



# The relevance of Transition Planning for LAC

**October 2024**

Nicolás Arnáez Eguiguren  
Deputy Director, Latin America and Caribbean Network

**GFANZ**  
Glasgow Financial Alliance for Net Zero

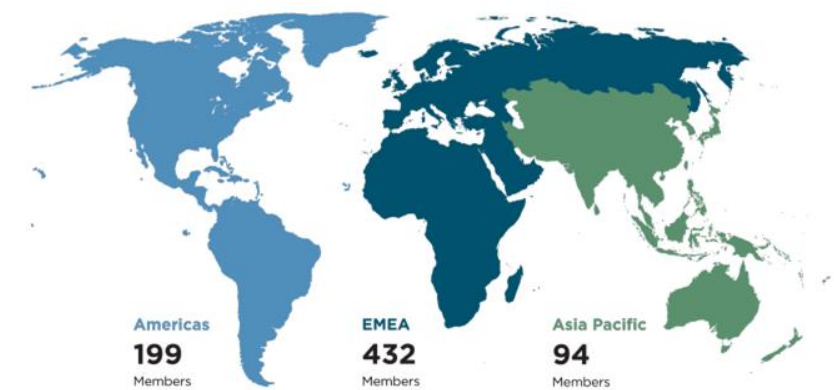
# What is GFANZ?

Founded in 2021, to support the UN non-state actor initiative, GFANZ is a global coalition of leading financial institutions committed to supporting decarbonization of the global economy



- GFANZ brings together eight **sector-specific alliances** whose members number more than **675 firms in 50 jurisdictions, with regional networks and country chapters**
- Each financial institution has committed **to transitioning financed emissions to net zero by 2050**, in line with science-based pathways to 1.5C
- GFANZ **works with a wide network of stakeholders** in government, private sector, multilateral and development finance institutions, NGOs, and civil society, and reports to the UN and G20 Financial Stability Board

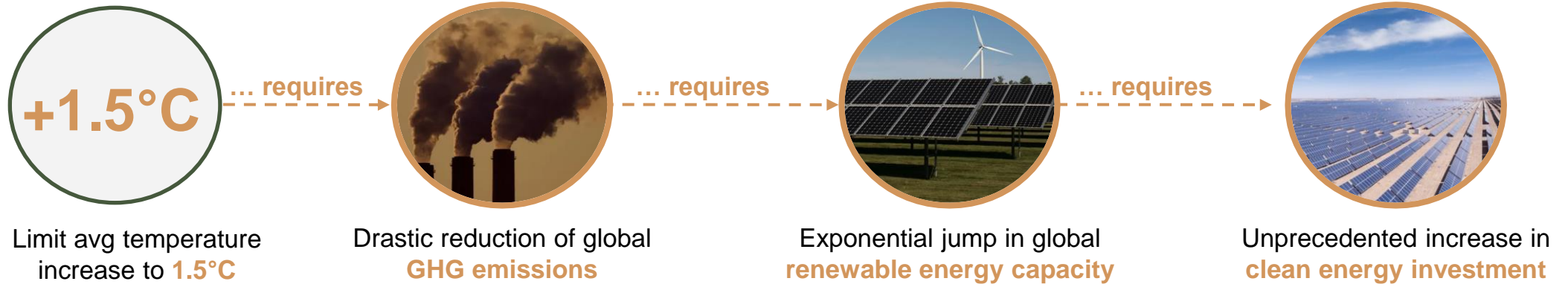
## GFANZ Alliance membership



<sup>1</sup> As of September 2023

# Global transition finance needs to urgently scale to achieve net zero by 2050

## THE OBJECTIVE



## BY THE NUMBERS

		GigaTonnes	GigaWatts	US\$ Billion
Current state	2022	<b>4.7 Gt</b> Total US CO2 emissions	<b>352 GW</b> US renewable energy capacity	<b>\$224 Bn</b> EMDEs clean energy investments
		<b>36.8 Gt</b> Total global CO2 emissions	<b>3,372 GW</b> Global renewable energy capacity	<b>\$1,439 Bn</b> Global clean energy investments
What needs to be achieved by 2050	2023 and on	<b>380 Gt</b> Remaining carbon budget from the start of 2023	<b>2,400 GW</b> Projected global renewable capacity additions (2022-2027)	<b>\$1,000 Bn</b> EMDEs clean energy investments needed for net zero (2023-2030) p/a
			<b>3,800 GW</b> Global renewable capacity additions needed for net zero (2022-2027)	<b>\$4,500 Bn</b> Global clean energy investments needed for net zero (2023-2030) p/a

Sources: IEA, IRENA, Bloomberg NEF.  
 Note: Emissions numbers include only CO2 emissions. Remaining carbon budget based on GCP's estimates and refers to the amount of CO2 that can still be emitted for a 50% chance of staying below 1.5C of warming. Renewable energy capacity based on IRENA's annual report for 2022. Annual capacity additions of all renewables based on IEA NZE Scenario.

