



OVERVIEW OF THE NET ZERO ALLIANCES

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 **PRI** | Principles for
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Investment



FOREWARD

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There is no doubt that the MENA region is facing a number of challenges, including climate change, water scarcity, and energy insecurity. Our regional institutions have a critical role to play in addressing these challenges by supporting the transition to a net-zero economy. One way that our institutions can do this is by joining race to zero alliances, such as the Glasgow Financial Alliance for Net Zero (GFANZ) and the eight independent and sector-specific alliances that are part of it.

By joining these alliances, institutions in the MENA region can gain access to a network of global leaders in sustainable finance, learn from and share best practices on how to transition to a net-zero economy, access resources and tools to help them set and achieve net-zero targets, demonstrate their commitment to sustainability to investors, customers, and other stakeholders, and therefore help to ensure that the region benefits from the transition to a net-zero economy. Hereby, becoming a part of these alliances is also an opportunity for our regional institutions to play a leadership role in the global transition to a net-zero economy since the MENA region has a number of advantages that can be leveraged in this transition, such as its abundant renewable energy resources and its young and growing population.

We are pleased to publish this new joint note in collaboration with PRI to discuss the Glasgow Financial Alliance for Net Zero (GFANZ) and the eight independent and sector-specific alliances that are part of it. We hope that you will find this note informative and inspiring.

Together, we can work to build a more sustainable future for the MENA region and the world.

GLOSSARY

GFANZ	Glasgow Financial Alliance for Net Zero
NZAOA	Net Zero Asset Owner Alliance
NZAM	Net Zero Asset Managers Initiative
NZBA	Net Zero Banking Alliance
NZFSPA	Net Zero Financial Service Providers Alliance
NZIA	Net Zero Insurance Alliance
NZICI	Net Zero Investments Consultants Initiative
PAAO	Paris Aligned Asset Owners
UNFCCC	The United Nations Framework Convention on Climate Change
VCA	The Venture Climate Alliance



EXECUTIVE SUMMARY

To limit the global temperature rise to 1.5°C above pre-industrial levels and deliver on the goals of the Paris Agreement, global greenhouse gas emissions need to be reduced by half by 2030 and should reach net zero around mid-century. Net zero means that most of the anthropogenic emissions will be reduced and brought as close to zero as possible, and the residual emissions will be removed from the atmosphere using natural and technological solutions.

Climate change, and the net zero economic transition, can expose financial institutions to significant physical and transition risks. To identify and manage these risks and opportunities, financial institutions and investors need strategies and action plans (transition plans). To help financial sector firms on this journey, several collaborative initiatives and alliances have been formed over the last few years. While there are many alliances and initiatives in this space, this discussion paper focuses on the Glasgow Financial Alliance for Net Zero (GFANZ) and the eight independent and sector-specific alliances that it serves as a forum for.¹

By becoming a part of these sector-specific alliances, members publicly commit to net zero and the goals of the Paris Agreement. They benefit from (and help shape) the guidance, tools, and thought leadership the alliances develop. As alliance members, they engage collectively with policymakers and other stakeholders, while keeping in compliance with any and all antitrust regulations applicable to them. Across the alliances, common themes of work emerge around target setting and disclosures, policy advocacy, engagement, financing the net zero transition, and alignment of products and services with climate-related commitments and goals. While individual members are only accountable to the governance and accountability mechanisms of the alliances they are part of the work of the alliances is assessed and recognized by The United Nations Framework Convention on Climate Change (UNFCCC), the United Nations entity tasked with supporting the global response to the threat of climate change and the parent treaty of the 2015 Paris Agreement.



¹ The words *alliances* and *initiatives* are sometimes used interchangeably in this paper.

INTRODUCTION: FINANCIAL INSTITUTIONS & THE NET ZERO TRANSITION

According to the Intergovernmental Panel on Climate Change (IPCC), the United Nations body responsible for assessing the science related to climate change, global greenhouse gas emissions must be reduced by nearly half before 2030 and should reach net zero between 2050 and 2060, if we are to limit the global temperature increase to 1.5°C above pre-industrial levels and deliver on the goals of the Paris Agreement. Net zero, in this context, means that global anthropogenic GHG emissions will be reduced and brought as close to zero as possible, and the residual emissions will be removed from the atmosphere, using natural and technological solutions (e.g. afforestation and direct air capture and storage respectively).²

Climate change, and the net zero economic transition required to deliver on the goals of the Paris Agreement, can expose financial institutions to physical and transition risks and opportunities.³ Physical risks from climate change-related extreme weather events and sea level rise can adversely impact human lives and physical infrastructure, and can lead to disruptions in social, economic, and financial systems. Similarly, as the world seeks to limit global greenhouse emissions and moves towards a global net zero economic transition, a changing political, legal, and market environment can create transition related risks and opportunities. Since every fraction of a degree of global warming rise matters, these risks can be significant. Currently, global warming is projected to increase to 3.2°C above pre-industrial levels by 2100 if currently implemented policies are not strengthened.⁴

Figure 1.1: Overview of net-zero initiatives in the financial sector, their themes of work, and benefits for members who become part of the alliances.



