

Nature in Net-zero Transition Plans

Consultation paper overview



This slide deck

WHAT does this slide deck provide?

This slide deck provides a high-level overview of the GFANZ consultation paper “Nature in Net-zero Transition Plans”.

It contains abridged content and wording from the consultation paper. Please refer to the full text for details, precise wording, and full considerations.

The consultation paper and its auxiliary materials, including this deck, focuses on the services that nature can provide in mitigating climate change to achieve net zero. The proposed guidance is intended to support financial institutions, with relevance for real-economy companies, on how they can credibly integrate nature in implementing their net-zero transition plans.

HOW to use this deck?

This slide deck is designed to help you to understand the structure and concept of the consultation paper and identify areas of particular interest.

FEEDBACK

Please provide your feedback in our interactive survey [here](#) or by scanning the QR code. Consultation opens on October 27th 2024 and closes on January 27th 2025.



MORE INFORMATION

Find the consultation paper, this slide deck, FAQs, and all other GFANZ reports [here](#) or scan the QR code.

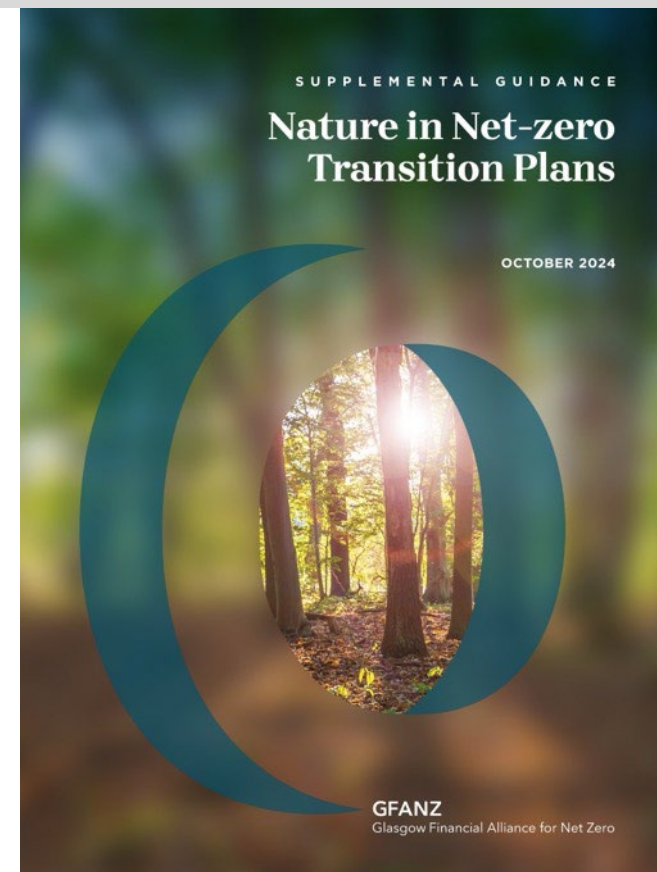
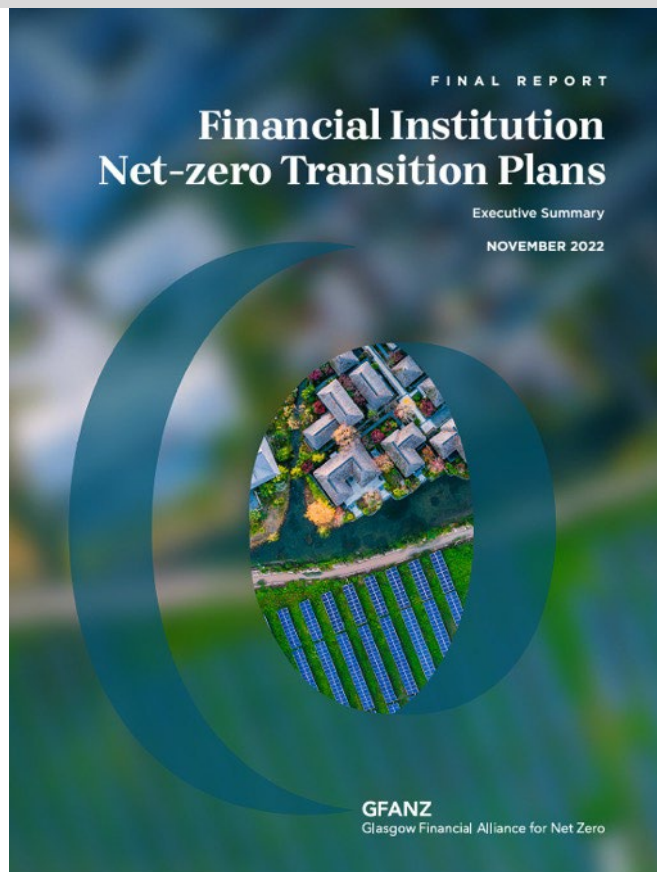


Background



A supplement to the 2022 NZTP

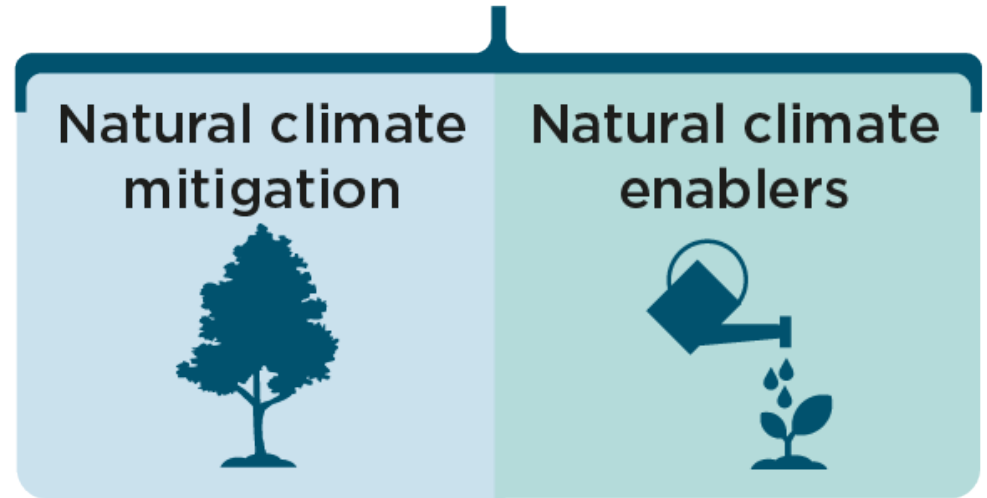
This paper was produced by the GFANZ workstream on Nature in Net-zero Transition Plans for consultation on the use of nature-related climate change mitigation actions in net-zero implementation and specifically in net-zero transition plans. It does not prescribe a specific course of action but supplements the guidance provided in the GFANZ [Financial Institution Net-zero Transition Plans report](#) (November 2022). It also provides considerations to help those financial institutions that are mobilizing capital and supporting initiatives to scale the four key transition financing strategies.



