Committee: Economic and Financial Committee (GA2)

Issue: Safeguarding global financial and environmental interests through the Net-Zero Banking Alliance (NZBA)

Student Officer: Kristi Efstathiou

Position: Co-chair

PERSONAL INTRODUCTION

Dear delegates,

My name is Kristi Efstathiou, and I am a 10th grade student at Ekpaideutiki Anagennisi. This year, it is my utmost honor to be serving as one of the Co-chairs of the Economic and Financial Committee (GA2) in the 2024 ACG MUN. I've been participating in MUN Conferences for four years, through which I have been given the opportunity to gain a deeper understanding of issues regarding global politics, economics, and the intricacies of diplomacy.

This year's GA2 agenda enables participants to learn and engage in discussion about important topics that concern nations worldwide. Safeguarding global financial and environmental issues through the Net-Zero Banking Alliance can be really beneficial for the overall economy. This guide will provide you with essential and vital knowledge on the topic so as to assist you in your efforts to formulate your own resolutions.

Nonetheless, I strongly advise you to undertake more study on the subject since new information emerges on a daily basis. If you have any questions, please do not hesitate to contact me through my email: kristi.efsta2008@gmail.com

I am looking forward to meeting all of you!

Yours truly,

Kristi Efstathiou

TOPIC INTRODUCTION

An international effort called the Net-Zero Banking Alliance (NZBA) seeks to protect the environment and our financial interests. It unites global banks that have made the commitment to attain net-zero emissions by 2050. These banks as an alliance aim to combat climate change and advance sustainability by implementing renewable energy sources and promoting sustainable practices.

Net zero refers to achieving a balance between the amount of greenhouse gases emitted into the atmosphere and the amount removed or offset. It is important because it helps mitigate climate change and reduce the overall impact of human activities on the environment. In order to achieve net zero, the deep decarbonization of the economy in the areas of energy, urbanization, infrastructure, industry, and land use systems, as well as the permanent removal of the remaining greenhouse gas emissions that are impossible to eliminate or minimize, are essential. Nowadays, the need for a shared knowledge of net zero emissions and how to accomplish net zero targets has developed. Companies are under pressure from investors to disclose how they intend to achieve net zero emissions and to show how their long-term strategy incorporates net zero routes because investors want to ensure that their investments align with sustainability goals.[1]

The NZBA incentivizes banks by providing them with various benefits and rewards for implementing sustainable practices so as to match their lending and investment policies with climate goals. This implies that banks will give priority to investments in clean technology, energy-efficient infrastructure, renewable energy, and other sustainable initiatives and will take the environmental effect of their financing choices into account. The NZBA can help facilitate the shift to a low-carbon economy by allocating funding for these projects. This may result in less greenhouse gas emissions, better environmental results, and the preservation of natural resources.

By enacting policies that support investment, entrepreneurship, and innovation, the NZBA can boost economic growth. More precisely, the NZBA can stimulate economic growth, attract investment, and generate employment by investing in infrastructure, assisting small enterprises, and creating a conducive

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[1] "Larry Fink's Annual 2022 Letter to CEOS." *BlackRock*, www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter. Accessed 26 Nov. 2023.

business climate. In addition, encouraging sustainable businesses and practices may help solve environmental issues and long-term economic growth.

DEFINITION OF KEY TERMS

Net-Zero Banking Alliance

"Industry-led and UN-convened, the Net Zero Banking Alliance (NZBA) is a group of leading global banks committed to financing ambitious climate action to transition the real economy to net-zero greenhouse gas emissions by 2050."[2]

Net-Zero

"Net zero refers to the balance between the amount of greenhouse gas (GHG) that's produced and the amount that's removed from the atmosphere. It can be achieved through a combination of emission reduction and emission removal."[3]

Real Economy

This refers to economic activity outside of the financial sector. "Financial institutions are significant intermediaries that support activity in the real economy — production and consumption by households, businesses, and government — through their lending, investing, underwriting, and advising activities."[4]

Climate Solutions

"Technologies directly contributing to the elimination of real-economy greenhouse gas emissions, and services supporting the expansion of these technologies, that financial institutions can support to enable the global transition to net zero. These solutions include scaling up zero-carbon alternatives to high-emitting activities — a prerequisite to phasing out high-emitting assets."[5]

Capital

"Capital is typically cash or liquid assets being held or obtained for expenditures. In a broader sense, the term may be expanded to include all of a company's assets that

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[2] "Net-Zero Banking Alliance." *United Nations Environment Programme Finance Initiative*, 9 Nov. 2022, www.unepfi.org/net-zero-banking/?linkId=125692528.

