies to take into account any short-term policy measures taken in response to the energy crisis and clarify policy to get back on track to deliver on both energy security and net-zero transition policy objectives.
- 1.3 Establish that transition finance should extend across the entire economy, supporting companies in the process of aligning with transition pathways and providing solutions for the managed phaseout of high-emitting assets. If the G20 recognized managed phaseout as a legitimate financing strategy — subject to guiderails to be developed alongside appropriate transparency — governments, MDBs, and private finance would be better placed to support orderly and just transition.

¹⁵ Source: IEA (2022). [World Energy Investment 2022](#), IEA, Paris. Refers to clean energy investment only.

¹⁶ Source: IEA (2021). [Net Zero by 2050](#), IEA, Paris. Refers to clean energy investment only.

¹⁷ Source: Bloomberg Finance L.P ([BNEF](#)).

2. ALIGN THE MULTILATERAL AND INTERNATIONAL FINANCIAL ARCHITECTURE WITH NET-ZERO DELIVERY

Across the G20, many regulators are working to size climate-related financial risks and are beginning to set expectations for financial institutions to manage them. Net-zero transition planning is more novel, but it is welcome that the G20 and some regulators are beginning to consider the role that the financial system is increasingly playing in support of transition and how that intersects with their objectives. An important area of consideration will be ensuring that transition finance can be provided in support of real-economy net-zero transition, thereby helping to mitigate economy and financial system-wide risks. For orderly transition, regulators should support convergence around common market-based approaches including those developed by GFANZ members in consultation with relevant stakeholders. These frameworks, alongside existing disclosure frameworks, should serve as the basis for any requirements set.

Few multilateral and national financial authorities have mandates explicitly aligned with addressing climate change and net-zero transition.¹⁸ It is well established, however, that climate-related physical and transition risk could be material, and therefore that these risks are relevant under central banks' and regulators' existing mandates.¹⁹ Global standard setters, such as the Financial Stability Board (FSB) and the Basel Committee on Banking

Supervision (BCBS), as well as an increasing number of national regulators, are developing frameworks setting out expectations for individual financial institutions to identify and manage proactively the climate risks that they face.²⁰ At the same time, macro-prudential regulators are conducting increasingly sophisticated scenario analyses, often drawing on the Network for Greening the Financial System (NGFS) scenarios, to deepen understanding of the interplay of physical and transition risks at the system level.²¹ These exercises have provided valuable insights into the risks faced and the challenges of modeling such risks. Considerable further work is planned to further improve data, tools, and capabilities.

Net-zero transition is more novel, but it is welcome that global bodies and national regulators are beginning to consider the role that the financial system is increasingly playing in support of real-economy transition. The G20's Sustainable Finance Working Group (SFWG) identified in its 2021 Roadmap that there was a need to advance the understanding of — and create markets for — a sustainable transition and has recently delivered some high-level principles for transition.²² There is growing awareness amongst regulators that the way in which transition is pursued could have important implications for the risks faced by individual firms and the financial system as a whole. In particular, it is now well understood that if financial institutions focus solely on the greenness of their lending or other financing activities, this may trigger divestment from carbon-intensive assets, companies, and jurisdictions and abrupt or

18 A BIS survey of financial supervisors in 2021 found that only India had climate change as a statutory objective/responsibility (specified in legislation). Eight G20 jurisdictions had a non-statutory responsibility (not explicitly included in legislation) to address climate change. Source: BIS (2021), [The universe of supervisory mandates — total eclipse of the core?](#)

19 See, for example, FSB, [The implications of climate change for financial stability](#) (Nov 2020) and NGFS, [First Comprehensive Report](#) (Apr 2019).

20 See BCBS Principles for the Effective Management and Supervision of Climate-related Financial Risks [here](#), the FSB Consultation on Supervisory and Regulatory Approaches to Climate-related Risks [here](#); and the FSB's first annual progress report on addressing financial risks from climate change [here](#).

21 This includes the [Bank of England](#), [Bank of Canada](#), [Banque de France](#), [European Central Bank](#), [People's Bank of China](#), and the [South African Reserve Bank](#).