Scope of the consultation paper

The consultation paper covers nature-related levers for net-zero implementation.

Nature-related levers



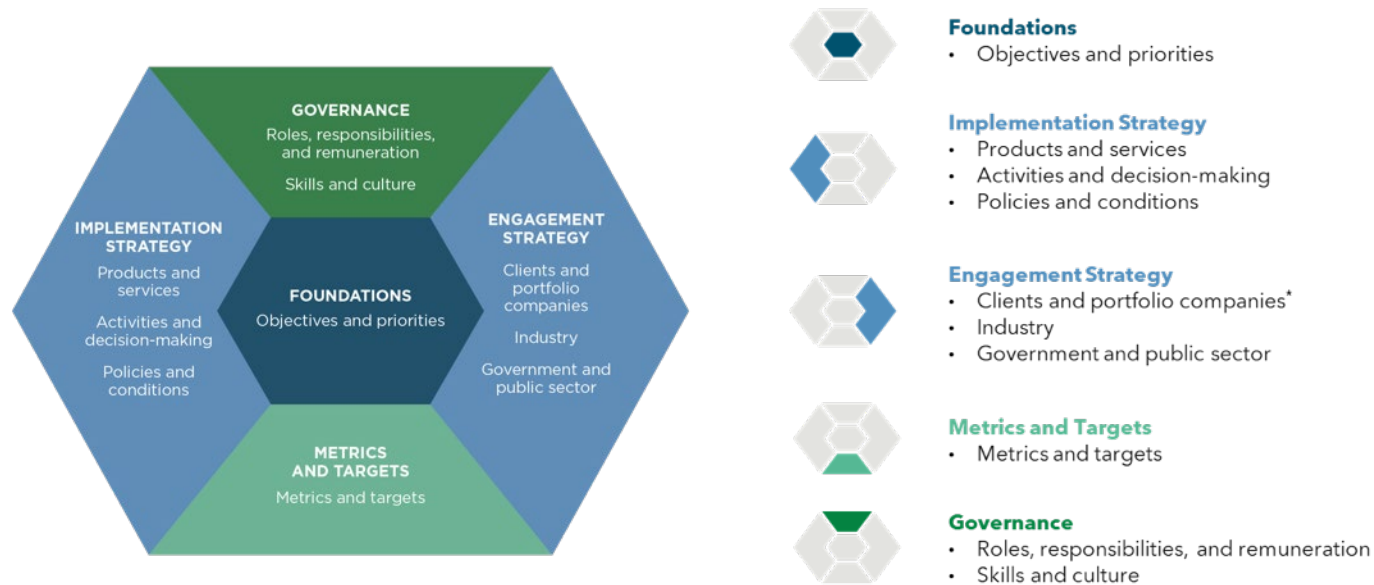
Nature-related levers can be found and financed on a project basis to achieve multiple objectives, including to generate high-integrity carbon credits, but may also be found within an organization's Scope 1, 2, or 3 emissions under a net-zero commitment.



Approach of the consultation paper

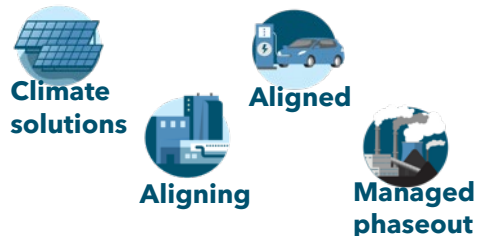
Nature considerations within the 2022 NZTP framework

The [2022 NZTP framework](#) introduced five themes and ten components of credible net-zero transition plans. It also introduced four key transition financing strategies that support the transition.



The voluntary, supplemental guidance proposed in this paper is grouped according to the same five themes, and ten components, offering considerations for use of nature-related levers under each theme and component.

Four key strategies

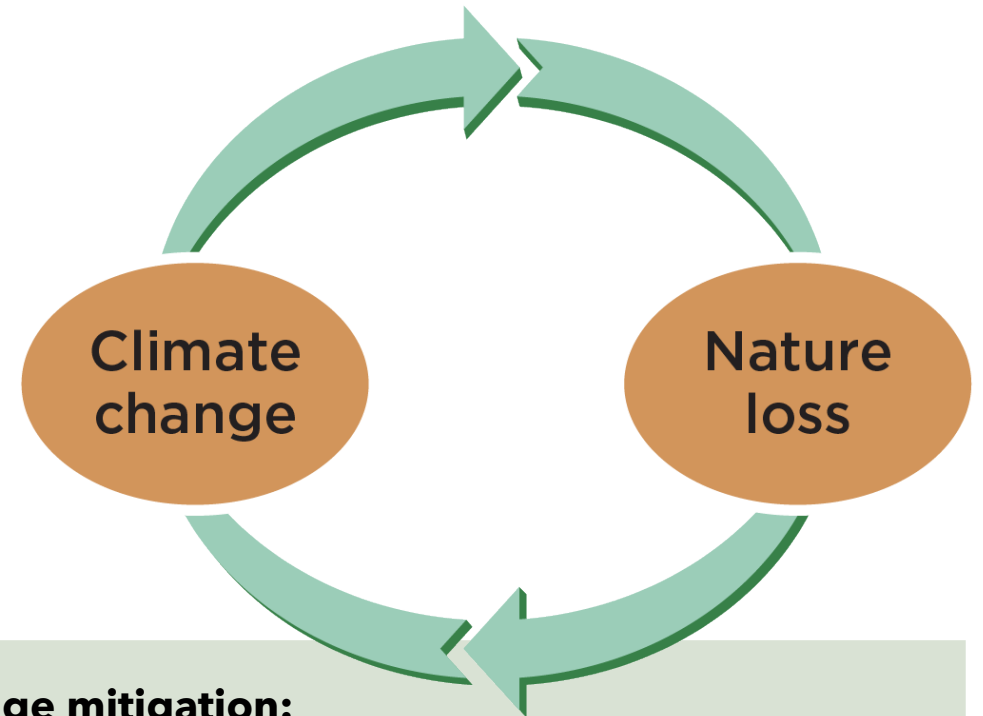


A net-zero transition plan is a set of **goals, actions, and accountability mechanisms** to align an organization's business activities with a pathway to net-zero GHG emissions that **delivers real-economy emissions reductions** in line with achieving global net zero.



The intersection of climate and nature

Climate change and nature loss are often described as inextricably linked and mutually reinforcing. Climate change is one of the five direct drivers of nature loss. The degradation of healthy and intact ecosystems, accelerated by worsening physical climate impacts, increases GHG emissions and decreases the ecosystem's ability to mitigate climate change. Conservation, restoration, and improved management of land, freshwater, ocean, and atmosphere can support net-zero implementation by avoiding or reducing GHG emissions from nature and preserving or improving carbon storage in nature.