² Intergovernmental Panel on Climate Change, AR6 Synthesis Report, Summary for Policymakers (March 2023)

³ Task Force on Climate-related Financial Disclosures, Recommendations of the TCFD (June 2017)

⁴ See 2. IPCC 2023.

To identify and manage the risks and opportunities arising from climate change and the net zero economic transition, financial institutions and investors need strategies and action plans (transition plans). This can help investors fulfil their fiduciary duties by safeguarding their portfolio returns and investing in the opportunities created due to the economic transition (for instance, by making new investments in technologies that are critical for the economic transition, like renewable energy, batteries, and electric vehicles).⁵

To help financial sector firms navigate the challenges posed by climate change and a global transition to net zero, several collaborative initiatives and alliances have been formed over the last five years. While there are several initiatives and alliances in this space, this paper will focus only on the Glasgow Financial Alliance for Net Zero (GFANZ) and the eight independent and sector-specific alliances that it serves as a forum for.

GLASGOW FINANCIAL ALLIANCE FOR NET ZERO (GFANZ)

GFANZ brings together the finance industry and serves as a forum for the eight independent and sector-specific net-zero financial alliances, whose members have committed to support the transition to net zero by 2050 and help achieve the objectives of the Paris Agreement. Launched in September 2021 at COP26 in Glasgow, GFANZ seeks to raise the ambition of financial sector firms, promote best practices, support collaboration, showcase collective efforts, and convene policymakers and senior alliance members for mutually supportive climate action by public and private sector.

Alliance members include banks, insurers, asset owners, asset managers, financial service providers, investment consultants, and venture capitalists. The members of each Alliance operate in a diverse range of economies and financial systems spanning the developed, emerging and developing world. These eight sector-specific alliances are listed below (in chronological order of establishment), followed by a table providing overview of their launch dates, current membership status (number of members and respective assets under management), type of financial institution, and the convening bodies:

- Net Zero Asset Owner Alliance (NZAOA)
- Net Zero Asset Managers Initiative (NZAM)
- Paris Aligned Asset Owners (PAAO)
- Net Zero Banking Alliance (NZBA)
- Net Zero Insurance Alliance (NZIA)
- Net Zero Financial Service Providers Alliance (NZFSPA)
- Net Zero Investments Consultants Initiative (NZICI)
- The Venture Climate Alliance (VCA)

⁵ UNEP-FI, PRI, and The Generation Foundation, *fiduciary duty in the 21st century* (October 2019)

⁶ Glasgow Financial Alliance for Net Zero (GFANZ)

Table 1.1: Overview of sector specific alliances part of the GFANZ

Initiative	Launched	Members (AuM)	FI Type	Commitment Document	Coordinated by
NZAOA	Sep. 2019	86 (US\$ 9.5 trillion)	Asset Owners	Link	• UNEP-FI • PRI
PAAO	May 2019	56 (US\$ 3.3 trillion)	Asset Owners	Link	• AIGCC • IGCC • Ceres • IIGCC
NZAM	Dec. 2020	315 (US\$ 64 trillion)	Asset Managers	Link	• PRI • Ceres • CDP • IGCC • AIGCC • IIGCC
NZBA	Apr. 2021	137 (US\$ 74 trillion)	Banks	Link	• UNEP-FI
NZIA	July 2021	—	Insurers	Link	• UNEP-FI
NZFSPA	Sep. 2021	26	Financial Service Providers	Link	• PRI • UNSSE
NZICI	Sep. 2021	11	Investment Consultants	Link	• PRI
VCA	Apr. 2023	80	Venture Capital	Link	—

SECTOR-SPECIFIC ALLIANCES

While most sector-specific alliances have their own governance structures, processes, and sector-specific foci, there is a shared emphasis on 1.5°C-aligned targets, credible disclosures, engagement, transition finance, and the expectation that investors will only be able to deliver on their commitments if governments follow through on their own commitments to ensure the objectives of the Paris Agreement are met.