[3] "What Is Net Zero?" National Grid Group, www.nationalgrid.com/stories/energy-explained/what-is-net-zero. Accessed 7 Jan. 2024.

[4] "Real Economy." *Corporate Finance Institute*, 16 Oct. 2023, corporatefinanceinstitute.com/resources/economics/real-economy/.

[5] *Bloomberg Professional Services*, assets.bbhub.io/company/sites/63/2022/06/GFANZ_Recommendations-and-Guidance-on-Net-zero-Transition-Plans-for-the-Financial-Sector_June2022.pdf. Accessed 26 Nov. 2023.

have monetary value, such as its equipment, real estate, and inventory. But when it comes to budgeting, capital is cash flow."[6]

Gross Domestic Product (GDP)

"Gross domestic product (GDP) is the total monetary or market value of all the finished goods and services produced within a country's borders in a specific time period. As a broad measure of overall domestic production, it functions as a comprehensive scorecard of a given country's economic health"[7]

Gross National Product (GNP)

"Gross national product (GNP) is an estimate of the total value of all the final products and services turned out in each period by the means of production owned by a country's residents. GNP is commonly calculated by taking the sum of personal consumption expenditures, private domestic investment, government expenditure, net exports, and any income earned by residents from overseas investments, then subtracting income earned by foreign residents."[8]

Economic Growth

"The expansion of the economic output of an economy, usually expressed in terms of the increase of national income, GDP and GNP . Nations experience different rates of economic growth mainly because of differences in population growth, investment, and technical progress."[9]

Investment Policy

"An investment policy describes the parameters for investing government funds and identifies the investment objectives, preferences or tolerance for risk, constraints on the investment portfolio, and how the investment program will be managed and monitored."[10]

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[6] Hargrave, Marshall. "Capital: Definition, How It's Used, Structure, and Types in Business." Investopedia, Investopedia, www.investopedia.com/terms/c/capital.asp. Accessed 9 Jan. 2024.
[7] Fernando, Jason. "Gross Domestic Product (GDP): Formula and How to Use It." Investopedia, Investopedia, www.investopedia.com/terms/g/gdp.asp. Accessed 7 Jan. 2024.
[8] Team, The Investopedia. "Gross National Product (GNP) Defined with Example." Investopedia, Investopedia, www.investopedia.com/terms/g/gnp.asp#:~:text=Gross%20national%20product%20is%20the,income%20earned%20by%20foreign%20residents. Accessed 7 Jan. 2024.
[9] "Economic Growth." *Oxford Reference*, www.oxfordreference.com/display/10.1093/oi/authority.20110803095741367
[10] "Investment Policy." Investment Policy, www.gfoa.org/materials/investment-policy. Accessed 7 Jan. 2024.

Net-Zero Transition Plan

"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."[11]

Sustainable Development

"Sustainable development is approach to social, economic, and environmental planning that attempts to balance the social and economic needs of present and future human generations with the imperative of preserving, or preventing undue damage to, the natural environment."[12]

BACKGROUND INFORMATION

A global alliance of banks, the Net-Zero Banking Alliance (NZBA) was established in April 2021 is dedicated to having net-zero greenhouse gas emissions from its lending and investment portfolios by the year 2050. The coalition wants to promote the objectives of the Paris Agreement while quickening the shift to a low-carbon economy. Participating banks commit to establish goals based on research, carry out emission-reduction plans, and provide updates on their progress. 119 institutions, or around 40% of all banking assets globally, now support the NZBA.[13]A few instances of banks that are members of the NZBA are Santander, Citi, and Barclays.

Goals of the Net-Zero Banking Alliance

Aligning with the Paris Agreement

The alliance's goal of aligning with the Paris Agreement is crucial because it signifies their commitment to combating climate change. By aiming for net-zero greenhouse gas emissions, member banks are actively working towards reducing their carbon footprint and contributing to the global efforts of limiting global warming.