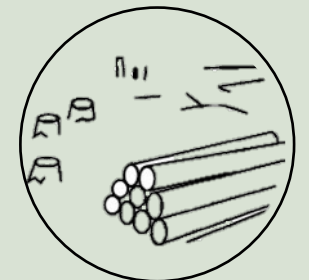


There are two distinct ways that nature plays a role in climate change mitigation:



As a source - Anthropogenic GHG emissions from degradation of ecosystems.

As a sink - GHG emissions removals where nature acts as a sink. Healthy ecosystems are able to sequester more emissions than degraded ones.



Key messages & taking action



Key messages



There is no net-zero without nature

22%+

of global emissions from management of nature



37%

of climate mitigation needs by 2030 can be provided by nature sinks



Explicitly including nature within a net-zero transition plan recognizes the inextricable linkage between nature and climate, helps to address the feedback loop between climate and nature, supports the goals of the Paris Agreement and the Kunming-Montreal Global Biodiversity Framework (GBF), and emphasizes the strategic management of nature-related levers.

Taking action

1

Reduce nature GHG emissions as per 1.5 degree C aligned pathways

- evaluate portfolio dependencies and impacts on nature
- develop transition strategies in support of the net-zero transition, across Scope 1, 2 & 3 (likely applies to most portfolios, given nature GHG emissions are at least 22% of total emissions)

2

Protect and increase nature GHG sinks

- assess and encourage opportunities, across Scope 1, 2 & 3, to increase natural carbon sequestration
- consider strategies to protect, conserve, restore and regenerate nature which result in carbon sequestration, including through natural climate solutions and high-integrity carbon projects

3

Embed climate-nature considerations into approach and planning

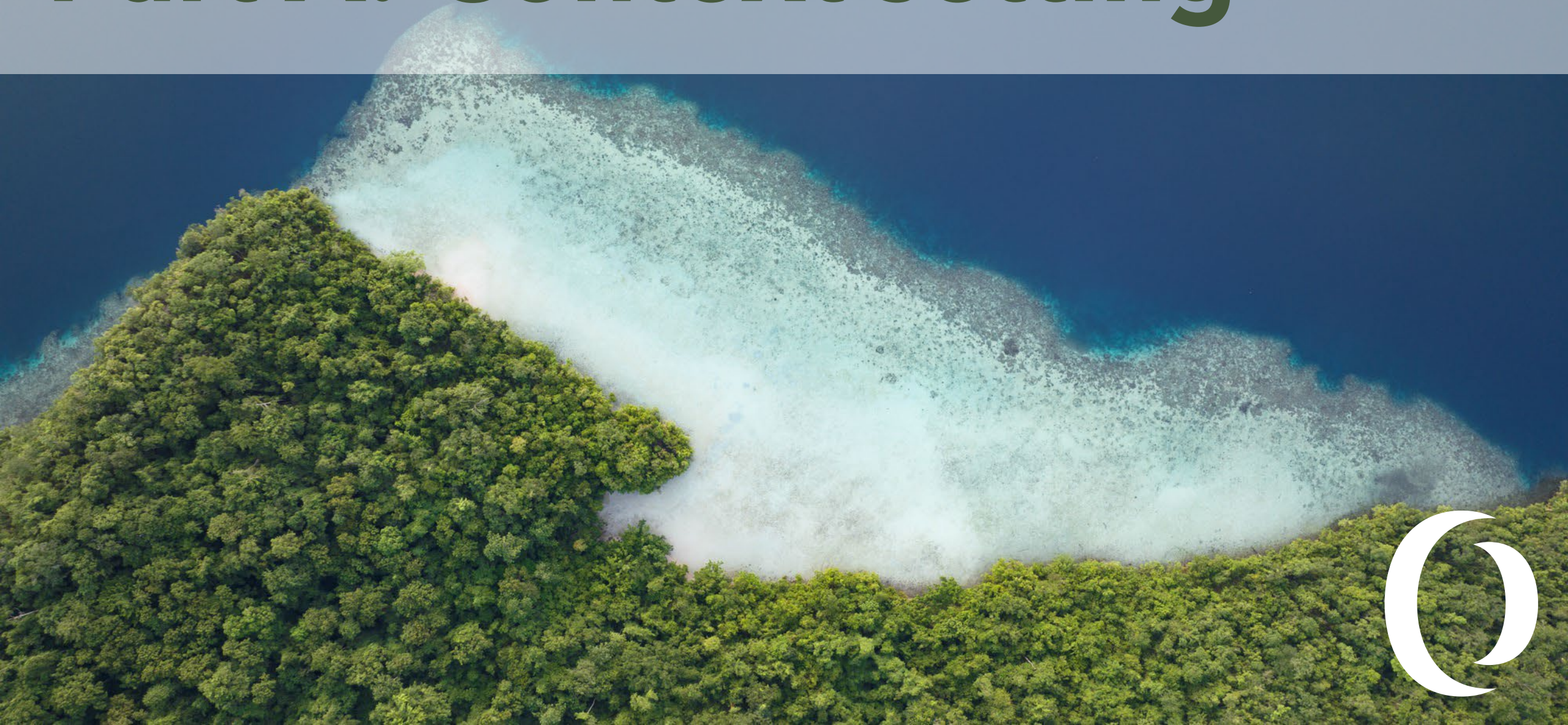
- acknowledge that transition actions may lead to synergies and trade-offs across climate, nature, and society
- foster organizational awareness of multiple dimensions of impacts
- consider integrated transition planning for climate and nature



Consultation paper overview



Part A: Context setting



Nature in net-zero implementation

A gap in the literature

There is limited financial sector-wide guidance on incorporating nature-related levers into financial institution net-zero transition plans. Often, the perspective is climate-only with a focus on energy sectors, missing opportunities to capitalize on synergies and safeguard against trade-offs. This consultation paper seeks to fill part of the gap in current literature by focusing on the integration of nature-related levers in net-zero transition plans, including the potential synergies and trade-offs.

Reasons for explicitly including nature in net-zero transition plans include:

- 1 No net zero without nature:** Emissions from current nature management practices mean that global net zero will only be achieved with the use of nature-related levers.
- 2 Cost-effectiveness:** Many nature-related levers are among the most scalable and cost-effective means to reduce GHG emissions.
- 3 Improving resilience:** Healthier ecosystems mitigate climate change damage to business and society.
- 4 Increasing efficiency and effectiveness in strategic management:** Planning and reporting on climate and nature together allows an institution to consolidate its resources and stay ahead of the curve where sustainability and climate disclosure frameworks, including the IFRS-ISSB, as well as international climate and nature negotiations are recognizing the need to manage the issues together.
- 5 Avoiding harm to nature:** Managing climate-nature intersections early in decision-making allows opportunities to protect and avoid negative impacts on nature, which can support long-term nature-related climate benefits and consistency with the GBF.