By becoming a part of an alliance, members primarily benefit in three ways:

- **Commitment and ambition:** With their public commitments to the net zero transition and the goals of the Paris agreement, members of these alliances clearly communicate their intent, ambition, and expectations to the policymakers, companies, and other stakeholders in the value chain.



- **Guidance, tools, and thought leadership:** Members can start, and progress, their work around climate action by using the guidance, tools, and thought leadership developed and shared by the alliances. For instance, the target setting protocols and guidelines developed by the alliances help members with target setting; guidelines for transition planning by the Investor Agenda and GFANZ help members develop and implement their transition plans; NZAOA's Aligning Climate Policy Engagement with Net-Zero Commitments discussion paper helps alliance members by outlining the best practices for assessing their asset managers' climate policy engagement; and the transition finance guide by NZBA provides a baseline for members to develop a transition finance framework.
- **Platform for collective action and engagement:** The alliances provide a platform for their members to collectively engage with policymakers and other stakeholders, where such engagement is aligned with their wider regulatory and legal responsibilities. In this way, the barriers around the delivery of net zero economic transition can be identified and removed, and relevant opportunities unlocked. Examples in this regard include GFANZ's Call to Action for G20 governments to deliver on the goals of the Paris Agreement by drawing on the five broad policy levers shared by the Alliance; and the NZAOA's discussion paper, Unlocking Investment in Net Zero, which calls for the removal of key political barriers to achieving net zero greenhouse gas emissions by 2050.

Some examples of resources developed by these alliances, and GFANZ, are set out in the table 1.2 below.

Table 1.2: Examples of resources developed by the alliances (non-exhaustive, illustrative only)

Category	Example Resources
Target Setting and Disclosures	<ul style="list-style-type: none"> - NZAOA's Target Setting Protocol Third Edition - Net Zero Investment Framework - NZBA's Guidelines for Climate Target Setting for Banks - NZIA Target-Setting Protocol - NZFSPA Exchange Group's Net Zero Target-Setting Guidance
Policy Advocacy	<ul style="list-style-type: none"> - Call to Action for G20 governments: One Year On (GFANZ) - Unlocking Investment in Net Zero (NZAOA) - Position Paper on Governmental Carbon Pricing (NZAOA)
Engagement	<ul style="list-style-type: none"> - Financing the Managed Phaseout of Coal-Fired Power Plants in Asia Pacific (GFANZ) - Position on the Oil and Gas Sector (NZAOA) - The Net Zero Asset Managers initiative - Fossil fuel expectations (NZAM)
Financing Transition	<ul style="list-style-type: none"> - Actions to Mobilize Capital to Emerging Markets and Developing Economies (GFANZ) - Transition Finance Guide (NZBA) - Scaling Blended Finance discussion paper (NZAOA) - Development and Uptake of Net-Zero Aligned Benchmarks (NZAOA)
Miscellaneous	<ul style="list-style-type: none"> - Recommendations and Guidance on Financial Institution Net-zero Transition Plans (GFANZ) - Sectoral Pathways for Financial Institutions (GFANZ)

RECOGNITION AND ACCOUNTABILITY OF THE ALLIANCES

While members of the alliances are accountable to the governance and accountability mechanisms of the alliances to which they have committed, as well as the regulatory and legislative standards of their relevant jurisdictions, the work of the alliances is assessed and recognized by *The United Nations Framework Convention on Climate Change (UNFCCC)*, the United Nations entity tasked with supporting the global response to the threat of climate change and the parent treaty of the 2015 Paris Agreement.

In June 2023, the UNFCCC released its [recognition and accountability framework](#) for non-Party stakeholders (including the net zero alliances), which aims to provide enhanced recognition to those delivering on their commitments, maximize the credibility of climate action commitments and plans, showcase best practices, and highlight the systemic challenges that must be addressed for Paris-Agreement aligned climate action. According to the framework, the commitments and progress of net zero alliances will be recognized and assessed by the UNFCCC against the recommendations of the United Nations Secretary-General's [High-Level Expert Group](#) on the Net Zero Emissions Commitments of Non-State Entities report – [Integrity Matters: Net Zero Commitments by Businesses, Financial Institutions, Cities and Regions](#). The report sets out a guiding vision of what credible climate action entails and what must be done to provide confidence that delivery of net zero commitments is sufficient and credible. Through this framework and its implementation plan, the work of the net zero alliances will be recognized as a critical part of the global climate action that is needed to deliver on the goals of the Paris Agreement. below.

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If you would like to start, or progress, on your climate action and become a member of an alliance, please visit its website and read the commitment document for more information. Most alliances do not require a fee to become a member.

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