Mobilizing resources

[11] Unfccc.Int, unfccc.int/climate-action/race-to-zero-campaign. Accessed 26 Nov. 2023.
[12] "Sustaina8''ble Development." *Encyclopædia Britannica*, Encyclopædia Britannica, inc., 23 Nov. 2023, www.britannica.com/topic/sustainable-development.
[13] "A Guide to NZBA for the Aviation Sector." PACE, 8 Dec. 2023, www.pace-esg.com/academy/a-guide-to-the-net-zero-banking-alliance-for-the-aviation-sector/#:~:text=Founded%20in%20April%202021%2C%20NZBA,their%20lending%20and%20investment%20portfolios.

This goal is all about putting money where it matters most - sustainable projects and investments. By mobilizing financial resources towards initiatives that promote renewable energy and energy efficiency, the alliance is actively supporting the transition to a low-carbon economy. This helps accelerate the adoption of clean technologies and contributes to a more sustainable future for all.

Developing methodologies and standards

Transparency and accountability are key in the fight against climate change. The alliance's focus on developing methodologies and standards such as integrating climate risk assessments into investments decisions so as to ensure that member banks have clear guidelines for measuring and reporting their progress towards net-zero goals. This helps track their emissions reductions and fosters a culture of continuous improvement in sustainable practices.

Collaboration and cooperation

The alliance recognizes that addressing climate change requires collective action. By fostering collaboration among governments, regulators, and civil society, they create a supportive and enabling environment for sustainable finance. This collaborative approach helps drive systemic change, encourages knowledge sharing, and promotes the adoption of policies that facilitate the transition to a low-carbon economy.

Advantages of joining the NZBA

Leadership in Sustainability

Banks may demonstrate that they are leaders in sustainable finance by joining the NZBA. It proves their dedication to combating climate change and advancing the low-carbon economy. Investors and consumers who care about the environment may be drawn to this leadership as it attracts those who want to support financial institutions that share their values.

Collaboration and Knowledge Sharing

The NZBA provides a forum for banks to work with other organizations that share their values such as sustainability and climate action. Banks may share information, trade concepts, and create creative answers to environmental problems by working together. The credibility of the data is ensured through a rigorous membership process and a transparent monitoring framework. Collaboration with external stakeholders also helps maintain credibility. By fostering collaboration and communication this enhances the collective efforts of banks towards sustainability goals.

Access to Resources and Expertise

Banks may access a shared network of resources such as technical guidance, research, date and training programs on sustainable finance by joining the NZBA so as to ensure that banks have the necessary support and knowledge. By drawing on the combined expertise and experience of other members, they may improve their sustainability plans and remain current with market developments. This involves staying informed about emerging trends, regulations and market dynamics related to sustainability.

Enhanced Reputation and Stakeholder Trust

A bank's commitment to environmental sustainability is indicated by its membership in the NZBA. Their reputation with clients, financiers, and other stakeholders who appreciate sustainability may be improved by this commitment Being a part of the NZBA can provide banks a competitive edge as consumers and investors places a growing emphasis on sustainability. Customers and investors that value environmental responsibility may be drawn to them. It's a chance for them to stand out from the competition and match their financial actions with the interests of their stakeholders.

Regulatory Alignment

The objectives of the NZBA are in line with global climate goals, such the Paris Agreement. Banks may make sure that their sustainability initiatives comply with international regulatory standards by participating. This alignment shows a proactive attitude to complying with regulations and lowers the risk of non-compliance. By aligning their efforts, the NZBA can drive meaningful impact, foster collaboration, and set a strong example for the banking industry.

Potential risks

Implementation Risks

The possibility of experiencing trouble ensuring that all member banks successfully carry out their responsibilities and meet their net-zero goals is one of the concerns. This could be the result of a number of things, including a lack of resources, a lack of knowledge, or reluctance to change in the financial sector. When it comes to carrying out sustainable practices and projects successfully, implementation risks are crucial to take into account. To achieve the intended results, it is imperative to ensure successful implementation, which includes resource allocation, stakeholder participation, and progress tracking.