# Energy Transition & Nature-based Solutions are relevant themes to explore

## LAC PRIORITY TOPICS

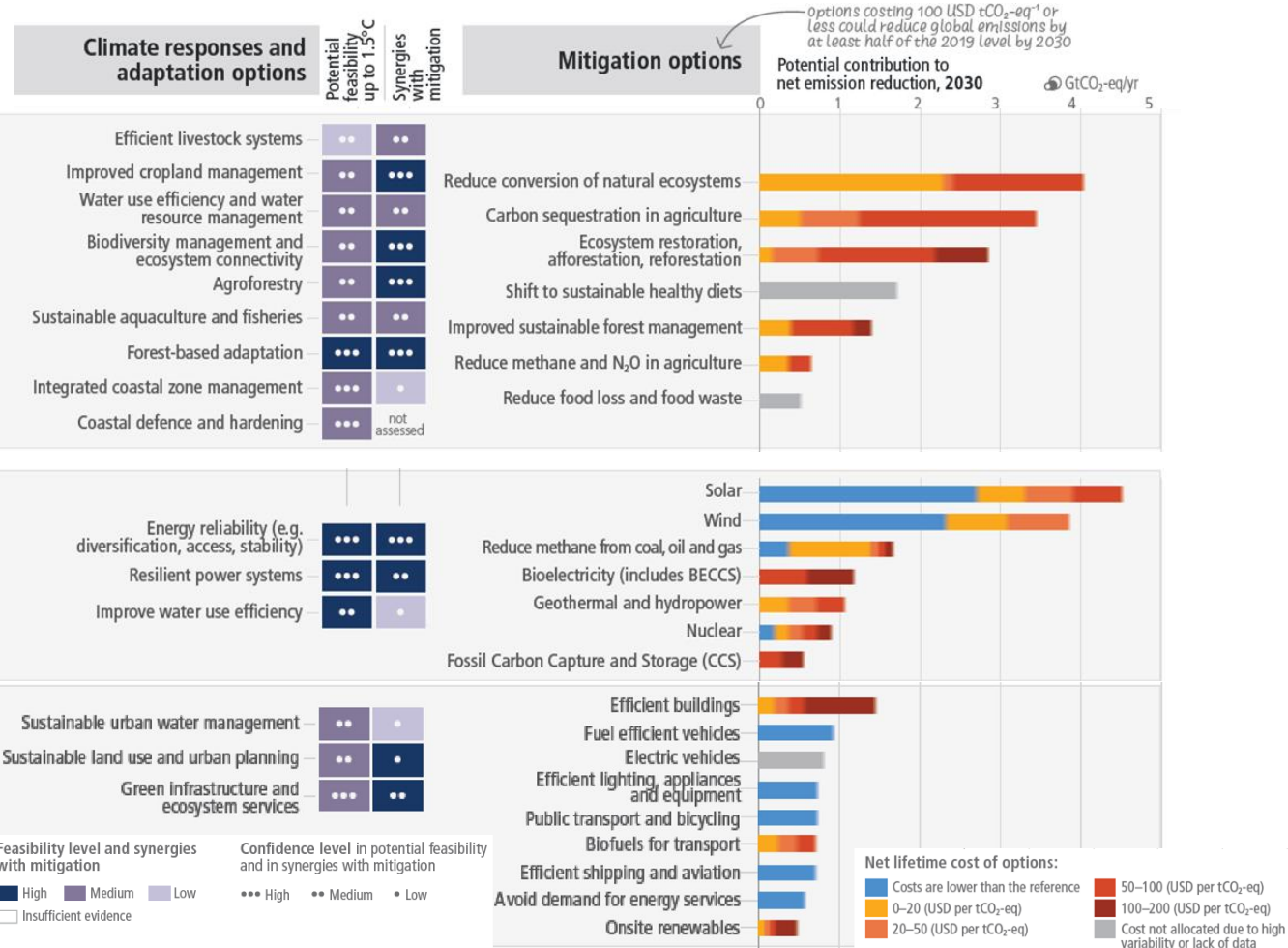
### CAIT's Generating Sector emissions LAC (Gton of CO<sub>2</sub>e, 2020)



