A background image showing the Earth's horizon from space, with a blue atmosphere and brownish landmasses visible against a starry black sky. A dotted line is visible at the top of the page.

**COP26 AND
THE GLASGOW
FINANCIAL
ALLIANCE FOR
NET ZERO
(GFANZ)**

Achieving the objective of the Paris Agreement

to limit global temperature increases to 1.5°C from pre-industrial levels requires a whole economy transition – every company, bank, insurer and investor will have to **adjust their business models**, develop credible plans for the transition and implement them.

Mainstream private finance will help all companies **realign their business models for net zero**. It will fund the initiatives and innovations of the private sector and turn billions committed to climate investment through public channels into **trillions of total climate investment**.

There is already growing ambition and action from leading financial institutions. The world's largest asset owners and managers, controlling over **USD\$37 trillion**, have joined the UN **Race to Zero** campaign (the world's largest net zero coalition, representing **509** cities, **23** regions, **2,162** businesses, **127** of the biggest investors, and **571** universities).

However, **unlocking systemic change** will require coordinated and ambitious commitments across the entire financial system. Previously, there was no forum for this, nor, more fundamentally, were there 'Race to Zero' entry vehicles for some of the most important sectors of finance (banking, insurance underwriters, FMIs). This undermines our collective goal of ensuring **coherency and consistency** across the financial sector.

To overcome this challenge at the speed and scale required, **Mark Carney and the COP26 Private Finance Hub** - in partnership with the UNFCCC Climate Action Champions and the Race to Zero campaign and the COP26 Presidency - are launching a coalition that brings together existing and new net zero finance initiatives into one sector wide strategic forum: the **Glasgow Financial Alliance for Net Zero (GFANZ)**.

GFANZ will **broaden, deepen and raise ambition** in the financial sector, allowing firms to demonstrate their collective commitments to supporting companies and countries to achieve the goals of the Paris Agreement. GFANZ will **catalyse strategic and technical coordination** on steps firms need to take to align with a net zero future. Anchored in the Race to Zero, the entry criteria will help to **ensure credibility and consistency** of net zero commitments.

Specifically, GFANZ will:

1. **BROADEN** the Race to Zero's existing finance campaign to ensure that all subsectors of the financial sector have credible net zero commitments.
2. **RAISE AMBITION** by ensuring that commitments are backed by robust targets and transition plans.
3. **COORDINATE** commitments and actions across the sector to support the economy-wide transition needed to achieve net zero. GFANZ will bring together existing net zero alliances and Race to Zero partners into a holistic and coherent framework. It will leverage rather than replicate existing coalitions and workstreams. It will also bring together actors that provide the analytical tools, infrastructure and support (such as credit rating agencies, auditors and stock exchanges) for financial institutions to implement their net zero strategies.
4. **SUPPORT** technical collaboration on substantive and cross-cutting issues that will accelerate the alignment of investment and lending with net zero.
5. **SHOWCASE** the collective efforts and achievements of the sector and of individual firms taking the most ambitious climate actions. To show that the financial system is spearheading the transition to a sustainable, zero carbon future and supports progressive policy to unlock further action, completing the virtuous cycle of investment for net zero. For example, the UN-convened Net Zero Asset Owner Alliance's 37 members, with over \$5.7 trillion assets under management, are demonstrating ambition by already setting science-aligned targets for 2025.

GFANZ will be **launched on the eve of President Biden's Climate Summit alongside the launch of the Net Zero Banking Alliance**, which brings together 43 banks from 23 countries (with assets of \$28.5 trillion). The NZBA joins existing initiatives: the Net Zero Asset Managers Initiative and the UN-convened Net-Zero Asset Owner Alliance. They will shortly be joined by leading insurers and reinsurers in the soon-to-be launched UN-convened Net-Zero Insurance Alliance (NZIA). The GFANZ steering group will meet several times ahead of the COP26 summit in Glasgow.

GFANZ will endure beyond COP26. The journey to net zero will last for decades and will only increase in importance and priority. Supported by the Race to Zero architecture, GFANZ will continue to be the place the financial sector meets to **progress and accelerate the transition to a net zero economy**, which is necessary to have a net zero financial sector.

**ANNEX:
ORIGINAL
CONCEPT NOTE
FOR GLASGOW
FINANCIAL
ALLIANCE FOR
NET ZERO**

Glasgow Financial Alliance for Net Zero (GFANZ) – a collaboration with Race to Zero

Mark Carney, the UK Prime Minister's Finance Adviser for COP26 and UN Special Envoy for Climate Action and Finance, **Nigel Topping and Gonzalo Muñoz**, the High Level Climate Action Champions for COP25 and COP26, and the COP26 Presidency, will soon be launching a finance initiative as a collaboration with the Race to Zero.

