

2024 GFANZ consultation draft

# Nature in Net-zero Transition Plans

## FAQs

### **1. What is the NZTP framework? Why is it important?**

The NZTP framework lays out the 10 components of a credible transition plan that enables financial institutions to translate commitments into action and accelerate and scale transition finance.

Businesses require clear guidance from governments to meaningfully address climate change. This common framework helps support capital flows to companies that have robust and credible plans to reduce their emissions while growing jobs and our economies.

### **2. Why the focus on nature in support of net-zero transition?**

There is no net zero without nature. At least a quarter of the emissions reductions that are needed to reach net zero come from human activity in ecosystems. At the same time, nature has the potential to remove about a third of the emissions needed toward the 2030 goals.

In 2024, momentum on and understanding of the interlinkages between climate and nature have rapidly developed. The proposed guidance on nature in support of net zero focuses on climate change mitigation benefits including nature-based carbon credits and within Scopes 1, 2, and 3. Therefore, this paper provides a part of the solution to net-zero commitments as signposted in the 2022 NZTP framework and the 2023 technical note on Transition Finance.

### **3. What is the output of this work? What is the proposed guidance you have published? Why is it important?**

We have developed proposed, voluntary, supplemental guidance to the NZTP framework to support financial institutions who choose to use nature-related levers in support of their net-zero implementation and transition plan.

A consultation draft of the voluntary guidance will release in October at COP16 in Colombia. A 90-day consultation period, open for commentary from all, will also begin at this point.

### **4. How do you expect the proposed guidance to be used and by whom?**

The proposed voluntary, supplemental guidance is designed to be used across the global private finance sector. The principles-based approach allows for flexibility among the types of private financial institutions who are developing net-zero transition plans.

It also takes into consideration expectations that financial institutions may have of real-economy companies. Public financial institutions and those who are considering net-zero commitments and plans will also find the material helpful.

**5. What is the most effective way of realizing nature’s potential to achieve net zero?**

Only strategically and systematically can we realize nature’s potential to achieve net zero. The Nature in NZTP consultation paper is designed to support financial institutions in meeting their net-zero commitments building on, and aligning, with existing work by TNFD and ISSB, while recognizing the linkage between climate and nature.

**6. Does this mean GFANZ is proposing a holistic nature and net-zero transition plan framework?**

We believe the NZTP provides a flexible strategy framework that can be used for climate and nature. However, a holistic climate and nature transition plan would require methodologies that are still in development and not yet available. As these resources emerge, the development of credible, holistic climate and nature transition plans will become more feasible.

**7. In what ways does the guidance align with existing frameworks, such as TNFD and ISSB?**

GFANZ welcomes the work of the TNFD in establishing disclosure recommendations and additional guidance designed to help organizations assess, manage, and disclose nature-related dependencies, impacts, risks, and opportunities. TNFD has now released a nature transition planning framework for public consultation, guided by the goals and targets in the Kunming-Montreal Global Biodiversity Framework (The Biodiversity Plan) and based around the same structure as the 2022 NZTP framework.

The ISSB’s *Climate-related Disclosures Standard* (IFRS S2) addresses aspects of nature as laid out in its educational material on the nature and social aspects of climate-related risks and opportunities. The ISSB is currently researching further work on nature-related risks and opportunities, including consideration of both consultation papers. Our consultation paper builds on, and is aligned with, the work of both TNFD and the ISSB in the interest of avoiding unnecessary fragmentation of nature-related methodologies but focuses on reducing GHG emissions and increasing nature sinks. Where relevant, GFANZ uses TNFD definitions and concepts and references TNFD, ISSB and many more throughout the paper.

Climate change is one of the five drivers of nature loss and therefore, we believe our work is complementary to the TNFD’s work on nature transition plans and avoids unnecessary overlap. Together, the two papers open for consultation cover the broad set of nature and biodiversity loss drivers.

**8. How do I get involved?**

Our call to action is for executives to encourage engagement with the consultation during the 90-day consultation beginning 27 October 2024 through promoting the consultation. We ask that finance practitioners, real-economy companies, and key connected groups such as indigenous peoples and value chain representatives read the [consultation paper](#) and respond via the [survey](#).