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Climate Safe Lending Network

Making COP26 Count

This year's United Nations Climate Change Conference, COP26, will be the largest and most important ever staged. Financial sector reform has been highlighted as a pivotal issue in helping the global economy transition to climate safety and to avoid the impacts of runaway climate change. Last year we saw country governments and major banks announce net-zero targets. How many policy makers and lending institutions will join in making climate commitments in 2021? How far and fast will banks go this year in measuring their emissions and in setting and reporting on targets?

The answer to these questions depends on the extent to which we create a future that is distinct from the past. Peter Block, noted management consultant and best-selling author, defines this as *"the means through which those of us who care about the whole community can create a future for ourselves that is not just an improvement, but one of a different nature from what we now have."*

If we want a sustainable economy and planet, now is the time for a new conversation. One that is:

- Grounded in possibility instead of limitations
- About radical listening instead of repeating the same arguments
- Inclusive instead of exclusive
- Co-creative and emergent instead of stuck in the same patterns that do not work

This is where the Climate Safe Lending Network comes in. We are forming a community of action that brings together a diverse group of people from across the financial system to engage in constructive conversations that move ideas into action.

In 2021 our work will focus on these three areas:

1. **Climate Safe Learning Lab:** We are supporting banking professionals in being climate intrapreneurs within their organizations by creating the spaces for peer-to-peer learning, solution development and action planning. Through our **Learning Lab Insights Reports**, we are codifying effective approaches for bank climate action that are shared with banks and bank influencers.
2. **Climate Safe Policy Initiative:** We are creating a collaborative space for regulators, policy makers, bankers, investors, asset managers, and other climate finance actors to work together on integrating climate change into policies and operations of regulatory agencies.
3. **Climate Safe Lending Network Convenings:** Throughout this year we will be hosting gatherings with lending institutions and bank stakeholders to work together on aligning bank lending with the goals of the Paris Climate Agreement and the just transition to a climate-safe world. Through action-oriented dialogue we will determine next steps leading up to COP 26 and beyond to 2025.

Some network members who have expressed interest in accelerating the transition towards climate safe lending will be meeting in the next couple of months to discuss practical strategies and tools for setting net-zero targets and alignment with the Paris Climate Agreement. Although space is limited, we will be sharing information from this event, including insights and next steps.

If you would like to attend a future Climate Safe Lending Network convening, please contact us at **connect@climatesafelending.org.**

We're excited to make the most of this critical opportunity to move further and faster together to address climate change!

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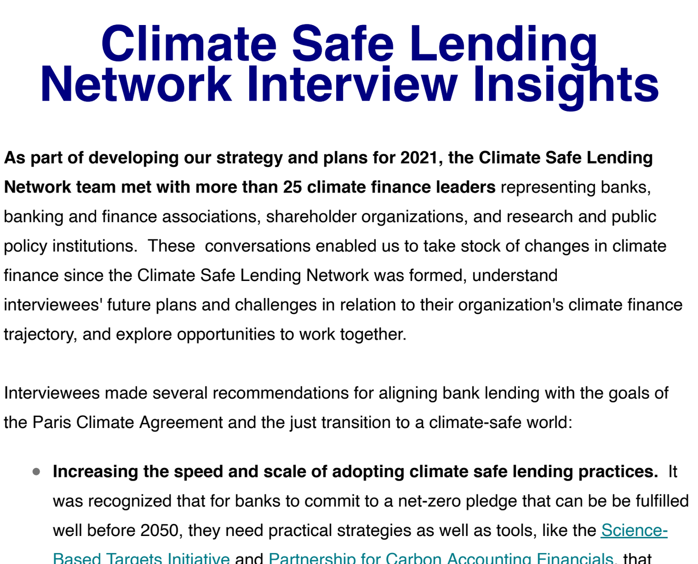
Image Credit: https://www.johnsonbanks.co.uk/work/un-climate-change-conference



Climate Safe Lending Network Interview Insights

As part of developing our strategy and plans for 2021, the Climate Safe Lending Network team met with more than 25 climate finance leaders representing banks, banking and finance associations, shareholder organizations, and research and public policy institutions. These conversations enabled us to take stock of changes in climate finance since the Climate Safe Lending Network was formed, understand interviewees' future plans and challenges in relation to their organization's climate finance trajectory, and explore opportunities to work together.