Measurement and Reporting Risks

It might be difficult to measure and report emissions related to banking activities accurately. There might be variations in the methods used to gather data, an absence of defined reporting systems, or trouble getting trustworthy data from outside parties. Since measurement and reporting risks include precisely evaluating and openly disclosing member banks' environmental, social, and governance (ESG) performance, they must be addressed.

Transition Risks

Moving away from industries with significant emissions might come with consequences for member banks. Financial risks associated with stranded assets, market volatility, or the requirement for large investments in new sustainable infrastructure and technologies are a few examples of this. It's critical to comprehend transitional hazards as they result from the shift toward a net-zero economy. These potential risks may have an effect on asset prices, alter market dynamics, or cause possible hiccups in company operations. Proactive tactics and thorough preparation are needed to manage these threats.

Policy and Regulatory Risks

For member banks, there may be risks associated with changes to government policies and laws pertaining to sustainability and climate change. Changes in laws, subsidies, or tax breaks might have an effect on how profitable and viable particular banking ventures or investments are. Because policy and regulatory risks entail modifications to laws, rules, and government policies pertaining to sustainability and responsible banking, they must be carefully considered. For member banks, remaining informed, participating in policy discussions, and adjusting to changing regulatory regimes are essential.

Reputational Risks

It is important to fulfill the anticipations of many stakeholders, such as investors, clients, and communities. Negative public opinion, commercial loss, or reputational harm might arise from a failure to address sustainability issues or net-zero targets. It is crucial to take reputational risks into account as a bad public image may have a big influence on a bank's reputation and clientele. Neglecting to conform to ethical banking standards and ecological objectives may result in harm to one's image and possible clientele decline.

Financial Risks

For participating institutions, the shift to a net-zero economy may pose serious financial concerns. The depreciation of carbon-intensive assets, elevated credit risk in industries with large carbon footprints, or the requirement for large investments in new sustainable technology are a few examples of these risks. Because they have the potential to affect member banks' financial soundness, these risks are significant.

Market Risks

Member banks may run the risk of the market if they can't keep up with the demands of their customers or adjust to the ever-changing dynamics of the green product and service industry. Missed commercial prospects or a decline in market share might come from this. Market risks should be taken into account since a failure to satisfy consumer expectations or adjust to changing dynamics can lead to missed business opportunities and a loss of market share. Long-term success depends on embracing sustainability and satisfying the rising demand for eco-friendly goods and services.

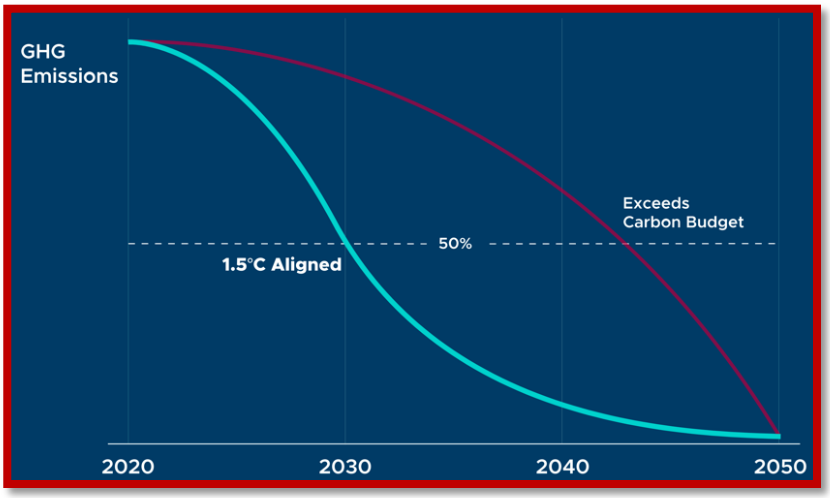

Figure 1 *How the NZBA Helps Banks Set Interim Emissions Targets*[14]

Case Studies

XYZ Bank

An alliance-aligned comprehensive sustainability plan was established by XYZ Bank, a member of the NZBA. They pledged to fund renewable energy initiatives and assist customers in making the switch to low-carbon business models. Through making successful use of the NZBA's resources and experience, XYZ Bank was able to effectively incorporate sustainability into its operations, which in turn attracted environmentally aware investors and enhanced consumer trust. This strategy has several benefits, such as showcasing leadership in sustainable finance, fostering cooperation among NZBA members, and providing access to market developments and legal specifications. It is possible that putting sustainability plans into action would involve a substantial financial outlay, modifications to operations, and a learning curve for staff members.