**Agriculture and Land Use account for 48% of LAC's GHG emissions**

**Energy accounts for 41% of LAC's GHG emissions**

Latin America and Caribbean



Source: Climate Watch (2020), OWID Website, G-20 Principles for Sustainable Finance (IMF, 2023)

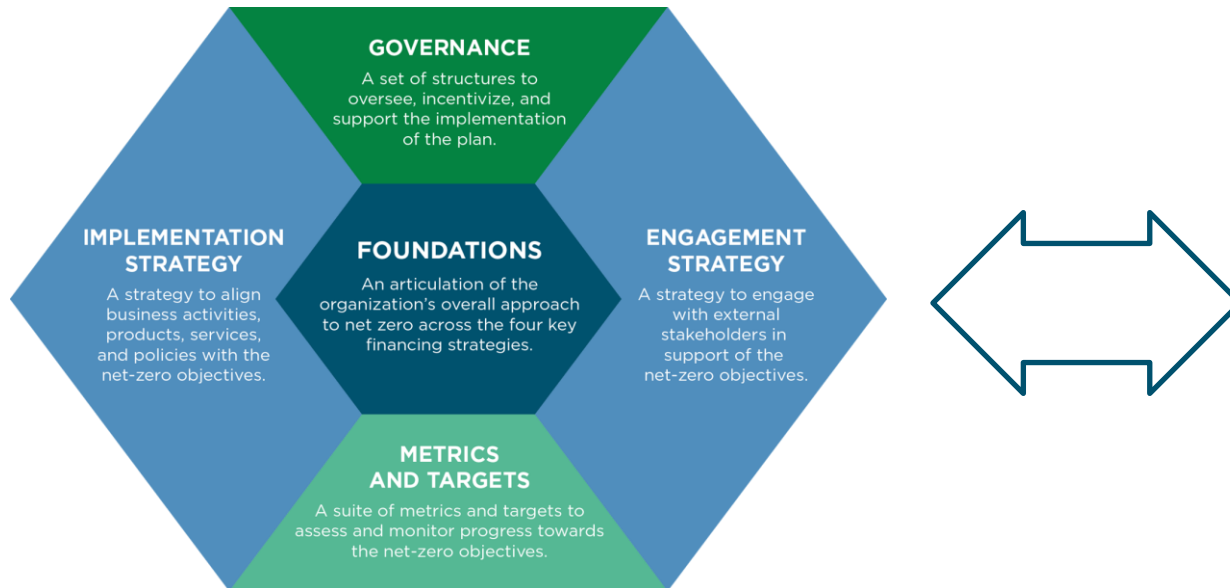
# A common language of transition planning

The five themes and ten components of real-economy transition plans are mirrored in the framework for financial institution transition plans, enabling efficient communication and transparency.

## What is a 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 reduction in line with achieving global net zero.

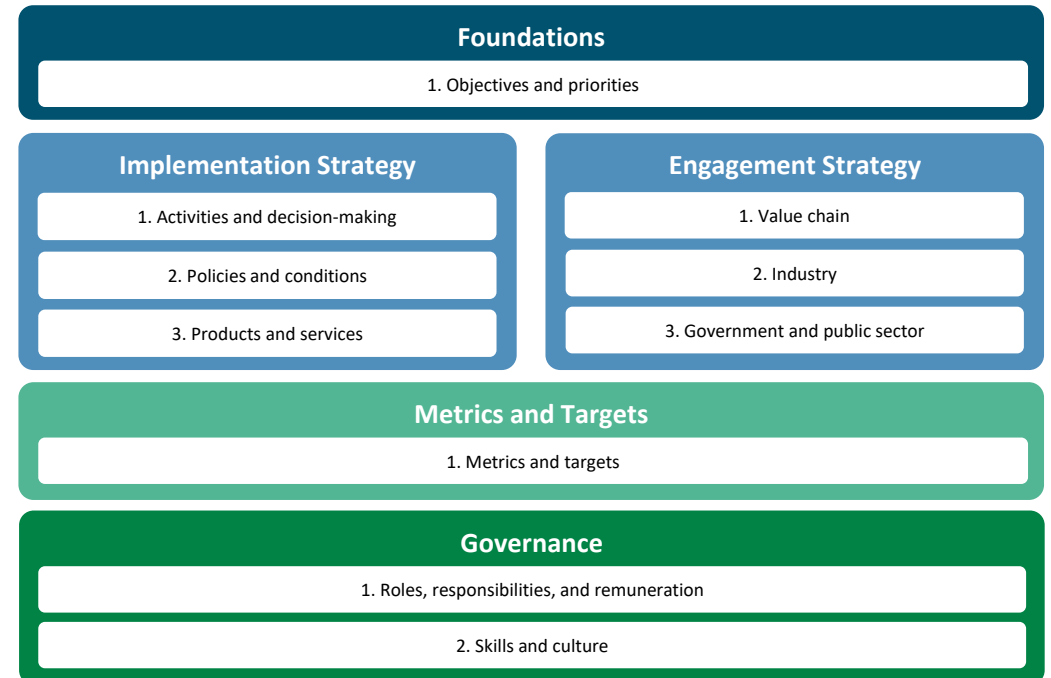
From the [Financial Institution Net-zero Transition Plan report](#)