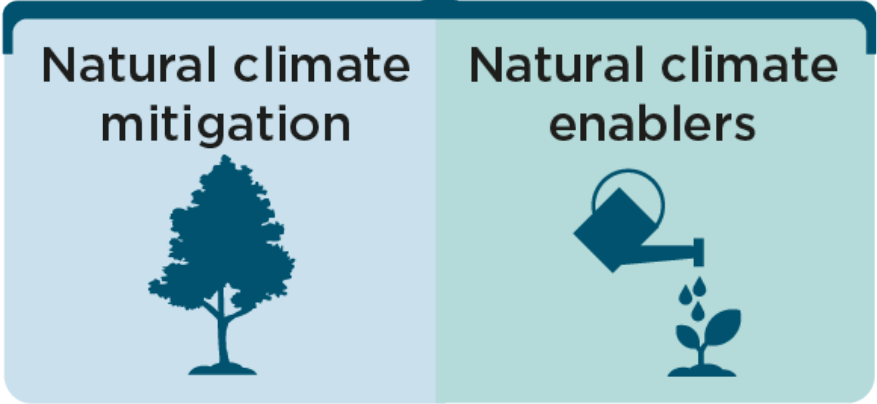


Terminology and providing opportunities

Nature-related levers

Natural climate mitigation: a subset of natural climate solutions, which are place-based activities and include the protection, conservation, restoration, and improved use and management of ecosystems that focus on climate mitigation services, i.e., reducing or avoiding GHG emissions and/or increasing carbon storage.

E.g., protection of an ecosystem; change to less intensive practices in agriculture



Much of the climate change mitigation literature has focused on levers found in energy, industry, and waste management processes. This consultation paper considers nature-related levers. These expand the toolkit for financial institutions to achieve their net-zero commitments and may identify even more potential net-zero financing opportunities.

Natural climate enablers: non-place-based activities, such as production of inputs to natural climate mitigation or low-carbon demand-side alternatives, that indirectly affect the management of ecosystems, biomes, natural commodities, and ecosystem services in support of reduction of nature GHG emissions or increasing nature GHG sinks.

E.g., production of meat-alternatives to replace cattle farming; a nursery for plant seedlings for ecosystem restoration

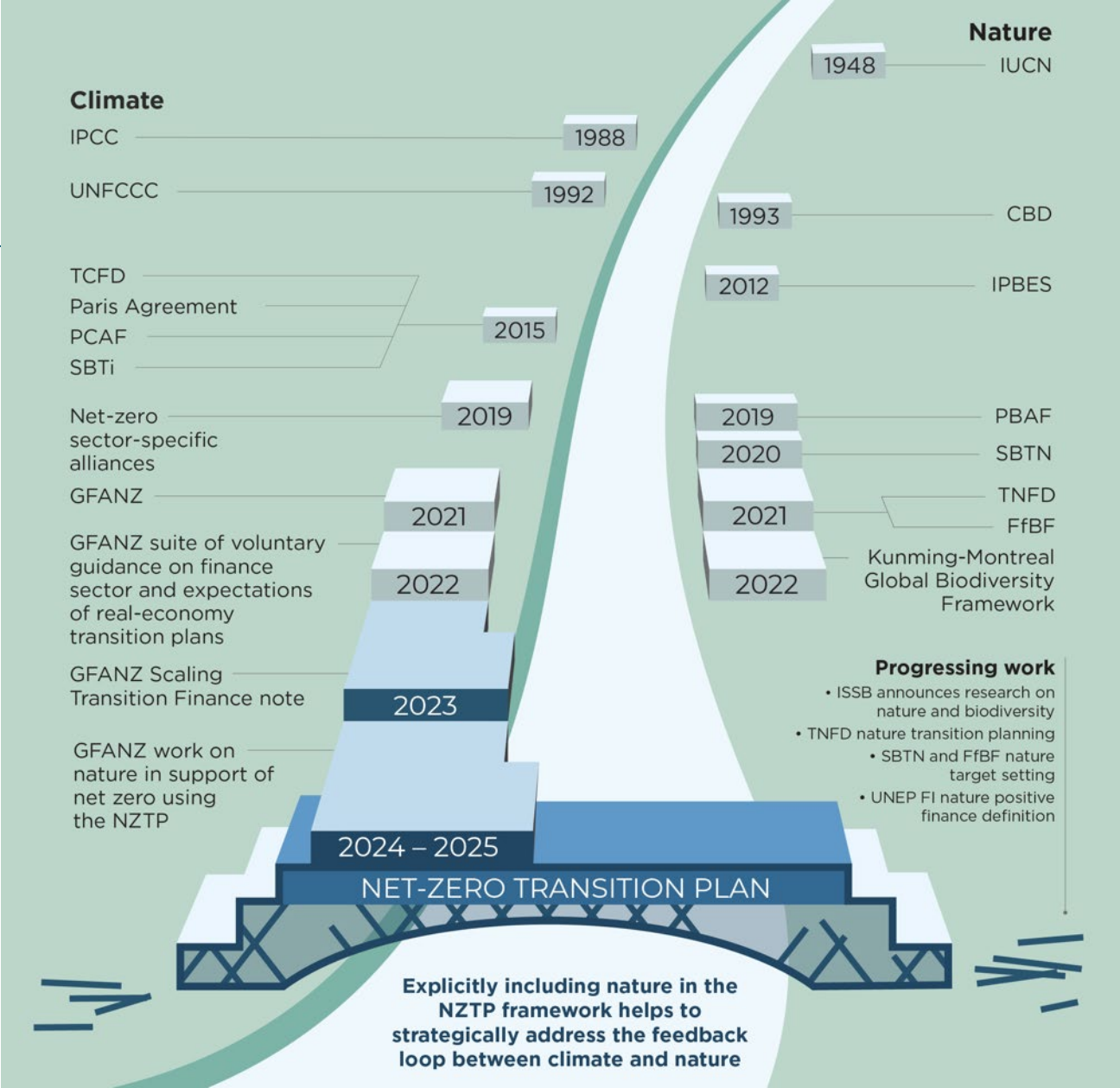


Consultation question: Are the definitions of "natural climate mitigation", "natural climate enablers" sufficient for your understanding and application of the terms?

The wider movement on nature

A stepped theory of change

Integrating nature considerations into net-zero transition plans supports the over 700 financial institutions who have committed to net zero by elevating nature-related levers as an important solution to net zero. It also allows them to build their competencies on nature by applying understanding from the climate space, thus boosting progress on combatting nature loss.