22 See the [G20 SFWG's roadmap](#) (2021) and the [G20 SFWG's 2022 Sustainable Finance Report](#).

disorderly adjustments.²³ Addressing these sorts of risks is an important motivation for the approach to transition planning that financial institutions are, on a voluntary basis, increasingly pursuing. At the same time, and perhaps because the financial sector is pursuing transition planning voluntarily, the potential benefits that it can bring in terms of helping to address the climate-related risks faced by firms and the wider financial system could be under-estimated. Supporting real-economy transition as financial institutions are increasingly doing, voluntarily and unilaterally, is important in its own right. It could also, through time, help mitigate some of the future physical and transition risk faced by the financial sector itself.

Further engagement by G20 policymakers and regulators on the role that financial institution transition planning can play in supporting an orderly and just transition, and in addressing climate-related financial risks, would be welcome.

Responding to G20 government commitments to net zero, and their individual assessments of opportunities and risks posed by climate change and the net-zero transition, increasing numbers of major financial institutions are voluntarily and unilaterally pursuing transition planning. As policymakers and regulators engage with these efforts, an important consideration will be ensuring that the right incentives are created to support orderly transitions, while avoiding abrupt or disorderly adjustments. This includes considering how to ensure that hard-to-abate sectors receive the funding needed to transition. In this context, regulators will want to ensure that policies set to mitigate risks to firms do not unduly tighten the flow of finance to countries, sectors, and companies actively seeking to transition. Such requirements could otherwise inadvertently slow energy transition or weigh on capital flows to emerging

markets, impeding a key source of climate and development finance. Another important issue is ensuring sufficient global consistency. Regulators can build on and support convergence around common market-based approaches such as those developed by GFANZ members and set out in [Financial Institution Net-Zero Transition Plans](#). GFANZ would welcome an acceleration of work at the G20-level — with input from global standard setting bodies and their national members — to consider the role of the financial sector in supporting the net-zero transition, taking into consideration sector specificities and applicable legal and regulatory contexts.

Governments, regulators, financial institutions, and other stakeholders have identified data gaps as a key obstacle to addressing climate risks faced by the financial system and to enabling the financial sector to support orderly transition.²⁴ The G7 and G20 have expressed support for the work of the International Sustainability Standards Board (ISSB) towards the development of a global baseline for climate-related disclosures, which builds on the Taskforce for Climate-related Financial Disclosures (TCFD), and an increasing number of jurisdictions are making climate-related financial disclosures mandatory.²⁵ The disclosures these standards will require real-economy corporates to make will be critical inputs to transition planning by financial institutions by ensuring that core data — on real-economy corporate emissions, targets, and progress, as well as relevant financial metrics — are readily available. Financial institutions themselves will disclose under these standards and this will help provide transparency and accountability on progress made against their commitments. As such, transition planning disclosures can be incorporated into these already planned common frameworks. Given the urgent need to increase

²³ For example see speeches from [Breedon](#) (2022), [De Galhau](#) (2022), and [Menon](#) (2022). It is recognized that divestment pursued in a more structured and targeted way through time may have a role to play.

²⁴ See NGFS [Final report on bridging data gaps](#) (2022).

²⁵ See the [G7 communique](#) (2022) and the [G20 Communique](#) (2021) and refer to the TCFD's annual status report, latest available [here](#).

the quantity and quality of data available to a broad set of stakeholders, it is welcome that global policymakers, a representative set of jurisdictions, and major private data providers are coming together under an initiative that GFANZ is supporting to build a [Net-Zero Data Public Utility](#).²⁶

Priority policy recommendations to G20

Governments for transition planning:

- 2.1 Accelerate work at the G20-level to forge consensus around what is needed to build frameworks for transition finance, drawing on practitioner-led market-based approaches, such as the Financial Institution Net-Zero Transition Plan Framework developed by GFANZ members in consultation with wider stakeholders.
- 2.2 Ensure regulatory approaches, including micro- and macro-prudential regulation, continue to allow for the financial system to play a role in supporting orderly real-economy transition and do not unduly tighten the flow of transition finance to countries, sectors, and companies that are actively seeking to transition.
- 2.3 Ensure that climate and sustainability disclosure standards already being developed, internationally and nationally, take into account the data needed to support transition and transition planning.

3. COMMIT TO PRICING THE EXTERNALITIES OF CARBON EMISSIONS

Directly and indirectly pricing the externalities of carbon emissions is important in creating incentives for transition. The G20 continues to make some progress in this regard but direct

carbon pricing schemes tend to be too narrow in scope and prices too low, while energy crisis response measures have introduced countervailing effects. More broadly, greater public-private collaboration is needed to establish how compliance and voluntary carbon markets could more effectively support net-zero transition and protection of natural capital in emerging markets and developing economies (EM&DEs). This should address the uncertainty that persists around how high-integrity voluntary carbon markets, where market-based standards are being developed, could develop in such a way as to be complementary to compliance markets.