**!** Note that the first component of the Engagement Strategy theme for financial institution transition plans is about clients and portfolio companies, while for this component the real-economy transition plan framework considers engagement with the value chain.

## What is the role of a real-economy transition plan?

GFANZ acknowledges that different constraints exist across sectors and/or at regional levels regarding the ability of real-economy companies to achieve rapid near-term decarbonization in support of a 2050 goal. A real-economy transition plan can provide transparency regarding the decision logic behind the organization’s own specific choices on the five themes relevant to a financial institution’s net-zero transition plan.



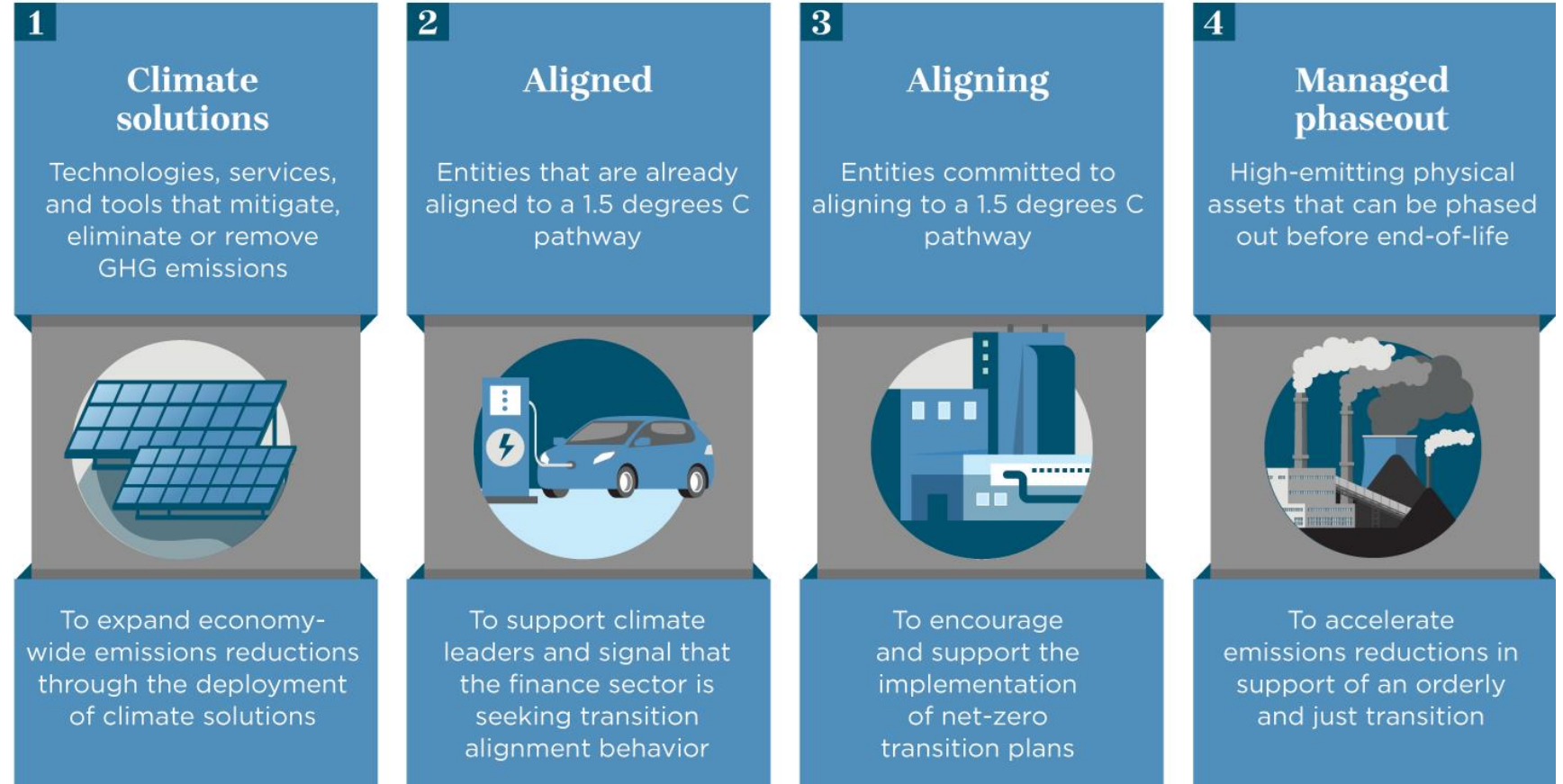
# What is Transition Finance?