ABC Bank

To strengthen their efforts against climate change, ABC Bank joined the NZBA. They worked together with other alliance members to provide cutting-edge financial services and solutions that support environmentally friendly

[14] Slanger, Dan. “How the Net-Zero Banking Alliance Helps Banks Set Interim Emissions Targets.” *RMI*, 2 Mar. 2022, rmi.org/how-the-net-zero-banking-alliance-helps-banks-set-interim-emissions-targets/.

behaviors. ABC Bank introduced a green mortgage program with advantageous conditions for energy-efficient homes through this agreement. The effectiveness of this initiative can be measured by their positive outcomes such as increased reduced carbon emissions and customer satisfaction. In addition to encouraging the shift to a low-carbon economy, this program drew in clients who appreciated sustainable living. Promoting dedication to sustainability, working together with other alliance members, and taking the lead in promoting sustainable living are the benefits of this. On the other hand, creating and introducing new financial services and products might come with extra expenses and need for modifying current procedures and infrastructure.

MAJOR COUNTRIES AND ORGANIZATIONS INVOLVED

United States of America

Through a number of programs and policies, the USA has been supporting sustainable finance. The US government, for instance, has promoted the implementation of the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD), which offer a framework for revealing possibilities and risks associated with climate change. For example, companies are encouraged to disclose their governance processes and oversight of climate-related risks and opportunities. By disclosing this information, companies can demonstrate their commitment to addressing climate-related issues and ensuring effective governance practices. Furthermore, the US Federal Reserve has been investigating how to include risks associated with climate change into its regulatory and supervisory framework.

United Kingdom

Leading the way in sustainable finance, the UK has put in place a number of policies to help the NZBA. In order to encourage the creation of green financial products and raise private funds for sustainable ventures, the UK government has recently unveiled the Green Finance Strategy. The UK's green finance strategy aims to attract private capital for sustainable and low-carbon investments. It focuses on greening finance, financing green infrastructure, improving climate-related disclosures, and supporting global growth in green finance.

Japan

The goal of the Japanese government's Green Growth Strategy is to become carbon neutral by 2050. [15]Financial institutions are being urged to disclose climate-related risks and incorporate environmental, social, and governance (ESG) aspects into their investment choices as part of this plan. Furthermore, Japan has been aggressively fostering the expansion of its green bond market by establishing regulations for green bond issuance and encouraging it in order to promote sustainable financial choices. These programs demonstrate Japan's dedication to advancing sustainable finance and transforming its economy into one that is more ecologically aware.

France

To advance sustainable finance, France has taken the initiative. A noteworthy legislation is the Energy Transition for Green Growth Law, which was enacted by the French government in 2015[16]. It was implemented based on the grounds of promoting sustainable development and mandates that financial institutions include environmental, social, and governance (ESG) considerations into their investment choices and report risks associated to climate change. With regard to combating climate change and advancing sustainable development, the Energy Transition for Green Growth Law has been successful. It establishes challenging goals for cutting emissions and boosting the use of renewable energy.

World Bank

The World Bank is a global financial organization that supports sustainable finance by giving nations with limited resources financial and technical support for initiatives that advance sustainable development. They collaborate with corporations, governments, and other interested parties to raise funds and make investments in projects including sustainable infrastructure, biodiversity preservation, renewable energy, and climate change mitigation. The Multilateral Investment Guarantee Agency (MIGA) and the International Finance Corporation (IFC) are two other World Bank Group entities that concentrate on risk reduction and private sector investments in developing nations. When combined, they seek to encourage projects that benefit society and the environment by bringing in private capital.

World Economic Forum (WEF)

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[15] "Carbon Neutrality: Global Issues - Japangov -." JapanGov, 25 Sept. 2023, www.japan.go.jp/global_issues/carbon_neutrality/index.html#:~:text=In%20October%202020%2C%20Japan%20pledged,means%20Japan%20is%20set%20...