Eleven G20 governments have implemented direct carbon pricing mechanisms, with three set to follow suit.²⁷ Direct carbon pricing mechanisms have a series of benefits and can form the basis of compliance markets. The scope of such schemes, however, remains too narrow, covering less than 50% of G20 energy-related CO₂ emissions.²⁸ Moreover, prices generally do not accurately reflect the externalities of high-emitting activities, and thus do not do enough to incentivize an acceleration of the net-zero transition. Per the World Bank, less than 4% of global emissions are currently covered by a direct carbon price within the range needed to meet the temperature goals of the Paris Agreement.²⁹ The IMF estimates that the average carbon price needs to be \$75 per ton by 2030 for the world to stay on track, yet the average global price as of July 2022 was \$6 per ton.³⁰ G20 countries continue to tax carbon while subsidizing fossil fuels, and this has become more common with the onset of the energy crisis. It is recognized that direct carbon pricing is not the only approach that can be taken, and indirect approaches will also

²⁶ See [Draft Recommendations for the Development of a Net-Zero Data Public Utility](#) (2022).

²⁷ Source: [World Bank Carbon Pricing Dashboard](#). Data as of April 2022. Does not reflect sub-national schemes.

²⁸ Source: OECD (2021). [Carbon Pricing in Times of COVID-19: What has changed in G20 economies?](#)

²⁹ Source: [World Bank](#). 2022. State and Trends of Carbon Pricing 2022. State and Trends of Carbon Pricing. Washington, DC: World Bank. © World Bank.

³⁰ Source: [IMF](#). Prices vary greatly, rising as high as \$90 per ton in the European Union.

have a role to play.³¹ It will become increasingly important to determine how different pricing mechanisms can be compared in order to avoid friction such as trade disputes.

At COP26, countries agreed the high-level rules for the international transfer of emissions reductions and removals via Article 6 of the Paris Agreement. However, important additional work remains to fully operationalize the arrangements.

There is an urgent need to further develop the supra-national architecture underpinning carbon markets if they are to support a high-ambition path to net zero³² while there is still time. Key considerations include which types of emissions reductions and removal credits will be considered in the scope of these compliance markets; how to enable the transfer of carbon credits across borders (including implementation of registries); and the role of private, voluntary carbon markets in the Article 6 framework, particularly with regards to corresponding adjustments. It is important to answer these questions quickly as it is estimated that trading in carbon credits could reduce the cost of implementing NDCs by more than half by 2030.³³ Uncertainty about how compliance markets work may risk frustrating efforts in voluntary markets.

Private sector-led initiatives are developing frameworks for high-integrity voluntary carbon markets, focusing on both the quality of underlying credits (supply side) and their use by corporates (demand side). This is welcome especially given these markets are growing, albeit from a low base; the value of global voluntary carbon markets was nearly \$2 billion in 2021,

four times the value in 2020.³⁴ On the supply side, the Integrity Council for Voluntary Carbon Markets (IC-VCM) launched at COP26, has issued for consultation draft standards on what constitutes a high-quality, high-integrity carbon credit.³⁵ At the same time a new field of independent carbon credit ratings agencies has emerged. On the demand side, the Voluntary Carbon Market Initiative (VCMI) published proposed standards on the appropriate use of offsets and associated claims.³⁶ Standards with widespread stakeholder acceptance and adoption in the market can help establish a market with greater transparency and integrity. Since these efforts are global and voluntary, it would be welcome if G20 governments and standard setters, engaged with these initiatives to understand them, help promote their quality and integrity, and recognize their validity.

Public-private collaboration to determine how compliance markets and high-integrity voluntary carbon markets intersect could play an instrumental role in financing energy transitions and protecting natural capital in EM&DEs. The uncertainty over whether and how to transfer benefits across borders in relation to compliance markets — and how through time voluntary markets will intersect with these compliance markets — risks frustrating the development of both. Slow development of these markets would have a materially negative impact on net-zero transition across a number of major EM&DEs who need to finance both the managed phaseout of fossil fuels and to protect their natural capital. There is therefore a pressing need for the G20 to address these significant barriers to progress — working with the private sector and other expert

31 The World Bank outlines indirect and direct ways to price carbon. It stipulates that the approach taken will depend on national and economic circumstances. A direct approach could be a carbon tax or a cap-and-trade system. An indirect approach could be, for example, through “fuel taxes, the removal of fossil fuel subsidies, and regulations that may incorporate a ‘social cost of carbon’”. Source: [World Bank](#).