Transition finance should support real-economy emissions reductions as part of an orderly\* transition to net zero

## TRANSITION FINANCE

Investment, financing, insurance, and related products and services that are necessary to support an orderly, real-economy transition to net zero as described by the four key financing strategies which finance or enable:

### Four key financing strategies to enable the net-zero transition

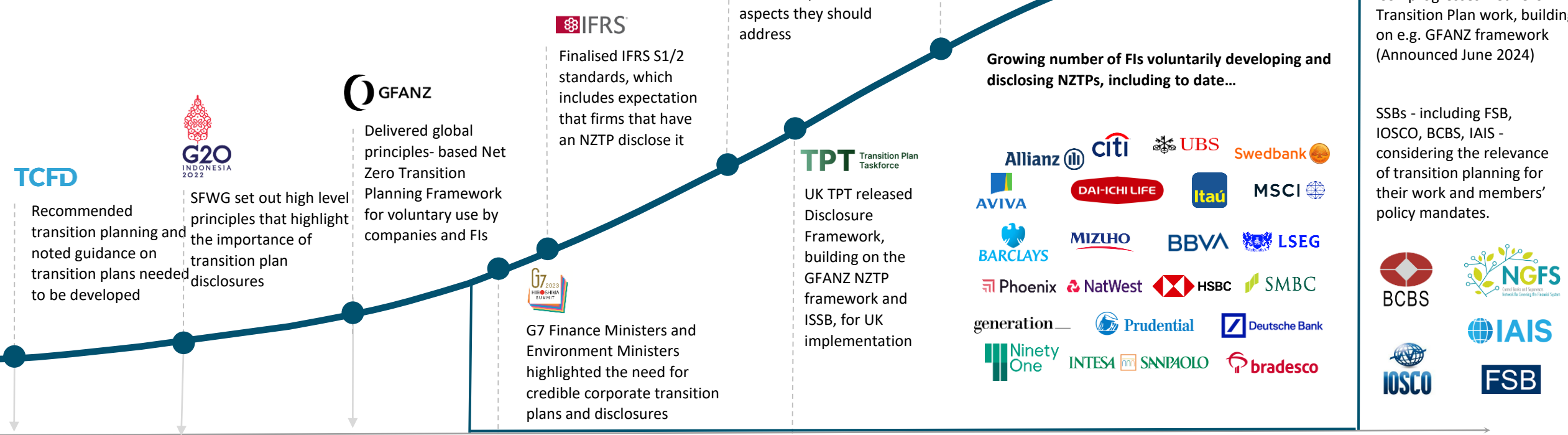


Note: GFANZ uses the term "orderly transition" to refer to a net-zero transition in which both private sector action and public policy changes are early and ambitious, thereby limiting economic disruption related to the transition (e.g., mismatch between renewable energy supply and energy demand). For reference, the Network for Greening the Financial System (NGFS), which develops climate scenarios used by regulators and others, defines "orderly scenarios" as those with "early, ambitious action to a net-zero GHG emissions economy," as opposed to disorderly scenarios (with "action that is late, disruptive, sudden and / or unanticipated"). In an orderly transition, both physical climate risks and transition risks are minimized relative to disorderly transitions or scenarios where planned emissions reductions are not achieved

# Governments are working on standardised transition plan disclosure requirements across jurisdictions and standard setters would facilitate tracking of progress and extraction of information

**ISSB** is progressing work on Net Zero Transition Plans, building on e.g. the GFANZ and TPT frameworks

On June 24th, 2024 the ISSB formally announced that they seek to harmonize disclosures about Transition Plans. The ISSB said they will develop education materials and will then consider developing their own guidance for how to implement the transition plan disclosure element of IFRS S2, drawing on materials such as GFANZ and TPT. In producing guidance they would run a full IFRS process, in line with their mandate and expertise.