[16] "France's Energy Transition for Green Growth Act." Planète Énergies, www.planete-energies.com/en/media/article/frances-energy-transition-green-growth-act#:~:text=France%20enacted%20its%20Energy%20Transition,energy%20model%20without%20hampering%20growth.

The World Economic Forum (WEF) is a global forum that convenes executives from many industries to deliberate and tackle worldwide concerns. To address issues pertaining to the economy, society, and environment, they serve as a platform for communication and cooperation between corporations, governments, and civil society. Global development and collaboration are the main issues covered by the World Economic Forum, whereas sustainable finance is the special emphasis of the World Bank and the Net Zero Banking Alliance. They are essential in determining international agendas and advancing equitable and sustainable development by safeguarding environmental and financial interests.

Organization for Economic Cooperation and Development (OECD)

An international organization called the Organization for Economic Cooperation and Development (OECD) seeks to raise living standards, encourage sustainable development among its member nations, and increase economic growth. They provide nations the opportunity to talk about and coordinate policies, exchange best practices, and work together to address global issues. The OECD concentrates on a number of topics, including social concerns, trade, education, the environment, and economic growth. In order to assist member nations in making well-informed policy decisions, they carry out research, gather data, and offer analysis and suggestions. In general, the OECD is essential to promoting global cooperation and building a more robust, equitable, and sustainable global economy.

TIMELINE OF EVENTS

Date	Description of event
August 17, 2015[17]	Green Growth Law in France was introduced
December 12, 2015[18]	The Paris Agreement was adopted by 196 parties

[17] "France's Energy Transition for Green Growth Act." Planète Énergies, www.planete-energies.com/en/media/article/frances-energy-transition-green-growth-act#:~:text=France%20enacted%20its%20Energy%20Transition,energy%20model%20without%20hampering%20growth. Accessed 9 Jan. 2024.
[18]"Https://Unfccc.Int/Process-and-Meetings/the-Paris-Agreement#:~:text=The%20Paris%20Agreement%20is%20a,force%20on%204%20November%202016." Unfccc.Int, unfccc.int/process-and-meetings/the-paris-agreement#:~:text=The%20Paris%20Agreement%20is%20a,force%20on%204%20November%202016.

December 2015[19]	The Task Force on Climate Related Financial Disclosures was established by the Group of 20
January 1, 2016[20]	Adoption of the 17 Sustainable Development Goals of the 2030 Agenda
May 2019[21]	Paris Aligned Investment Initiative (IIGCC)
September 22-23, 2019[22]	Introduction of the Principles for Responsible Banking
June 2020[23]	The Race to Zero campaign was launched
April 2021[24]	The Glasgow Financial Alliance for Net Zero was launched
April 21, 2022[25]	Introduction of Net Zero Banking Alliance

RELEVANT UN RESOLUTIONS, TREATIES AND EVENTS

The Paris Agreement[26]

A worldwide agreement known as the Paris Agreement was ratified in 2015 with the intention of addressing climate change. Its primary objective is to pursue efforts to keep the rise in temperature to 1.5 degrees Celsius over pre-industrial levels and to keep global warming well below 2 degrees Celsius. The accord lays out a framework for governments to step up their efforts to cut greenhouse gas emissions, prepare for the effects of climate change, and aid developing countries financially and technologically. As part of the Paris Agreement process, each country submits a nationally determined contribution (NDC) that details its own climate action strategy

[19] "About: Task Force on Climate-Related Financial Disclosures (TCFD)." *Task Force on Climate-Related Financial Disclosures*, 1 Oct. 2023, www.fsb-tcfd.org/about/.
[20] "United Nations Sustainable Development Agenda." *United Nations*, United Nations, www.un.org/sustainabledevelopment/development-agenda-retired/. Accessed 9 Jan. 2024.
[21] *Backgrounder: The Paris Aligned Investment Initiative & The Net Zero ...*, www.parisalignedassetowners.org/media/2021/05/PAII-NZIF-Backgrounder.pdf..
[22] "Principles for Responsible Banking." *Hellenic Financial Stability Fund*, 14 Jan. 2021, hfsf.gr/en/principles-for-responsible-banking/.
[23] "What Is the 'Race to Zero'? Everything You Need to Know." *Global Citizen*, www.globalcitizen.org/en/content/race-to-zero-net-zero-emissions-climate/. Accessed 9 Jan. 2024.
[24] Glasgow Financial Alliance for Net Zero, www.gfanzero.com/. Accessed 27 Nov. 2023.
[25] "A Vision for Change: The NZBA Observes Its First Anniversary." *UN Enviroment Programme*, www.unepfi.org/industries/banking/a-vision-for-change-the-nzba-observes-its-first-anniversary/. Accessed 9 Jan. 2024.
[26] The Paris Agreement - UNFCCC, unfccc.int/sites/default/files/resource/parisagreement_publication.pdf. Accessed 7 Jan. 2024.