32 Source: [IIF](#).

33 Source: [IETA](#).

34 Driven by a rise in nature-based solutions and rising prices. Source: [Forest Trends’ Ecosystem Marketplace](#), 2022. The Art of Integrity: State of Voluntary Carbon Markets, Q3 Insights Briefing. Washington DC: Forest Trends Association.

35 Further detail on IV-VCM [here](#).

36 Further detail on VCMI [here](#).

bodies — to ensure sufficient clarity. It is further noted that to ensure carbon markets can play a meaningful role, the development of supporting market infrastructure will be required.

Priority policy recommendations to G20 Governments for transition planning:

- 3.1 Continue to implement direct and indirect carbon pricing, covering a wider scope of activities and with a forward path for pricing that reflects the externalities of high-emitting activities, while building frameworks to measure the comparability of indirect and direct carbon pricing approaches.
- 3.2 Urgently act to address the ongoing uncertainty around how carbon markets will work cross-border, with particular focus on the types of credits qualifying, the various approaches to recognizing benefits, and how compliance and private voluntary markets will complement each other now and in future.
- 3.3 Support and engage with ongoing private sector-led work to develop high-integrity voluntary carbon markets and to build the market infrastructure needed.

4. CREATE INCENTIVES TO HELP THE TRANSITION OF PEOPLE, BUSINESSES, AND COMMUNITIES TO A NET-ZERO FUTURE AND PROTECT NATURAL CAPITAL

Notwithstanding the challenging policy context, G20 governments need to help stimulate more private sector investment to support people, businesses, and communities in transitioning to a net-zero future and to protect natural capital. Policies are needed to create incentives and overcome barriers for people and businesses,

and for the financial sector. Such forward-looking policy can play an instrumental role in reducing high-carbon energy demand; improving people's quality of life; creating the jobs of the future; and creating significant business development opportunities. In this context, it is increasingly recognized that protecting natural capital brings significant climate, social, and economic benefits. But more needs to be done to deliver on commitments made at COP26.

There is increasing recognition that transitioning to net zero requires wholesale transformations of our economies over as little as a decade, which can only be achieved if a just transition is prioritized.

At the aggregate level, transition is expected to bring benefits in emissions reductions, but also in increased access to affordable energy; reduced exposure to life-shortening pollution and extreme weather events; sustainable economic growth; and new local green jobs. The IEA estimates that the energy transition could create 30 million jobs while causing just 5 million job losses.³⁷ It also predicts that by 2050, clean energy will be provided to 785 million people currently without electricity and 2.6 billion people without clean cooking facilities.³⁸ Even so, it will be important to address the risks of workers and regions being stranded by the decline in certain industries to ensure equitable outcomes and continued social license³⁹ for change on the scale needed. It is particularly urgent, as highlighted in this report, to ensure that EM&DEs secure the share of investment they need to ensure future growth compatible with a net-zero future.

In response to COVID-19 and the energy crisis, G20 governments are increasingly making policy to support people and businesses in their transition efforts, yet not at the scale required. The share of COVID recovery funds allocated to

37 Source: IEA (2021). [The importance of focusing on jobs and fairness in clean energy transitions](#). IEA, Paris.

38 Source: IEA (2021). [Net Zero by 2050: A Roadmap for the Global Energy Sector](#).

39 Per [Raufflet et al.](#), a social license to operate refers to perceptions of local stakeholders that a project, a company, or an industry that operates in a given area or region is socially acceptable or legitimate.