Interviewees made several recommendations for aligning bank lending with the goals of the Paris Climate Agreement and the just transition to a climate-safe world:

- **Increasing the speed and scale of adopting climate safe lending practices.** It was recognized that for banks to commit to a net-zero pledge that can be be fulfilled well before 2050, they need practical strategies as well as tools, like the Science-Based Targets Initiative and Partnership for Carbon Accounting Financials, that are commonly used and improved upon.
- **Incorporating sustainability into bank operations and everyday business,** inclusive of client propositions and core strategy. This is about giving sustainability unit heads a seat at the table in day-to-day decision making as well as involving all function heads in measuring emissions and setting targets.
- **Extending organizational impact by participating in banking and finance associations.** Beyond informational events and networking, some groups are collecting data about how their members are responding to climate change, forming sustainability working groups, or working together on advocacy campaigns.

These interviews have given us more clarity about how the Climate Safe Lending Network can play a pivotal role in bringing people from across the financial system together to engage in constructive dialogue, deepen collaborative relationships, and take action that accelerates the transition to a climate-safe world.

Watch this space for more details!

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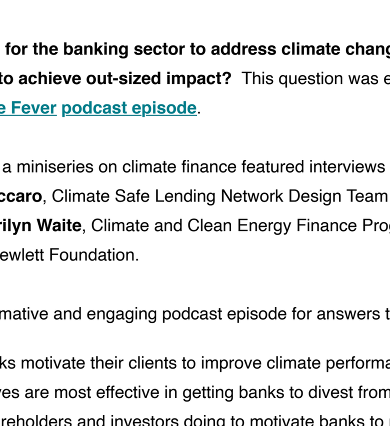

The Power of Banks to Shape Climate Change Solutions

What would it take for the banking sector to address climate change at the ambition and scale needed to achieve out-sized impact? This question was explored during a recent **Breaking the Fever podcast episode**.

This first episode in a miniseries on climate finance featured interviews with our Senior Director, **James Vaccaro**, Climate Safe Lending Network Design Team Member, **Ivan Frishberg**, and **Marilyn Waite**, Climate and Clean Energy Finance Program Officer at the William and Flora Hewlett Foundation.

Tune in to this informative and engaging podcast episode for answers to these questions:

- How can banks motivate their clients to improve climate performance?
- What incentives are most effective in getting banks to divest from fossil fuels?
- What are shareholders and investors doing to motivate banks to pursue climate goals?

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French Central Bank Announces Transition From Fossil Fuel Investments

On January 18, Banque de France became the first national central bank in Europe to set a timeline for developing a greener investment portfolio. According to the details of this announcement, the French Central Bank will phase out its investments in companies that generate their revenues from coal by 2024. In addition to voting against new fossil fuels projects as of this year, the French Central Bank will also reduce its investments in oil and gas companies.

While we acknowledge this positive development, it is also worth noting that there is still a lot of work to be done. According to a recent BBC news article, the Environmental Audit Committee wrote a letter to the Bank of England's governor urging him to ensure that businesses that receive central bank financing are required to publish climate-related financial disclosures. This intervention comes as the Bank of England considers how to implement a change in its mandate to include 'green' policies, which is pertinent as the UK prepares to host the UN Climate Change Summit in Glasgow in November.

As 2021 unfolds, important questions remain. In particular, how will other central banks set their course? In which direction will they steer economic recovery?

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Bankers for Net Zero

Leading Standards Set for Climate Commitments

In December 2020 Bankers for Net Zero **released a framework that is the most ambitious set of climate change commitments for lending institutions, to date**. Regulated lending institutions that adopt these ambitious standards commit to achieving net-zero carbon emissions by 2050 at the latest. Bankers for Net Zero is an initiative that brings together banks, businesses, and regulators in the United Kingdom to accelerate the transition to a net-zero carbon economy,

Key elements of the proposed **Bankers for Net Zero Commitment Framework** are:

1. **#StatetheDate:** Set a clear target for Net Zero climate emissions no later than 2050
2. **Strategic Approach:** Publish, implement and continuously review a comprehensive strategy
3. **Disclose** the scenario used as a basis for climate targets
4. **Transparent Review:** Publicly measure ourselves against commitments on a yearly basis
5. **Clear Path:** Set out a clear trajectory for how activities will be decarbonised
6. **Divest:** #StatetheDate for the end to all financing of all fossil fuels and deforestation-linked lending
7. **Public Policy Alignment:** Actively advocate for interventions to accelerate the transition to net zero
8. **Innovation:** Prioritise support for innovation and emerging approaches to achieving net zero

Bankers for Net Zero has applied to join the UN Climate Change Race to Zero Campaign, which is a global group of organizations, including over 1,100 businesses and investors, that are setting ambitious targets and action plans to reduce emissions and build resilience. Lending institutions are encouraged to join Race to Zero to help build momentum around the shift to a decarbonized economy ahead of COP26.

To learn more about Bankers for Net Zero and the commitment framework, **contact nathalie@volans.com**.

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Testing the Application of the EU Taxonomy to Core Banking Products

Earlier this month UNEP FI and the European Banking Federation published *Testing the Application of the EU Taxonomy to Core Banking Products*. This report provides insights from an initial set of comprehensive case studies on the application of the EU Taxonomy to core banking products, such as retail banking, small and medium enterprise lending, and corporate banking that includes trade, export and project finance.

From January to August 2020, 26 banks tested the EU Taxonomy on over 40 live or recently closed transactions and existing client relationships. The testing exercise featured a diversity of banking products, client corporate structures, and geographical locations. A key result of the testing exercise are eight recommendations that are described in the report for legislators, regulators, and banks to strengthen the sustainable finance industry.

UNEP FI and the European Banking Federation co-hosted a live conference on January 26-27 to present the high level recommendations. This online event also provided an opportunity to identify early solutions to challenges identified in the report, such as the availability and quality of data for evaluating Do No Significant Harm Criteria as well as operational complexities in assessing and classifying multi-sector clients, increasing documentation requirements and upgrading IT processes.

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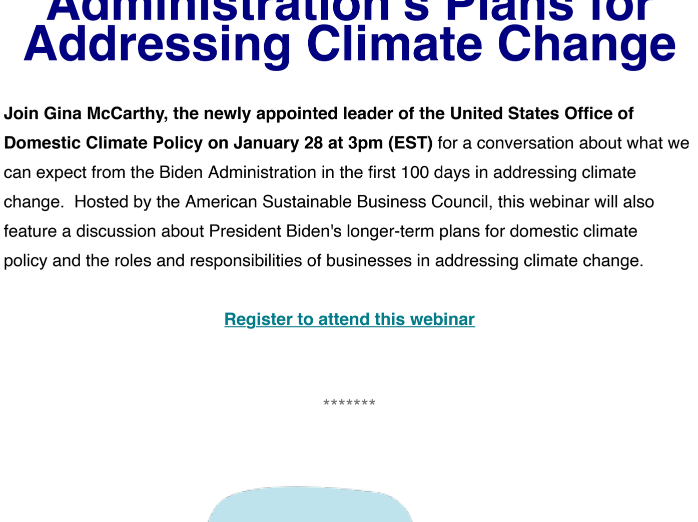

Webinar on Biden Administration's Plans for Addressing Climate Change

Join Gina McCarthy, the newly appointed leader of the United States Office of Domestic Climate Policy on January 28 at 3pm (EST) for a conversation about what we can expect from the Biden Administration in the first 100 days in addressing climate change. Hosted by the American Sustainable Business Council, this webinar will also feature a discussion about President Biden's longer-term plans for domestic climate policy and the roles and responsibilities of businesses in addressing climate change.

Register to attend this webinar

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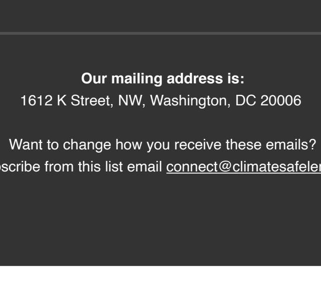

We look forward to staying in touch and bringing you the latest news and insights from the Climate Safe Lending Network and from the world of climate finance.

Contact us at **connect@climatesafelending.org** to share your comments.