and objectives. Periodically, these NDCs are evaluated, and nations are urged to keep up the positive effort as time goes on. The agreement also underscores the significance of accountability and openness. Reports on emissions and progress toward objectives must be submitted on a regular basis by the parties. Every five years, a worldwide stocktake is conducted to evaluate the overall progress made toward the objectives of the agreement. In terms of outcomes, the Paris Agreement is a genuinely global endeavor, having been approved by 192 countries and signed by 197 parties. It's important to remember that the agreement's efficacy is a continuous process. Although it has laid a solid framework for international climate action, the task at hand is putting the plans into action and moving them quickly enough to meet the targets set forth.

Sustainable Development Goals (SDGs) [27]

The United Nations created the Sustainable Development Goals (SDGs) in 2015 as a collection of 17 global objectives. By 2030, they want to have solved a number of social, economic, and environmental issues and built a more just and sustainable society. The SDGs are a comprehensive set of goals that address many different issues, such as the eradication of poverty, access to high-quality education, gender equality, clean and affordable energy, clean and safe water and sanitation, sustainable cities and communities, responsible consumption and production, and action against climate change. Every goal includes distinct objectives and metrics to track development. The objectives are related since it is understood that reaching one objective frequently requires advancement in other areas. The SDGs are intended to be accomplished by cooperation and group efforts including governments, corporations, civil society, and individuals. The objectives were created to expand on the achievements of the Millennium Development Goals (MDGs), solve lingering problems, and take into account brand-new issues including inequality and climate change. The goal of putting the SDGs into practice is to guarantee prosperity for all people, safeguard the environment, and eradicate poverty. The objectives serve as a road map for sustainable development, directing nations and interested parties in their endeavors to build a more inclusive and sustainable future.

Principles for Responsible Banking

The UN Environment Programme Finance Initiative introduced the Principles for Responsible Banking[28] in 2019. Their objective is to provide guidance to banks so they

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[27] The 2030 Agenda for Sustainable Development, sdgs.un.org/sites/default/files/publications/21252030%20Agenda%20for%20Sustainable%20Development%20web.pdf. Accessed 7 Jan. 2024.

[28] Principles for Responsible Banking - United Nations Environment ..., www.unepfi.org/wordpress/wp-content/uploads/2022/04/PRB-Guidance-Document-Jan-2022-D3.pdf. Accessed 7 Jan. 2024.

can integrate their business plans with the Paris Agreement and the Sustainable Development Goals. Banks are urged to implement the six principles that make up the Principles for Responsible Banking. These values include controlling their influence on the environment and society, encouraging responsibility and openness, and coordinating their corporate plan with the SDGs and the Paris Agreement. These ideas have been adopted by several banks, who are now actively attempting to incorporate sustainability into their daily operations. A few banks that have embraced the Principles for Responsible Banking are Banco Santander, BBVA, Standard Chartered, and UBS. They are concentrating on things like assisting sustainable development projects, financial inclusion, and addressing climate change.

PREVIOUS ATTEMPTS TO SOLVE THE ISSUE

The Sustainable Finance Forum

The Sustainable Finance Forum[29] aims to give banks a thorough road map for incorporating social and environmental factors into their lending procedures when it comes to creating rules and frameworks. The main ideas and recommended procedures that banks should adhere to in order to guarantee ethical and long-term lending are outlined in these recommendations. They address topics including evaluating possible investments' effects on the environment and society, developing sustainable investment possibilities, and exchanging best practices across banks. These suggestions are intended to support the adoption of sustainable practices in the financial industry and help create a more sustainable future by offering a clear framework for sustainable finance.