Vision

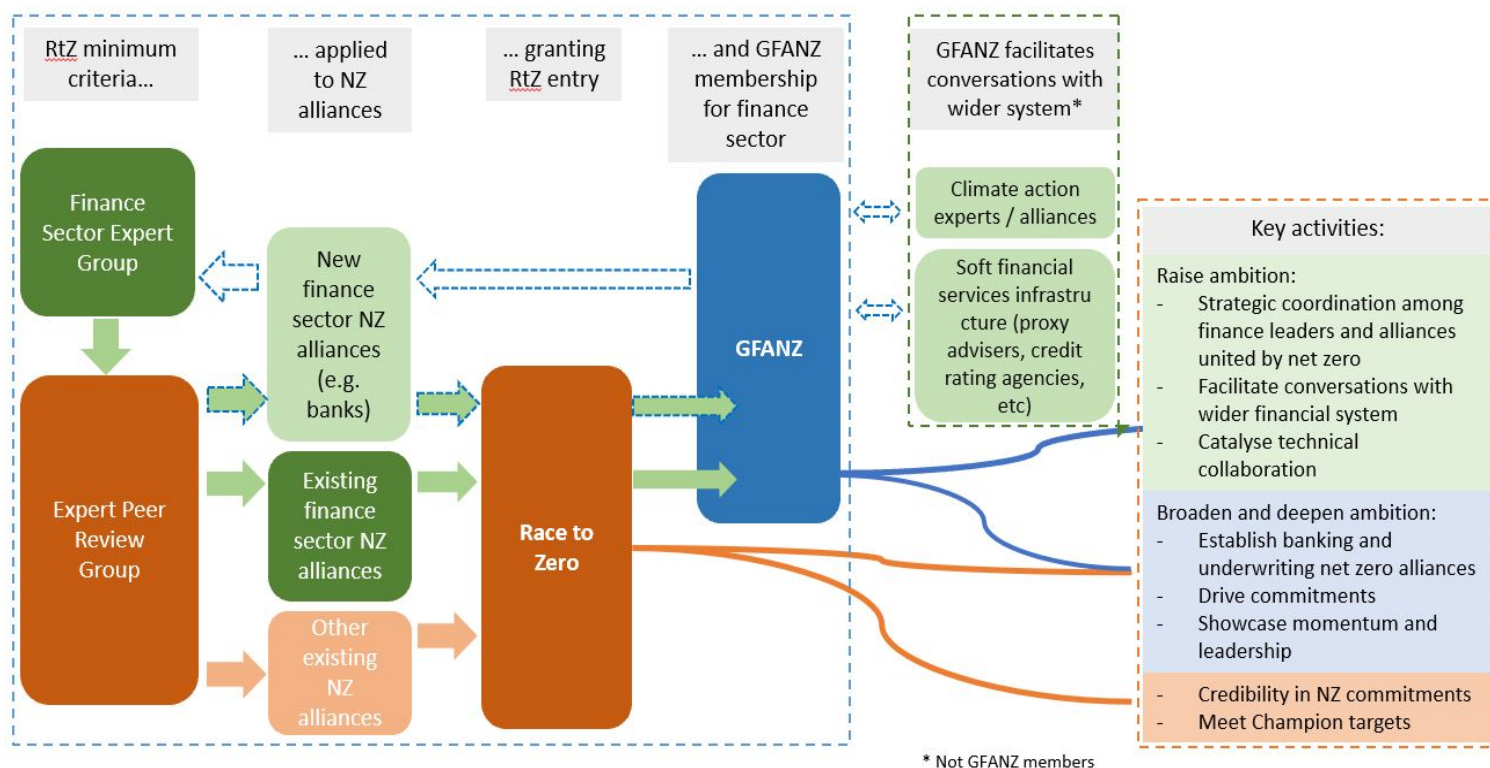
To deliver the Paris Agreement and achieve global net zero, **the whole financial system** needs to have transitioned by 2050 at the latest. There is already growing ambition and action from leading financial institutions and welcome net zero momentum from asset owners and asset managers. However, unlocking systemic change will require coordination between all finance sub-sectors, further scaling these commitments, and ensuring mutually reinforcing ambition and purpose.

We are founding the Glasgow Financial Alliance for Net Zero (GFANZ) to bring together representatives from across the financial sector to coordinate efforts and **promote a smooth but rapid decarbonisation of the economy**. Its members will include asset owners, asset managers, banks and insurance underwriters. Members will include all those that are, or will be, part of the Race to Zero. And GFANZ will facilitate engagement with other key actors from across the wider financial system and climate finance experts.

GFANZ launches in the Spring and will build momentum into COP26 in November. By Glasgow, it will be clear which financial institutions are **fully committed to net zero**.

