



Nature and Climate

Why The World Can't Afford to Keep Them Separate

At a time when the interconnection between climate and nature is more important than ever, GFANZ is releasing proposed voluntary, supplemental guidance for consultation in October to support the inclusion of nature considerations into net-zero transition plans. The World Benchmarking Alliance is also beginning the next iteration of their climate and nature benchmarks.

Sunlight and warmth. Mind and body. New York and cheesecake. What do all these things have in common? The first is so closely connected to the second that you cannot separate them.

The same holds true for nature and climate. We've spent the last twenty years thinking about these as separate issues, when in fact they're part of the same system - the state of one always affects the other.

Climate change is a <u>leading driver of nature loss</u>. Coral reefs are sensitive to changes in ocean temperatures – and <u>up to 90% of our reefs are at risk of dying</u> if average global air temperatures warm by 1.5°C. Meanwhile, the reverse is also true. Deforestation contributes about <u>11 per cent of all human-induced greenhouse gas emissions</u>, half of the overall 22% of emissions stemming from Agriculture, Forestry, and Other Land Use.

It's easy to see why these issues have been treated separately in the past; it's difficult to account for greenhouse gas <u>emissions from land management</u>. Climate change is a ubiquitous issue – we are more aware than ever of its risks to our health, economies, and societies. But it is clear that we now need to bring together efforts to tackle climate change and nature loss as one. Recognising the interdependencies between them is the first step to effectively tackling both.

When nature is brought up in the context of climate change, it's often as carbon credits to offset emissions, but nature's climate mitigation services are actually embedded within an organization's footprint. These "nature-related levers" provide an opportunity – and an imperative – for businesses to look at their own strategies and activities, and to identify where and how action to preserve, restore, or more sustainably manage nature can help to avoid or reduce emissions, or even to increase carbon sequestration.





In practice, the context and strategy look different by company, sector, and even geography. A mining company could increase carbon sequestration by regenerating previously mined land. An agricultural company could improve soil health and reduce land-based emissions by introducing agroforestry or regenerative techniques. A financial institution can support renewable energy projects and consider the effects the project might have on local environments to avoid increasing emissions from degraded natural ecosystems.

These highlight the urgent need to start strategically managing climate and nature together. A first step could be the explicit inclusion of nature in net-zero transition plans. Doing so helps synergies and trade-offs, supporting the use of cost-effective and efficient solutions to both climate change and nature loss as well as avoiding harm to nature and improving resilience - all in a strategic, systemic manner.

Principles-based frameworks already in use for the development of transition plans, such as the <u>GFANZ Net-zero Transition Planning framework (NZTP)</u>, can seamlessly allow for the inclusion of nature considerations in net zero plans, and possibly support nature transition planning more widely. Net-zero transition plans are seeing increased uptake by financial institutions and companies in the real-economy; a quarter of organizations disclosing through the CDP now report having a 1.5 degrees celsius aligned transition plan in place, <u>44% more than in 2023</u>. Additionally, <u>250+ additional transition plans are expected to be published this year</u> by net-zero committed financial institutions around the world. It is estimated that nature currently <u>lags behind by approximately 5-10 years</u>.

GFANZ is currently developing voluntary, supplemental guidance on the inclusion of nature within net-zero transition plans and plans to launch a global, public consultation draft at COP16. TNFD will also launch a complimentary consultation on nature transition planning guidance covering all aspects of an organization's interactions with nature, with the exception of greenhouse gas emissions and climate change. Inclusion of nature considerations into net-zero transition plans allows the nature space to benefit from this momentum, and close the gap with the climate space.





Time is slipping by. Last year, we lost <u>3.7 million hectares of tropical primary forest</u>. As some of the most species-rich ecosystems in the world, this has devastating impacts on nature and produces carbon dioxide emissions equivalent to almost half of the annual fossil fuel emissions of the United States. Failure to take nature into account could also cost us a <u>third of cost-effective solutions</u> towards meeting net-zero goals by 2030, jeopardizing humanity's ability to counter both the climate and nature crises in the future.

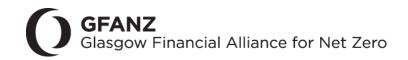
To achieve the level of change we need, we must also understand if and to what degree companies are addressing both climate change and nature loss. Unfortunately, the data shows we still have a long way to go. Only 13% of companies assessed in the World Benchmarking Alliance's Nature Benchmark have a Scope 3 emissions target that is aligned with a 1.5°C pathway. Only 5% have assessed and disclosed how they impact nature - meaning that a large majority may not even be aware of potential opportunities to use nature-related levers to tackle emissions.

The World Benchmarking Alliance will start research this fall for the next iteration of their Nature Benchmark, which will assess how far 750 major real economy companies' nature-related targets support, align, or integrate with its climate change targets. This should shed light on whether companies are beginning to break down silos between climate action and nature action.

It's critical for all real-economy companies to work towards reducing nature-related greenhouse gas emissions in line with 1.5°C-aligned pathways, and to protect and increase nature-related greenhouse gas emission sinks, which includes, but isn't limited to, forests, mangroves, and soil. Doing so will require companies to embed climate-nature considerations into their wider strategic approach and planning.

You can visit New York without having a slice of cheesecake, but you'd regret it. The same can be written about solving climate change without nature.

Most importantly, and despite difficult decisions along the way, it means comprehending and solving for climate change and nature loss with more complete information than if both crises are considered separately, allowing us to identify the most efficient and synergetic actions.





About GFANZ: The Glasgow Financial Alliance for Net Zero (GFANZ) is a global coalition of financial sector net-zero alliances working together to support the world's transition to net-zero emissions by 2050. Through the net-zero alliances, GFANZ has united over 675 institutions across the financial sector, including banks, asset owners, asset managers, financial service providers, and investment consultants, spanning 50 jurisdictions and representing 40% of global private financial assets. To help unlock transition investment in developing economies, GFANZ regional networks work to support capital mobilization, expand participation, and reflect the diverse needs of financial institutions around the world.

About WBA: Founded in 2018, the <u>World Benchmarking Alliance</u> is a non-profit organisation holding 2,000 of the world's most influential companies accountable for their part in achieving the Sustainable Development Goals. It does this by publishing free and publicly available benchmarks on their performance and showing what good corporate practice looks like. The benchmarks provide companies with a clear roadmap of what commitments and changes they must make to put our planet, society and economy on a more sustainable and resilient path.