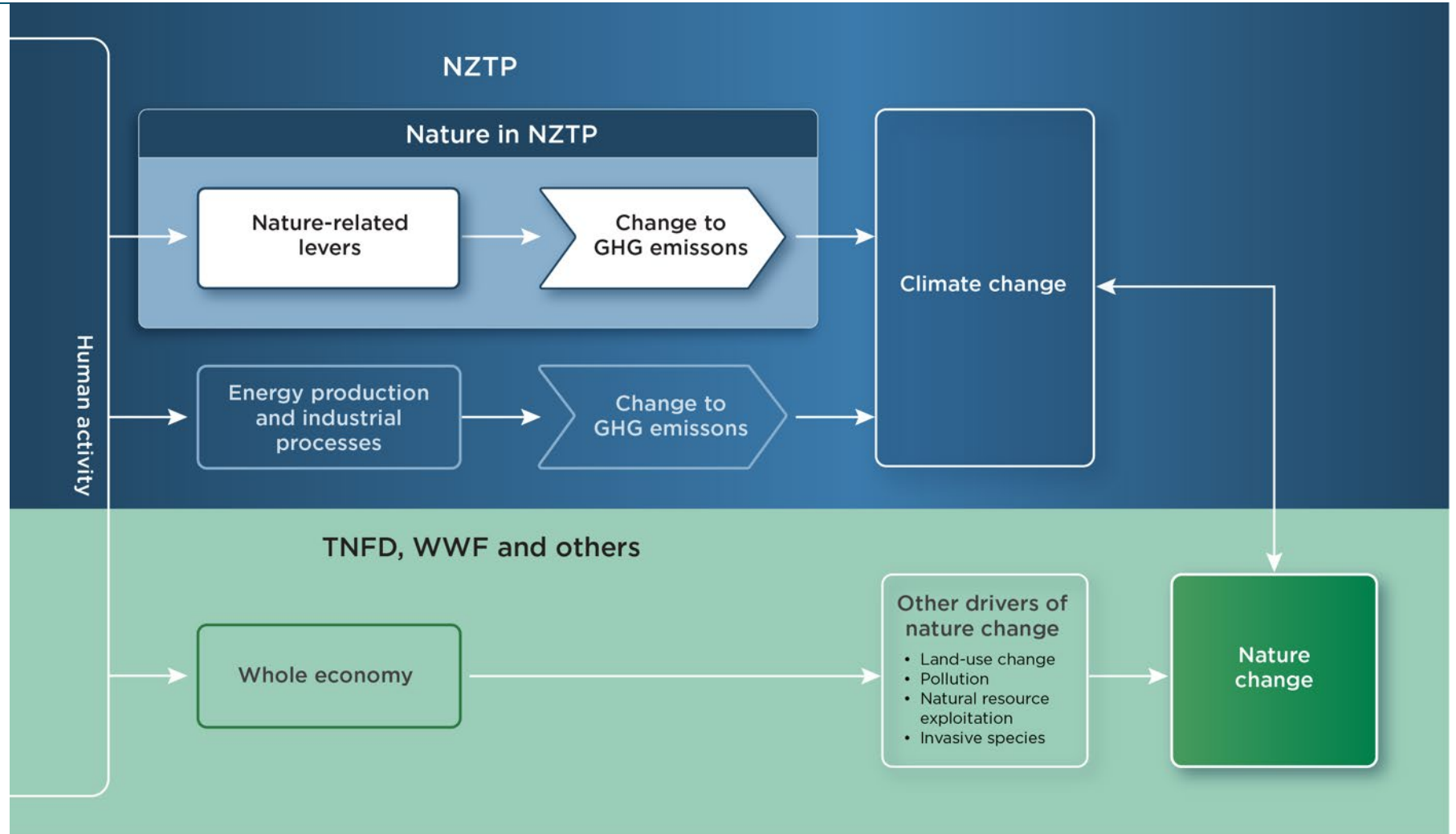
Context

Relationship to other work

GFANZ's work is distinct, but complementary to other work related to nature transition plans.

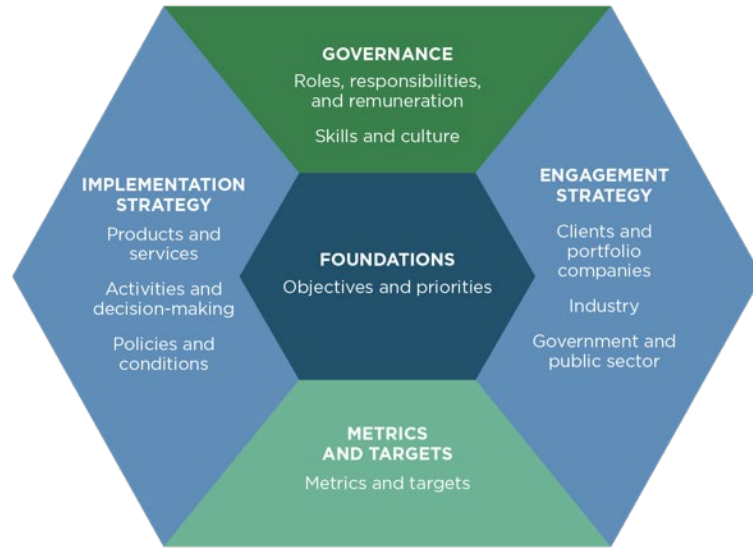
The GFANZ consultation paper covers nature-related levers that may directly or indirectly reduce emissions from sources or absorb emissions with nature sinks. It is a supplement to the GFANZ NZTP framework, which applies to anthropogenic emissions reductions efforts in general. Work by TNFD, WWF, and many others include components, development and disclosure of nature transition plans which focus on halting and reversing nature loss.

As climate change is a driver of nature loss, efforts to mitigate climate change support efforts to halt and reverse nature loss. Similarly, healthier ecosystems support GHG reduction.



Explicitly including nature in net-zero transition plans

A principles-based framework ...



Four key financing strategies to reduce real-economy emissions



1 Climate solutions

Technologies, services, and tools that mitigate, eliminate or remove GHG emissions

To expand economy-wide emissions reductions through the deployment of climate solutions



2 Aligned

Entities that are already aligned to a 1.5 degrees C pathway

To support climate leaders and signal that the finance sector is seeking transition alignment behavior



3 Aligning

Entities committed to aligning to a 1.5 degrees C pathway

To encourage and support the implementation of net-zero transition plans



4 Managed phaseout

High-emitting physical assets that can be phased out before end-of-life

To accelerate emissions reductions in support of an orderly and just transition

... can accommodate the unique characteristics of nature.



Location specificity



Data requirements



Indirect pathways



Connected groups

Synergies and trade-offs



Biological timelines

Nature-related levers play a key role in the net-zero transition, but they often have characteristics that are not commonly found in energy-based levers.