Role

GFANZ will broaden, deepen and raise **financial sector ambition**, allowing firms to collectively demonstrate their commitment to the Paris Agreement and catalyse strategic and technical coordination on steps they need to take to align with a net zero future.



Through these efforts, GFANZ will support progress on Article 2.1c of the Paris Agreement^[1] and **help unlock the enabling role** of the financial sector to transition the economy to net zero: a commitment of 127 countries and counting. GFANZ will bring together existing net zero alliances into a holistic and coherent framework – leveraging rather than replicating existing coalitions and workstreams.

Key outcomes for Glasgow

GFANZ has four objectives **ahead of the COP26 summit**:

- 1. Broaden** the Race to Zero's existing finance sector campaign by ensuring credible sub-sector net zero vehicles for all key finance groups (asset owners, asset managers, insurance underwriters, banks), working hand-in-glove with the Race to Zero and its independent expert groups.
- 2. Deepen** the pool of financial institutions committing to net zero emissions targets and underlying transition plans through an active engagement programme.

[1] "Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate resilient development"

3. **Raise ambition** across the financial system:

i Provide **a forum for strategic coordination** among net zero finance leaders on their strategies and workplans, common challenges and opportunities, with regular meetings up to COP26 in November (e.g. May, July, September). Ultimately amplifying each other's efforts to build net zero momentum, influence real economy actors and support implementation of targets.

ii Facilitate **conversations across the wider financial system**, bringing together GFANZ members (all of whom must be in the Race to Zero) with those actors that provide the analytical tools, infrastructure and support for financial institutions to implement their net zero strategies. GFANZ will actively engage with the crucial role of 'soft infrastructure' (credit rating agencies, proxy advisers, investment consultants, stock exchanges) and climate finance experts who, whilst not necessarily part of Race to Zero, should be a crucial part of the conversation for the transition to net zero. GFANZ will help identify opportunities to reinforce net zero through the wider climate action and finance agenda (e.g. disclosure, Sustainable Stock Exchange Initiative, carbon offset markets).

iii Catalyse **technical collaboration** on key substantive and cross-cutting issues, engaging the wider supporting system. The steering group would decide the shape and substance of this after the GFANZ launch.

Examples include:

- a) Member publications on **best practice for implementing their own net zero targets**. Under the strategic coordination of the steering group, each member alliance could select a focal topic for their sub-sector, likely to centre on the features of credible transition planning for their members or approaches and frequency of interim target-setting.
- b) Cross-cutting working group publication considering **financial sector expectations for the features of credible transition plans from the corporate sector**. This could leverage and help navigate existing materials and climate action experts (currently aimed primarily at investors), with a view to reaching alignment across the finance system on a clear financial sector 'ask'. To guide corporates on financial sector expectations and inform financial sector engagement and allocation strategies. A possible follow-on topic could be the role of 'soft infrastructure' in supporting financial institutions to assess and engage with these real economy transition plans.

4. **At Glasgow, showcase the collective efforts and achievements of the sector and of individual firms** taking the most ambitious climate actions to show that the financial system is spearheading the transition to net zero.

Membership and entry criteria

GFANZ membership will be drawn exclusively from the entry criteria and process of the [Race to Zero](#) campaign. Individual firms that do not have a relevant financial sub-sector alliance will also be able to participate in GFANZ if they join the Race to Zero through SBTi's Business Ambition for 1.5 campaign, with the expectation that they will join a relevant sub-sector alliance if/when available. Race to Zero will ensure entry criteria are reviewed annually, with a view to raising ambition over time.

In this way, GFANZ will **bring together under one umbrella** existing and emerging net zero finance initiatives that join the Race to Zero (e.g. the Net Zero Asset Owners Alliance, Net Zero Asset Managers initiative). Work is ongoing to secure suitable vehicles for the insurance underwriting and other sub-sectors.

GFANZ will **facilitate conversations** with the wider financial system and climate action experts as appropriate to support members' technical collaborations, make connections and help unlock the crucial enabling role of financial system infrastructure in reaching net zero. However, these actors will not be GFANZ members unless they have joined the Race to Zero as set out above.

GFANZ will be run through a steering group that **meets regularly over 2021** initially. It will bring together senior C-Suite industry representatives, centred around the net zero alliances signed up to GFANZ, Nigel Topping (High Level Climate Action Champion), and Mark Carney as chair (the UK Prime Minister's Finance Advisor for COP26 and UN Special Envoy for Climate). The group will: set direction; provide a forum for strategic coordination among net zero finance leaders on campaigns, workplans and how to maximise real economy and real world impact; catalyse technical collaboration; and monitor progress.

Post-COP legacy

Whilst the 2021 focus for GFANZ will be on launching and building momentum and collaboration ahead of Glasgow, it will endure beyond the COP26 summit, anchored in the Race to Zero infrastructure and providing a basis for **future collaboration and leadership** on net zero in the finance sector.