The Glasgow Financial Alliance for Net Zero

A strong alliance of financial institutions, Glasgow Financial Alliance for Net Zero (GFANZ) [30] is dedicated to attaining net-zero emissions by 2050. As part of the United Nations Climate Change Conference (COP26), which took place in Glasgow, Scotland, in November 2021, it was introduced. In order to expedite the shift to a low-carbon economy, GFANZ brings together global banks, asset managers, asset owners, and insurers. These financial institutions hope to mobilize trillions of dollars into investments that support climate action by aligning their portfolios and investment strategies with the objectives of the Paris Agreement.

[29] Watson, Vicki. "Sustainable Finance Forum Sets out Roadmap for a Sustainable Financial System by 2030." The Aotearoa Circle, The Aotearoa Circle, 18 Apr. 2022, www.theaotearoacircle.nz/news/sustainable-finance-forum-sets-out-roadmap-for-a-sustainable-financial-system-by-2030.

[30] Glasgow Financial Alliance for Net Zero, www.gfanzero.com/. Accessed 27 Nov. 2023.

United Nations Environment Program Finance Initiative

The United Nations Environment Program Finance Initiative is a partnership between the United Nations Environment Program and the global financial sector to catalyze action across the financial system to align economies with sustainable development.[31] Among other initiatives, the UNEP-FI introduced the Net- Zero Banking Alliance in 2021. The Principles for Sustainable Insurance are an additional project that offers guidance to insurers on how to incorporate sustainability into their main business operations. These guidelines urge insurers to support sustainable underwriting and investing practices, manage risks related to the environment, society, and governance, and work with stakeholders to address sustainability issues. Furthermore, the UNEP FI Positive Impact Initiative was created with the goal of raising funds for beneficial effects on the environment and society. This program aims to encourage the idea of positive effect within the financial sector and finance initiatives that support the SDGs.

POSSIBLE SOLUTIONS

Implementing robust sustainability criteria

The NZBA may put this approach into practice by establishing thorough and explicit sustainability standards that banks must adhere to when choosing which investments to make. The aim of this proposal is to encourage responsible and sustainable practices in investment decisions. Environmental impact assessments, objectives for renewable energy, and recommendations on greenhouse gas emissions are a few examples of this. Developing generally recognized standards, guaranteeing consistent implementation amongst institutions, and resolving possible inconsistencies with current financial laws are a few possible obstacles.

Promoting green finance innovation

The NZBA can incentivize banks to provide cutting-edge financial services and solutions that back sustainable and renewable energy projects. This may entail giving banks incentives to fund environmentally friendly initiatives and provide direction on sustainable financing techniques. Encouraging innovation while controlling risks, guaranteeing the scalability of green finance solutions, and removing possible entrance hurdles for smaller financial institutions are a few possible challenges.

Enhancing risk assessment and management

The NZBA can build regulatory frameworks that take into account both financial and environmental risks in collaboration with member banks to improve risk assessment

[31] "United Nations Environment Programme Finance Initiative." United Nations Environment Programme Finance Initiative, www.unepfi.org/. Accessed 27 Nov. 2023.

and management. By conducting comprehensive risk assessments, the NZBA can ensure stability and resilience in the banking sector. Implementing instruments for gauging and tracking sustainability performance as well as incorporating environmental risk assessment into current risk management procedures will help achieve this. Creating standardized methods for risk assessment, guaranteeing the accuracy and availability of data, and handling possible opposition to change within banks are probable barriers.

Increasing collaboration and knowledge-sharing

In order to exchange best practices, research, and insights, the NZBA can help member banks, governments, and stakeholders collaborate. This may entail setting up seminars, workshops, and online forums for the sharing of information conducted by responsible experts of the NZBA. Developing a culture of cooperation and information exchange, getting all parties involved, and resolving issues with intellectual property and competitiveness might be difficulties. Moreover, the NZBA can interact with regulators and legislators so as to promote further laws and policies that encourage sustainable financial practices. This may entail making suggestions, taking part in discussions on policy, and sharing findings and research with authorities who are pertinent. However, achieving long-term government commitment, influencing policy choices, and coordinating disparate regulatory frameworks are potential issues.

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