Part B: Voluntary supplemental guidance

Overview, guidance types, and focal topics



Overview of voluntary, supplemental guidance



Foundations

Objectives and priorities

Define the organization's objectives to reach net zero including targets, financing strategies, and real-economy impacts.

Use of nature-related levers, where relevant to the individual financial institution, should be articulated in an institution's NZTP objectives and priorities, its corporate statement, and embedded in its application of the four key transition financing strategies.



Metrics and Targets

Metrics and targets

Use a suite of metrics and targets including aligning financing for real-economy transition, NZTP execution, and GHG emissions.

Financial institutions should consider measuring and monitoring complementary nature-related metrics and targets alongside climate ones. This includes monitoring where nature-related credits are used. A number of tools and methodologies are noted.



Implementation Strategy

Products and services

Support the clients' and portfolio companies' transition with existing and new products and services.

Existing and new products and services should be assessed as to whether and how they can support nature-related levers through the key aspects of product design.

Activities and decision-making

Enable net-zero objectives with evaluation and decision-making tools and processes.

Financial institutions should consider adjusting analysis and decision-making processes to account for the distinct characteristics of nature-related levers. This may be helped by a portfolio review for nature-related lever opportunities. The processes should include identification of synergies and trade-offs, and consider and document mitigation strategies.

Policies and conditions

Establish policies and conditions for priority and/or high-emitting, harmful to the climate sectors and activities.

Financial institutions should consider setting their own policies, using the six elements of a net-zero policy, where there are opportunities to implement nature-related levers.



Engagement Strategy

Clients and portfolio companies

Provide feedback and support to clients and portfolio companies to encourage transition strategies.

Engagement should be augmented to include two-way flow of information, advising and supporting clients, portfolio companies, the value chain and connected groups about nature-related levers, contribution to transition plans, and synergies and trade-offs.

Industry

Engage with peers to exchange expertise on common challenges and represent the financial sector's views.

Engagement with relevant groups may include industry peers, industry-related bodies, academia, nongovernmental organizations, and local groups and may be on an individual, landscape, or jurisdictional basis in order to collaborate, gather, or develop pertinent data, tools, or methodologies.

Government and public sector

Lobbying and public sector engagement supports an orderly* transition to net zero.

Engagement should consider regional and local governments, including governing structures of IP&LC, and proactively include nature-related topics in support of net-zero commitments.



Governance

Roles, responsibilities, and remuneration

Define roles and responsibilities for strategic body, senior management, and throughout the institution with remuneration incentives.

Roles and responsibilities for nature-related levers should be clearly defined. Structuring includes considering interim milestones to support biological timelines, and how to support identification of synergies and trade-offs.

Skills and culture

Provide training and development and a change management program to support staff executing the NZTP.

Financial institution teams should have access to ongoing, relevant, nature-related training and experts, including interdisciplinary knowledge, that should be reviewed regularly and as key developments occur.

This is a summary of the voluntary recommendations in the [2022 GFANZ Net-zero Transition Plans \(NZTP\) report](#). Please refer to the report for exact wording.



* 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.

How to read Part B summary slides

The following slides give brief summaries of the voluntary, supplemental guidance content along with the original NZTP recommendations they supplement. Section highlights are pointed out. For full proposed guidance, please refer to the consultation paper.



NZTP recommendation

The recommendation is from the 2022 NZTP report. The proposed supplemental guidance is in support of this recommendation.

Summary

Summary of voluntary, supplemental guidance content.



Section highlights:

Highlights and topics of note.



A highlight of relevant consultation question. You may submit your responses [here](#).



Foundations – Objectives and priorities



NZTP recommendation

Define the organization's objectives to reach net zero by 2050 or sooner, in line with science-based pathways to limit warming to 1.5 degrees C, stating clearly defined and measurable interim and long-term targets and strategic timelines, and identify the priority financing strategies of net-zero transition action to enable real-economy emissions reduction.

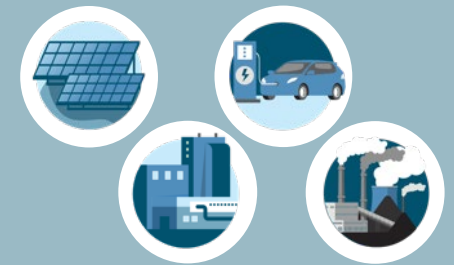
Summary:

Use of nature-related levers, where relevant to the individual financial institution, should be articulated in an institution's NZTP objectives and priorities, its corporate statement, and embedded in its application of the four key transition financing strategies.



Section highlights:

- Examples of how nature-related levers be found within or support and the four key transition financing strategies and setting objectives of the net-zero transition plan



- Is the proposed guidance in component Objectives and priorities sufficient to supplement the NZTP guidance and demonstrate how nature-related considerations can be incorporated into a net-zero transition plan?
- Do you agree that high-emitting nature activities such as deforestation could be considered for Managed phaseout? What other high-emitting nature actions could be candidates?



Implementation Strategy – Products and services



NZTP recommendation

Use existing and new products and services to support and increase clients' and portfolio companies' efforts to transition in line with 1.5 degrees C net-zero pathways. Include accelerating and scaling the net-zero transition in the real economy, providing transition-related education and advice, and supporting portfolio decarbonization in accordance with the institution's net-zero transition strategy.

Summary:

Existing and new products and services should be assessed as to whether and how they can support nature-related levers through the key aspects of product design.



Section highlights:

- Examples on assessing products and services include: considering connected groups, emerging technology, smaller project sizes, portfolio constructions, education.
- Nature-related considerations are given for each key aspect of product design: real-economy impact, transparency and integrity, data availability, scale, acceleration.



- Is the proposed guidance sufficient to supplement the NZTP guidance and demonstrate how nature-related considerations can be incorporated into a net-zero transition plan's Implementation Strategy?
- Are there any considerations for product design that are particular to nature-related activities/companies/technologies that could be reflected in Table 2?



Implementation Strategy – Activities and decision-making



NZTP recommendation

Embed the financial institution's net-zero objectives and priorities in its core evaluation and decision-making tools and processes to support its net-zero commitment. This applies to both top-down/oversight structures and bottom-up tools and actions.

Summary:

Financial institutions should consider adjusting analysis and decision-making processes to account for the distinct characteristics of nature-related levers. This may be helped by a portfolio review for nature-related lever opportunities. The processes should include identification of synergies and trade-offs, and consider and document mitigation strategies.



Section highlights:

- Tools that provide nature-related knowledge and information including for hyper-local conditions
- Review portfolios for existing nature-related climate mitigation lever opportunities
- Transparency in dealing with synergies and trade-offs



- How can local knowledge be best accessed and leveraged to support nature considerations in financial decision-making?
- The paper focusses on guidelines for the assessment of the synergy or trade-off. What other parameters would support a credible assessment?