environmentally positive measures has risen to a third, although more than half the value of these investments has been matched by environmentally harmful measures.⁴⁰ As the global energy crisis has been exacerbated by the war in Ukraine, G20 governments have focused on quick-to-deploy measures to shield households and businesses from higher energy prices. It is important, however, for policy to evolve further to address medium- and long-term policy objectives. This is beginning to happen as some G20 countries work to secure future clean energy supplies, provide more targeted support, and maintain price signals that incentivize demand reduction and transition. This evolution will be an important factor in progressively reducing dependence on fossil fuels.⁴¹ Some studies indicate a plurality of citizens willing to make lifestyle changes on climate grounds, and “bottom-up” efforts can make an important contribution.⁴² However, households and businesses need support to significantly reduce their carbon footprints. These challenges are especially acute within EM&DEs where there may be more urgent socio-economic development-related needs. Policies that governments could consider that support individuals to reduce their carbon footprints could be to: improve energy efficiency in buildings; provide and incentivize use of greener transportation; and to increase the share of the energy supply that is clean. The IPCC estimates that comprehensive

demand-side strategies across all sectors could deliver reductions in GHG emissions of between 40 and 70% by 2050, when benchmarked against the emissions projected under global policies in place as of 2020.⁴³

Businesses in all sectors are increasingly focused on supporting net-zero transition, but government policy support is needed to unlock climate solutions.⁴⁴ All sectors will depend on securing clean energy supplies and on policies to incentivize research and development (R&D) and financial investment in climate solutions. Take aviation, where most gains will come from sustainable aviation fuels (SAF), but the necessary five- to six-fold increase in projects to deliver SAF plants by 2030⁴⁵ and bring prices down will be hard to achieve without enhanced public-private collaboration.⁴⁶ In steel, emissions reductions through improvements to existing technologies coupled with clean energy will not be sufficient: new technologies and solutions — particularly production using hydrogen — need to be rapidly scaled.⁴⁷ Public policy will need to help solve challenges such as price differentials favoring existing high-carbon activities; potential near-term shortages of key inputs for new technologies (such as critical minerals and zero- or low-cost hydrogen); under-investment in carbon capture, utilization and storage (CCUS) solutions;⁴⁸ and development of

40 Source: OECD (2022), [Assessing environmental impact of measures in the OECD Green Recovery Database](#). Estimates suggest “potentially environmentally harmful government support” is more than \$680 billion annually around the globe. This compares to the cumulative approximate \$1.1 trillion of green spending identified in country measures.

41 Source: OECD (2022), [Why governments should target support amidst high energy prices](#).

42 See, for example, [PEW](#) research on behavioral attitudes. Lifestyle changes refer to activities that currently result in household emissions and are linked to many sources and sectors according to a [UNEP](#) report. These include diet, mobility, and residential energy usage.

43 See the IPCC report [here](#). Emissions reductions will be relative to the 2050 emissions projection of two scenarios consistent with the policies announced by national governments until 2020.

44 Over 5,000 businesses globally have committed to achieving net zero by 2050 under the UNFCCC’s [Race to Zero](#).

45 Source: MPP. [Making Net-Zero Aviation Possible](#), July 2022.

46 For example, refer to the [World Economic Forum's](#) Clean Skies for Tomorrow Sustainable Aviation Toolkit, and the IPCC report [here](#).

47 For example, the IEA’s [Net Zero by 2050](#) scenario assumes newer technologies grow in significance the final 20 years of the transition (after 2030). Refer to policymaker considerations in Mission Possible Partnership’s [Steel Transition Strategy](#).

48 Source: [IEA](#). Latest data refers to project pipeline as of year-end 2021.

market models for low-carbon technologies to make energy pricing more predictable.⁴⁹ Beyond policy designed to reduce emissions, there is a growing need to support identification and rollout of climate solutions to address adaptation, resilience, and restoration.

G20 governments are increasingly moving to place a value on nature and to protect it. These efforts are being actively supported by the financial sector. But natural capital is still being lost on a significant scale. To limit global temperature increases to 1.5°C, deforestation must end this decade. Yet land use and land-use change account for up to 11% of annual total anthropogenic greenhouse gas emissions, largely driven by deforestation of tropical forests.⁵⁰ The level of deforestation in the Amazon in 2021 — at 1.3 million hectares of forest — was at a level not seen since 2006.⁵¹ Estimates indicate that protecting and revitalizing forests can avoid significant emissions, potentially accounting for nearly 40% of the decarbonization needed by 2030 to limit warming to 2°C.⁵² Forest loss not only undermines long-term climate progress, it threatens the short-term health and prosperity of the people and animals that call these ecosystems home. One in five people in rural areas live in forests, and more than three-quarters of the world’s documented land-based species can be found in them.⁵³ Ending deforestation can provide significant economic benefits and opportunity. In the context of EM&DEs

in particular, unlocking revenue streams for natural capital could provide citizens with a reason not to monetize their assets in other (climate damaging) ways. Reforestation could save \$6-40 trillion in emissions abatement costs, depending on how early it begins.⁵⁴