Oct 2021      Oct 2022      Nov 2022      2023      Planned for 2024

## "Year of the Transition Plan"

- Growing number of FIs voluntarily developing and disclosing NZTPs, including to date...
- Allianz, AVIVA, BARCLAYS, generation, Ninety One
  - citi, DAI-ICHI LIFE, MIZUHO, NatWest, INTESA, SANPAOLO
  - UBS, Swedbank, Itaú, MSCI, BBVA, LSEG, HSBC, SMBC
  - Prudential, Deutsche Bank, bradesco

250+ FIs expected to disclose transition plans in 2024 as part of sector specific alliances



ISSB progresses Net Zero Transition Plan work, building on e.g. GFANZ framework (Announced June 2024)

SSBs - including FSB, IOSCO, BCBS, IAIS - considering the relevance of transition planning for their work and members' policy mandates.

- BCBS, IOSCO, IAIS, FSB
- NGFS (Network for Greening the Financial System)



US Treasury released Principles for Net-Zero Financing, stressing importance of transition plans and aspects they should address



EU Council and Parliament formally adopted European Sustainability Reporting Standards (ESRS), requiring disclosure of corporate transition plans



Monetary Authority of Singapore issued proposed guidelines on transition planning by FIs



Finalised IFRS S1/2 standards, which includes expectation that firms that have an NZTP disclose it



Delivered global principles-based Net Zero Transition Planning Framework for voluntary use by companies and FIs



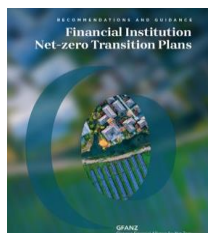
SFWG set out high level principles that highlight the importance of transition plan disclosures



Recommended transition planning and noted guidance on transition plans needed to be developed

# GFANZ publications

Three publications detail the GFANZ NZTP framework and transition finance for financial institutions as well as its application in the real economy:



## Recommendations and Guidance on Financial Institution Net-zero Transition Plans

This publication describes how financial institutions across the financial system can operationalize their net-zero commitments and support the real-economy transition.

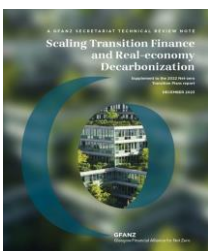
- [Download the summary](#)
- [Download the report](#)
- [Download the supplemental material](#)



## Expectations for Real-economy Transition Plans

This report distils existing guidance to bring clarity and help companies in the real economy develop credible transition plans. Additionally, the report brings much-needed consistency on metrics and data points required by financial institutions to evaluate the progress and credibility of companies' net-zero transition plans.

- [Download the report](#)



## Scaling Transition Finance and Real-economy Decarbonization

This GFANZ Secretariat Technical Review Note further develops the Transition Finance strategies by providing a supplement to the 2022 GFANZ NZTP guidance and discusses potential decarbonization contribution methodologies as a complement to today's metrics.

- [Download the report](#)

Four additional reports give a more detailed insight into focus areas:



## Guidance on Use of Sectoral Pathways for Financial Institutions

This publication offers guidance and a framework to help financial institutions evaluate suitability of sectoral pathways in their transition planning process and implementation efforts.

- [Download the report](#)



## Measuring Portfolio Alignment: Enhancement, Convergence, and Adoption

This publication provides a practitioner perspective for measuring the alignment of investment, lending, and underwriting activities with the goals of the Paris Agreement and critical 2050 global net-zero objectives.

- [Download the report](#)



## Managed Phaseout of High-emitting Assets

This publication provides a preliminary and high-level approach to support the identification of and guidance on assets where managed phaseout could be appropriate.

- [Download the report](#)



## Financing the Managed Phaseout of Coal-Fired Power Plants in Asia Pacific (December 2023)

This report, which addresses financing the managed phaseout of coal-fired power plants in the Asia-Pacific region, aims to provide practical, voluntary guidance for net zero-committed financial institutions considering the financing of coal phaseout transactions.

- [Download the report](#)





**Alan X. Gómez Hernández**  
Head of Latin America and Caribbean Network

[agomez@gfanzero.com](mailto:agomez@gfanzero.com)