Synergies and trade-offs hypothetical case study



Context: Proposed guidance on synergies and trade-offs is principles-based and focusses on identification and transparency. The hypothetical case study serves to illustrate the topic. The proposed guidance does not recommend a particular course of action.

Objective:

- Show the complexity in process and information requirements coupled with sample (non-quantitative) decision-making criteria.

FI Global is considering two opportunities whose return, climate and nature potential seem to match FI Global's goals.

Opportunity 1: Complex, difficult to quantify agroforestry



- Climate benefits through greater emissions removal due to healthier ecosystem
- Nature benefits through healthier ecosystems and avoided monoculture annual crops
- Trade-off: climate benefits will be difficult to quantify and numbers will be lower due to conservative estimates, but nature benefits are well established

Opportunity 2: Solar power through areas of natural beauty and biodiversity



- Climate benefits through renewables replacing fossil fuel energy
- Nature negative impacts through the construction of the project and ongoing
- Potential nature positive impacts via a project add-on
- Trade-off: disturbance to biodiversity in project areas



- Does the case study's portrayal of nature-focused synergy and trade-off analyses within the due diligence process seem feasible and/or reasonable based on existing processes and experiences?
- Do you wish to suggest any changes to the case study to make it more feasible to financial professionals, show the potential processes of identifying and assessing synergies and trade offs, and/or demonstrate how to account for climate and nature at the same time?



Implementation Strategy – Policies and conditions



NZTP recommendation

Establish and apply policies and conditions on priority sectors and activities, such as thermal coal, oil and gas, and deforestation. Include other sectors and activities that are high-emitting, or otherwise harmful to the climate, to define business boundaries in line with the institution's net-zero objectives and priorities.

Summary:

Financial institutions should consider setting their own policies, using the six elements of a net-zero policy, where there are opportunities to implement nature-related levers.



Section highlights:

- Each policy element of the 2022 NZTP discusses potential nature-related additions: objective, scope, conditions, exclusions, timelines, transparency



- Are there any nature issues particularly relevant to the net-zero transition that need policies of their own (like deforestation)? If you know of any **publicly available** policies on nature-related issues in the net-zero context, please suggest examples.



Engagement Strategy - Clients and portfolio companies



NZTP recommendation

Proactively and constructively provide feedback and support to clients and portfolio companies to encourage net zero-aligned transition strategies, plans, and progress with an escalation framework with consequences when engagement is ineffective.

Summary:

Engagement should be augmented to include a two-way flow of information, advising and supporting clients, portfolio companies, the value chain and connected groups about nature-related levers, contribution to transition plans, and synergies and trade-offs.



Section highlights:

- Following the 2022 NZTP, the characteristics of an engagement strategy were augmented with potential nature-related considerations: clear objectives, timing of engagement, coverage, method of engagement.
- Dedicated callout boxes for considerations relating to
 - Engagement with the value chain
 - Engagement with IP&LC



- The NZTP recognized that for real-economy companies, engagement is likely to be with their value chain. Financial institutions could expect disclosure from real-economy companies on their value chain engagement efforts. Referring to Box 8, what other financial institution expectations could be added here?
- Given the limitations of this work, what would be critical additions to the discussion on Indigenous Peoples that would help financial institutions support this type of engagement at the real-economy level?





NZTP

recommendation

Proactively engage with peers in the industry to 1) as appropriate, exchange transition expertise and collectively work on common challenges and 2) represent the financial sector's views cohesively to external stakeholders, such as clients and governments.

Summary:

Engagement with relevant groups may include industry peers, industry-related bodies, academia, nongovernmental organizations and local groups and may be on an individual, landscape, or jurisdictional basis in order to collaborate, gather, or develop pertinent data, tools or methodologies.



Section highlights:

- Example engagement topics including raising awareness for nature in net zero, synergies and trade-offs; expansion of research collaboration to fill data and methodology gaps; supporting work of nature-focused initiatives
- Landscape and jurisdictional approaches



- Into how much detail should an investigation of landscape and jurisdictional approaches go?



Engagement Strategy – Government and public sector



NZTP

recommendation

Direct and indirect lobbying and public sector engagement should, in a consistent manner, support an orderly transition to net zero, and as appropriate, encourage consistency of clients' and portfolio companies' lobbying and advocacy efforts with the institution's own net-zero objectives.

Summary:

Engagement should consider regional and local governments, including governing structures of IP&LC, and proactively include nature-related topics in support of net-zero commitments.



Section highlights:

- Callout box for recommendations of the TPT nature working group
- Suggested potential engagement topics include clarity on nature's role in NDCs and wider national nature strategies; carbon markets; encouragement of TNFD disclosure uptake



- What are other important engagement topics on nature that could be considered in the context of supporting the net-zero transition?
- Is the proposed guidance sufficient to supplement the NZTP guidance and demonstrate how nature-related considerations can be incorporated into a net-zero transition plan's Engagement Strategy?



Metrics and Targets – Metrics and targets



NZTP recommendation

Establish a suite of metrics and targets to drive execution of the net-zero transition plan and monitor progress of results in the near, medium, and long term. Include metrics and targets focused on aligning financial activity in support of the real-economy net-zero transition; on executing the transition plan; and on measuring changes in client and portfolio GHG emissions.

Summary:

Financial institutions should consider measuring and monitoring complementary nature-related metrics and targets alongside climate ones. This includes monitoring where nature-related credits are used. A number of tools and methodologies are noted.



Section highlights:

- Illustrative examples of utility of complementary nature-related metrics and targets under each of the four key financing strategies
- Considerations for carbon credits
- Indicative, non-exhaustive list of resources that may aid in selecting and monitoring complementary nature-related metrics and targets



- Is the proposed guidance sufficient to supplement the NZTP guidance and demonstrate how nature-related considerations can be incorporated into a net-zero transition plan's Metrics and Targets?
- The consultation paper suggests there are reasons for selecting complementary nature-related metrics and targets and for monitoring them alongside climate metrics. Do you agree with the benefits of complementary nature-related metrics and targets as outlined in the consultation paper?



Governance – Roles, responsibilities, remuneration



NZTP recommendation

Define roles for the Board or strategy oversight body and senior management ensuring they have ownership, oversight, and responsibility for the net-zero targets. Assign appropriate individuals and teams to all aspects of both design and delivery of the transition plan. Use remuneration incentives for all roles, where possible. Review the transition plan regularly to ensure material updates/developments are incorporated; challenges are reviewed as an opportunity to correct course; and implementation risks are properly managed.

Summary:

Roles and responsibilities for nature-related levers should be clearly defined. Structuring includes considering interim milestones to support biological timelines, and how to support identification of synergies and trade-offs.



