Fiscal Policy as an Enabling for Scaling up Private Investment in Support of a Green Recovery

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Glasgow Finance Alliance for Net-Zero is led by Mark Carney’s COP26 Private Finance Hub. It houses the net-zero commitments in the financial sector that have been accredited by Race to Zero:

- Net-Zero Asset Owner Alliance
- Net-Zero Banking Alliance
- Net-Zero Insurance Alliance
- Net-Zero Asset Managers Initiative

46 investors, 55 banks, 8 insurers

**Race to Zero** is a global campaign by the High-Level Champions of COP 26. It brings together net zero commitments from a range of leading networks and initiatives across society. To be accredited, initiatives must meet Race to Zero’s ‘minimum criteria’. Institutions cannot join individually.
- Launched on 21 April 2021
- 55 banks from 28 countries representing almost a quarter of global banking assets (over US$37 trillion)
- We look to continue to build the coalition up to COP26 and beyond

Members of the Net-Zero Banking Alliance (NZBA) commit to transition the operational and attributable GHG emissions from their lending and investment portfolios to align with pathways to net-zero by 2050 or sooner.

- Set 2030 & 2050 targets in line with a scenario consistent with 1.5 degree warming
  - to cover a significant majority of emissions
  - including in at least one priority sector within 18 months of signing, and
  - set targets for all or a substantial majority of listed carbon-intensive sectors within 36 months of signing
- Annually report on targets and progress and take a robust approach to the role of offsets in transition plans.
Recommendations from Net Zero Asset Owner Alliance members

All countries and regions should set clear, legally binding, net-zero targets Supported by detailed implementation plans outlining:
• interaction between carbon-pricing and other policy measures, and
• detailed timeline and interim emission reduction milestones.

Priority should be on near-term emission reductions that are more feasible (eg. power, transport and industry) via uptake of renewables, technical standards, and fossil fuel phase-outs. This can also avoid higher carbon prices in later decades.

Frontload emission reductions to avoid over-reliance on atmospheric carbon removal and to support intergenerational fairness.
Recommendations from Net Zero Asset Owner Alliance members

Incorporate carbon-pricing mechanisms that:

- Include all human-induced GHG emissions and all relevant sectors, including international shipping and aviation.
- Set a legally binding, long-term, carbon-pricing corridor in line with best available science for a 1.5°C trajectory.
- Ensure that policy instruments do not contradict each other and avoid double counting of emissions.
- Avoid acting at contrary to non-pricing instruments.
- Make carbon-pricing non-regressive and revenue-neutral.
- Fund research & commercialisation for hard-to-abate sectors.
- Include measures to avoid carbon leakage, and seek global agreement on carbon price floor in G7 & G20 nations.
- Explore the complementary use of the social cost of carbon approaches and assumptions on required rates of return to consider intergenerational aspects of emissions.
Recommendations from Net Zero Asset Owner Alliance members

Recognise **carbon-pricing is not a universal solution** across all sectors. Instead, identify the mix of pricing and non-pricing instruments that bring down emissions most quickly per sector.

Commit to the transparent and swift **phase out of fossil-fuel subsidies**, paired with a continued focus on delivering access to clean, affordable, and reliable energy as well as measures to protect lower income groups.