At COP26, over 140 countries agreed to conserve forests.⁵⁵ Efforts are ongoing at international, regional, and national levels to protect forests, as well as biodiversity and nature more broadly. It would significantly bolster financial sector efforts around nature if G20 governments did more to make and uphold policies to protect natural capital. It would also be welcome if the G20 supported efforts to cascade the protection and restoration of natural capital through policy mandates and regulations; to pay particular attention to the most-impacted regions globally; and to support ambitious goals for nature as set out in the post-2020 global biodiversity framework currently being developed.⁵⁶

Priority policy recommendations to G20 Governments for transition planning:

4.1 Ensure that policies to support the transition of individuals, businesses, and communities — including the incentivization of lower carbon footprints — are just, with targeted protection and support for the most vulnerable.

49 Examples of market models could include “regulated asset base” or “cap and floor” models. Other considerations to catalyze private investment include prioritizing availability of key infrastructure, such as biomass and municipal waste supply chains for biofuels generation.

50 Source: [IPCC](#). Land use change includes deforestation, forest degradation, and increase in croplands. Range is 9–11%. Deforestation has the potential to release stored carbon in trees back into the atmosphere. Per the IPCC, the total contribution of the agriculture, forestry, and other land use (AFOLU) sector to anthropogenic emissions is approximately one quarter of the global anthropogenic total.

51 Source: [House of Commons Library](#).

52 Source: [Contribution of natural climate solutions in a below 2C scenario](#), Griscom et al, Natural Climate Solutions, Proceedings of the National Academy of Sciences of the United States of America, October 2017.

53 Source: [WWF](#).

54 Sabine Fuss, Alexander Golub, and Reuben Lubowski, [The economic value of tropical forests in meeting global climate stabilization goals](#), December 2020. Economic benefits refer to the policy cost savings that reforestation and reduced deforestation can have on emissions abatement policies.

55 Source: Glasgow Leaders’ Declaration on Forests and Land Use 2021, [here](#).

56 Refer to further detail on the framework [here](#).

- 4.2 Identify areas where government policy or public-private collaboration is needed to support transition across the economy and in specific sectors. Work with each sector and the financial community to remove barriers and sources of friction; bring about the necessary collaboration; and explore what incentives are needed.
- 4.3 Translate commitments to safeguard nature and prevent deforestation into tangible government policies that can cascade through the private and financial sectors.

5. MOBILIZE CAPITAL FLOWS TO EMERGING MARKETS AND DEVELOPING ECONOMIES

A rapid scaling of capital flows is needed to support transition in EM&DEs. Since COP26, there has been a meaningful increase in public and private collaboration to support several major emerging market economies seeking to show leadership on their net-zero transition plans. These efforts are much needed because the international financial architecture is not yet well aligned to support delivery on Paris commitments, and there are wider longstanding barriers to capital flows. It will be critically important to leverage promising initiatives based on Country Platforms and Just Energy Transition Partnerships (JETPs) to build new international financial architecture and approaches that make more effective use of scarce public capital – including that of MDBs – to crowd in private finance at scale. The success of these efforts depends, critically, on G20 governments working to develop new frameworks for transition finance, including those that allow for the financing – by governments, MDBs and private finance actors – of the managed phaseout of fossil fuels, including by scaling carbon markets.

Climate finance flows to EM&DEs are not at the levels needed for energy or economy-wide transitions, and the IPCC has identified a “persistent misallocation of global capital”.⁵⁷

Clean energy investment flows to EM&DEs have averaged less than \$150 billion per year but would need to exceed \$1 trillion annually by the end of this decade to put the world on track to reach net-zero emissions by 2050.⁵⁸ Cross-border public finance in all its forms has an important role to play as it can support burden-sharing of the costs of transition; signal support for transition paths; and support risk-sharing that crowds in local and cross-border private finance that could otherwise face numerous barriers. That said, it seems that the scale of climate-aligned cross-border finance provided needs to be significantly increased and used more ambitiously to crowd in private finance. For example, MDBs – an important potential source of risk capital – provided around \$50 billion of climate finance to EM&DEs in 2021.⁵⁹ But some estimates indicate that less than \$10 billion annually of sustainable development investment has been in blended form.⁶⁰ Mobilization ratios could also be many multiples of what is currently achieved. This is particularly so given private finance is strategically aligned with the net-zero transition increasingly, such that financial institutions could provide most of the financing needed if the right enabling conditions are created.