Section highlights:

- Incorporation of considerations for nature-related levers and synergies and trade-offs into governance structures
- Account for biological timelines in incentives and remuneration structures



- Is the proposed guidance sufficient to supplement the NZTP guidance and demonstrate how nature-related considerations can be incorporated into a net-zero transition plan's Governance?





NZTP recommendation

Provide training and development support to the teams and individuals designing, implementing, and overseeing the plan so that they have sufficient skills and knowledge to perform their roles (including at the Board and senior management level). Implement a change management program and foster open communications to embed the net-zero transition plan into the organization's culture and practices.

Summary:

Financial institution teams should have access to ongoing, relevant, nature-related training and experts, including interdisciplinary knowledge, that should be reviewed regularly and as key developments occur.



Section highlights:

- Suggested inclusion of external expertise and knowledge, both scientific and local
- Regular review of required knowledge and skills due to fast developments in nature space



- Is the proposed guidance sufficient to supplement the NZTP guidance and demonstrate how nature-related considerations can be incorporated into a net-zero transition plan's Governance?



Part C: Moving forward



Ongoing considerations

Outlines important topics with remaining challenges



Data challenges

Wealth of potential metric types
Local and temporal data gaps

The issue is that there are numerous tools, datasets, etc. related to nature, but a nature activity usually needs specific location data and there is no accepted 'standard' across different nature activities.



Scenario development

Joint climate and nature scenarios

Acknowledges that climate scenarios do have nature-related inputs but they are largely insufficient to represent non-linear changes.



The blue economy

Importance for the nexus
Need to scale
Current initiatives to scale

The ocean and water bodies are a significant part of GHG absorption but involvement of private finance is small and nascent with most of the work focused on land.



Integrated transition planning

Net-zero & nature
Social dimension

This section ties in concepts such as broader ecosystem services, issues of "land squeeze" and the wider parallel work of nature transition

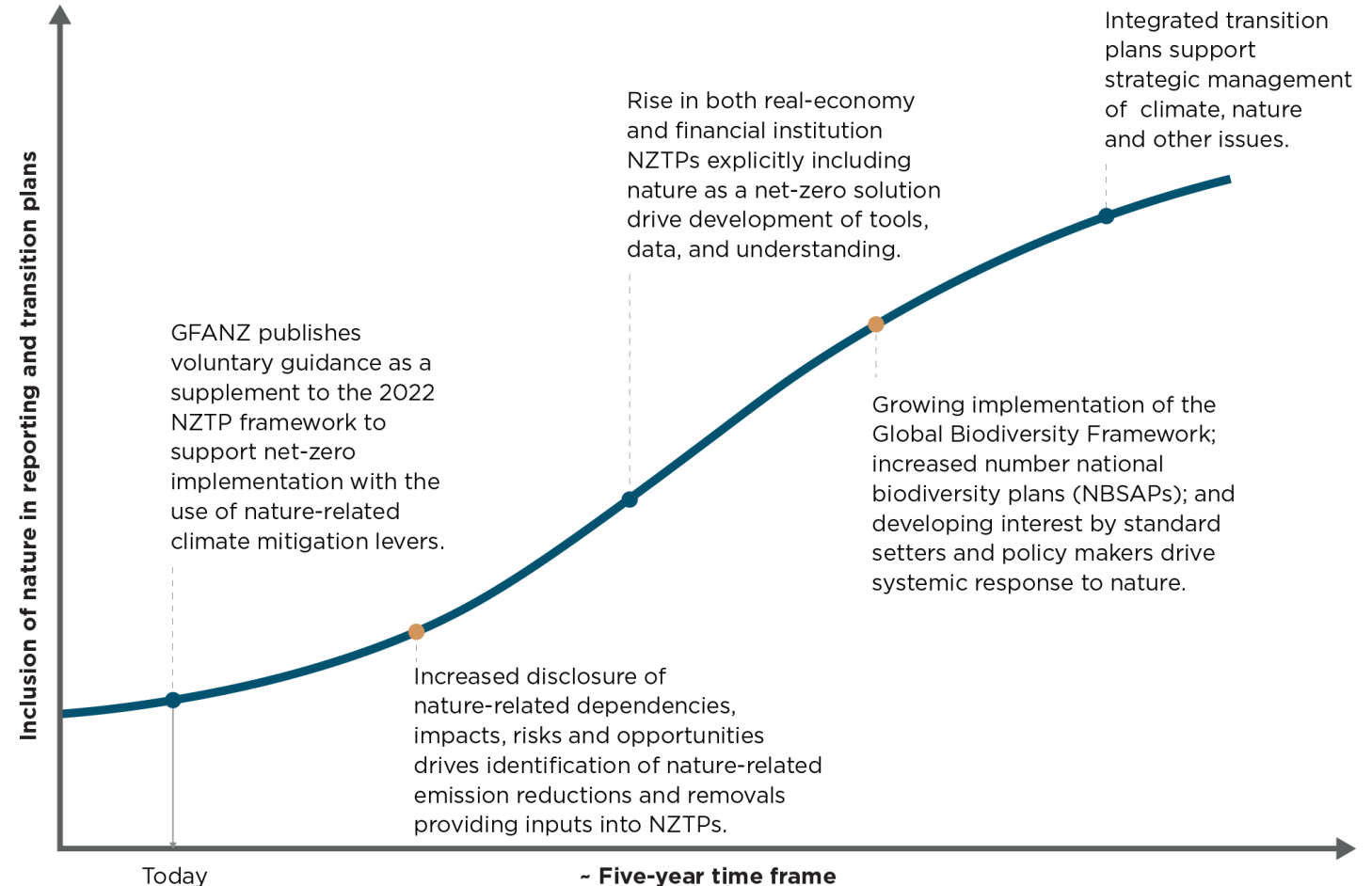


Progressive uptake

Inclusion of nature in net-zero transition plans could be progressive.

Developments that may support this are:

- increased **development and disclosure** of transition plans, climate-related financial reporting, and nature-related dependencies, impacts, risks, and opportunities;
- increased availability of **nature-related data**;
- **integrated modeling** of climate change and nature loss;
- **implementation of the GBF** in national plans;
- development of private finance opportunities in the **blue economy**.



Consultation and next steps



Consultation and next steps



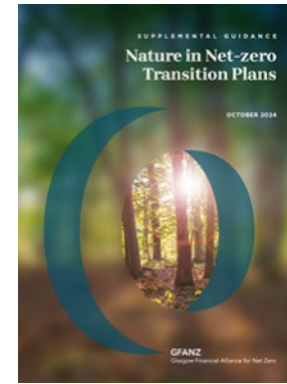
Consultation launch

COP16

90-day consultation



November -
webinars



Final publication

of supplemental
voluntary guidance on
Nature in NZTP

October

November

December

Q1 2025



**Please participate in
our public consultation**

Deadline: 27 January 2025