Promising new architecture and approaches are being built under G20 and G7 leadership via Country Platforms and JETPs. Several large emerging market emitters, including a number of G20 economies, are setting increasingly ambitious net-zero targets and developing plans to transition their energy systems and seize net-zero growth and employment opportunities. These include Egypt,

⁵⁷ Source: [IPCC](#).

⁵⁸ Note: this does not reflect the climate finance needs of other sectors, such as agriculture, and the needs for resilience and adaptation investments. Source: IEA (2021), [Financing clean energy transitions in emerging and developing economies](#), IEA, Paris.

⁵⁹ Ratios reflect an estimate of private finance dollars raised for every dollar of public finance. Refer to the [2021 Joint MDBs Report on Climate Finance](#). Specified for low and middle-income economies.

⁶⁰ See speech from [Menon](#) and research from [Convergence](#).

India, Indonesia, South Africa, and Vietnam.⁶¹ At the same time, there are growing numbers of initiatives to develop, incubate, and advance catalytic financing opportunities via public-private, local-global collaboration.⁶² GFANZ is committed to working with governments, donors, philanthropies, MDBs, and global and local financial institutions to collectively address barriers and unlock financing for net-zero transition in EM&DEs. Indeed, GFANZ is actively supporting capital mobilization initiatives, including JETPs in several key countries, and is looking to support delivery of new approaches and frameworks that can be rapidly scaled to reach a much broader set of countries, including leveraging new regional networks in Asia Pacific and Africa.

The G20 has an opportunity to capitalize on nascent efforts to scale up transition finance to EM&DEs that could play a transformational role in terms of delivering on Paris commitments.

This requires that the importance of developing and embedding Country Platform and JETP approaches into the international financial architecture be recognized, underpinned by a commitment to address global and local barriers. Bringing the perspective of private finance to bear, GFANZ has set out high-level considerations for global policymakers to ensure that Country Platforms create the conditions to crowd in private finance at the scale needed, while working on their practical application.⁶³

Where financing is being sought for large-scale and complex transitions, it is best grounded in a platform approach resting on the foundations of country-led net-zero target setting and transition planning consistent with sufficiently ambitious NDCs. International partners can commit to

supporting these Platforms through time to provide confidence in a collective and sustained effort to advance transitions that are accompanied by a myriad of political, economic, and social challenges, and which need to be orderly and just. The country seeking to transition will need to set out its intended level of ambition and broad approach to transition, something which can take significant time to get right and will require working with many domestic stakeholders. Keyed off this vision, work will be needed to identify policy and other changes to create the right enabling environment — recognizing that policy frameworks often favor existing high-carbon energy systems and activities — and to address key risks as far as is possible to encourage the necessary investment in transition. Local and international partners, including the private sector, would need to come together to address the current blockages to developing a pipeline of projects that are clearly identifiable as net-zero aligned and part of a legitimate transition path, but which are structured in a way that stands the best chance of attracting private capital.

Finance on the scale required implies using public money to catalyze large multiples of private capital in a way that is currently the exception rather than the norm.

That means providers of public finance — including donor governments, development finance institutions (DFIs) and MDBs — must deploy, pool, and blend risk capital at greater scale, and more flexibly. There is greater focus on Paris-alignment amongst MDBs, but progress would be accelerated if, where appropriate, they set net-zero targets, raising expectations of their role, or if their mandates were formally strengthened. Within existing mandates and approaches, there is likely scope to do more

61 India outlined plans to reduce power generation in at least 81 of its coal plants over the next four years, and replace with renewable energy (see [here](#)). Indonesia launched its Energy Transition Mechanism (see [here](#)). South Africa is pursuing a JETP (see [here](#)). Vietnam published a national climate change strategy to 2050 to meet its COP26 commitments (see [here](#)). Egypt is pursuing its "Nexus of Water, Food, and Energy" (see [here](#)). Refer to the June 2022 [G7 communique](#) on JETPs.

62 Examples include the Climate Finance Leadership Initiative (CFLI) in [Colombia](#) and [India](#) (These are managed independently by CFLI and subject to their own governance structures).

63 Refer to full details of the draft GFANZ Country Platform Private Sector Statement [here](#).

with MDBs' resources, as highlighted by the review of MDB G20 Capital Adequacy Frameworks.⁶⁴ The urgency of delivering on the net-zero transition and sustainable development goals is such, however, that G20 governments should — as shareholders of MDBs — consider what more is needed to deliver the level of support needed. It would be transformative if DFIs and MDBs were willing and able to provide a greater share of their financing in the form of equity or first loss stakes and more by way of guarantees in terms of unlocking private finance to support transition globally.⁶⁵ Indeed, the IMF notes that an important step to scaling climate finance within EM&DEs would be for the MDBs to reconsider their risk appetite and make greater use of equity finance which only accounts for 1.8% of MDB commitments.⁶⁶ Furthermore, IPCC points out that with more extensive use of guarantees it could be possible to achieve significant public to private multiples.⁶⁷ Beyond higher-risk financing, MDBs, DFIs and their shareholder governments could create significant impact were they to focus further on capacity-building within EM&DEs. Such capacity-building would help public authorities in particular to improve national and sectoral enabling environments. Improvements in enabling environments, many of which are not energy transition specific, are critical for greater private capital flows.

The success of these efforts also depends on G20 governments building new frameworks for transition finance that recognize the importance of financing, by local and donor governments, MDBs and private financial institutions, the managed phaseout of fossil fuels. Major emerging markets seeking to transition will find it difficult to meet the full costs of doing so unless those supporting them — be they governments, philanthropies, MDBs, or private financial institutions — are willing and able to help meet the costs of the managed

phaseout of high-emitting assets. It will not be sufficient to support only the phasing in of renewables and new green economy activities, even though those are also clearly needed at scale. Across the G20, the well understood urgency of climate action has contributed to an environment where it is increasingly difficult to finance the managed phaseout of high carbon assets such as fossil fuel-fired power stations. Absent this type of financing, the necessary transitions cannot occur on the timelines needed and this will act as a drag on transition to new energy sources and green economies. With some urgency, the G20 needs to set the parameters for such finance to ensure that it can occur in a sufficiently structured and transparent way.

Priority policy recommendations to G20 Governments for transition planning:

- 5.1 Support EM&DEs in their net-zero transitions by pursuing new architecture and approaches to address longstanding barriers to the mobilization of private finance at scale. Capture these approaches within an updated G20 Country Platform Framework and wider frameworks and approaches that are replicable globally.
- 5.2 Support EM&DEs that are already pursuing ambitious net-zero transitions through collective efforts to identify and address barriers and build and finance bankable projects. There should be a particular short-term focus to ensure that transition finance frameworks support the managed phaseout of high-emitting assets.
- 5.3 Ensure that MDBs set their own net-zero targets, and pilot approaches that will allow them to contribute more risk capital, for more flexible use, to crowd in private finance at scale. Ultimately, financing the net-zero transition globally likely requires bold reform, and the G20 should build on its recent independent review of MDBs' capital adequacy to ensure MDBs can play a full part in supporting the transition.

64 Refer to the review [here](#).

65 Ibid.

66 Refer to IMF commentary [here](#) and research paper [here](#).

67 Source: [IPCC](#).

Conclusion

There is an urgent need for G20 economies to bridge the gap from commitments to action and deliver increasingly ambitious NDCs. National transition planning underpinned by sectoral pathways and sector-specific policies will play a fundamental role. This document has re-visited the policy levers of GFANZ's 2021 Call to Action and offered priority recommendations for consideration by G20 governments. If progress is to accelerate, households, businesses, and investors need more clarity and confidence about governments' plans for economy-wide transition. Without such plans, progress will be delayed, and the net-zero transition risks being disorderly and unjust.

As GFANZ members move from commitment to action, in accordance with their roles and their legal and regulatory obligations, GFANZ is committed to supporting financial institutions in their efforts to develop and disclose their own

net-zero transition plans. These will make the actions to achieve their commitments transparent and credible. However, the financial sector cannot transition faster than the real economy. GFANZ remains supportive of ambitious government policy that will support real-economy transition. It believes the transition to net zero can be accelerated by government actions that send the necessary market signals. GFANZ is committed to playing its part by working with governments, regulators, corporates, and civil society.

We call on G20 governments to act now with increased urgency to limit global temperature rises and thus contain the impacts that are already being felt in every region. National government transition plans are needed if the world is to avoid a disorderly and unjust transition and governments are to deliver on their NDCs.

For more information, please visit gfanzero.com