



The Net Zero Movement

An introduction and call to action for exchanges



Call to Action

“I commend the work that the Sustainable Stock Exchanges (SSE) initiative, and its over 100 Partner Exchanges, have done over the past decade, putting in place a framework to help mainstream sustainable finance.

I recently launched the Glasgow Financial Alliance for Net Zero, which seeks to broaden, deepen and raise ambition in the financial sector, and allow firms to demonstrate their collective commitments to supporting companies and countries to achieve the goals of the Paris agreement. In the coming months, GFANZ will work with the UN Race to Zero campaign to ensure that all subsectors of the financial sector have credible net-zero commitments.”



Mark Carney
Special Envoy on Climate Action and Finance
United Nations

Key Points

- The SSE calls on exchanges to express their interest to be involved in the net-zero movement.
- Joining the Race-to-Zero, Glasgow Financial Alliance for Net Zero (GFANZ) offers exchanges the best possible option to make an official commitment.
- The SSE can provide assistance and acts as a secretariat for exchanges within the GFANZ network.
- If your exchange wishes to learn more or make a commitment to net-zero, feel free to contact the SSE team at climate@sseinitiative.org

THE SSE'S PLANS TO SUPPORT GLOBAL EFFORTS ON NET ZERO

? What does the SSE have planned ahead of COP26 to support global efforts to reach net zero?

A The SSE plans to support the Glasgow Finance Alliance for Net Zero (GFANZ) at the upcoming United Nations climate summit (COP26). We call on exchanges to express their interest in being involved in the net zero movement. But what is “net zero” and what role do exchanges play? More details on net zero in general, and what exchanges can do in particular, are given below in the form of frequently asked questions.

? How does the SSE's effort interlink with other climate initiatives in the financial sector?

A The SSE is part of a wider effort to support the financial sector in its move towards net zero. We collaborate with existing initiatives (such as GFANZ) and support and contribute to efforts by other initiatives and organisations as relevant.

PART I: THE NET ZERO MOVEMENT

? What does net zero mean?

A Put in simple terms, net zero means that the balance between the amount of greenhouse gases (GHGs) produced and removed from the atmosphere is zero; it looks at emissions overall. That means that while an absolute reduction in emissions is critical, the net zero concept allows for the removal of any unavoidable emissions. Removing GHGs could be via nature (e.g. trees take carbon dioxide from the atmosphere) or through new technology or changing industrial processes.

? Why is reaching net zero so important?

A GHGs are a key driver of global warming and ensuring we reach net zero GHG emissions is absolutely essential for tackling climate change.

Over the past decade, global emissions have risen steadily. To have any hope of keeping global temperature rise to 1.5°C we need to have halved emissions by 2030 and reached net zero by 2050. Doing this requires us to reduce emissions by about 7% per year. Business as usual is not an option.

The next decade is critical, which is why every country, sector and industry must work together to find ways to cut GHG emissions.

? What is the Race to Zero campaign?

A Race to Zero is a global campaign, championed by the UN Framework Convention on Climate Change (UNFCCC), to rally leadership and support from businesses, cities, regions and investors for a healthy, resilient, zero-carbon recovery that prevents future threats, creates decent jobs, and unlocks inclusive, sustainable growth.

? What is the Race to Zero campaign's mission?

A The objective is to build momentum around the shift to a decarbonised economy ahead of COP26, where governments must strengthen their contributions to the Paris Agreement. This will send governments a resounding signal that businesses, cities, regions and investors are united in meeting the Paris goals and creating a more inclusive and resilient economy.

? What is the global goal?

A In a 2018 special report, the Intergovernmental Panel on Climate Change (IPCC) said that countries must bring carbon dioxide (CO₂) emissions to net zero by 2050 to keep global warming within 1.5°C above pre-industrial levels, thereby avoiding the worst effects of global warming. While the IPCC focuses on net zero CO₂ emissions by 2050, the Race to Zero campaign is targeting all GHG emissions (including CO₂) in the same time frame.

Currently, 733 cities, 31 regions, 3,067 businesses, 173 of the biggest investors, and 622 higher education institutions have already committed to change their operations to achieve net zero by 2050 at the latest. These actors join 120 countries in the largest ever alliance committed to achieving net zero emissions and now cover nearly 25% of global GHG emissions and over 50% of GDP.

? What is the Glasgow Finance Alliance for Net Zero (GFANZ)?

A Building on the momentum of the Race to Zero, GFANZ was launched in the spring of 2021 with the objective of broadening the Race to Zero's existing finance sector campaign, raising ambitions, coordinating commitments, supporting technical collaboration and showcasing the collective efforts and achievements of the sector. For financial sub-sector alliances, entry to Race to Zero will automatically grant entry to GFANZ.



Multiple finance sub-sector alliances are already part of GFANZ. For exchanges, the Financial Services Providers Alliances (which is currently being created) is the best point of entry to GFANZ (see more under Part II). 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 it becomes available.

? Which other sub-sectors of finance are already involved?

A There are currently five finance-focused initiatives that work together with the GFANZ and the Race to Zero:

- [Net Zero Asset Managers Initiative](#)
- [Paris Aligned Investment Initiative](#)
- [UN-Convened Net Zero Asset Owner Alliance](#)
- [UN-Convened Net Zero Banking Alliance](#)
- [UN-Convened Net Zero Insurance Alliance¹](#)

Feel free to promote the membership of these initiatives in your network and market.

¹Launched 11 July 2021 and pending Race to Zero approval

PART II: WHAT CAN EXCHANGES DO?

How do companies become part of the Race to Zero?

 Companies, in general, join the Race to Zero through partner organisations and alliances, such as Business Ambition for 1.5C and the Climate Pledge to the Science-based Target initiative.

The application will require writing a letter of commitment, filling in a questionnaire and explaining how certain minimum criteria are met and how the organisation plans to commit to reaching net zero.

The application to the Race to Zero partner will be reviewed by a Peer Expert Group but the final decision will be taken by the partners themselves. Race to Zero will ensure entry criteria are reviewed annually, with a view to raising ambition over time.

Which partner organisations can exchanges use to make a net zero pledge?

 To make it easier for exchanges and other financial service providers to join the Race to Zero, GFANZ is currently setting up a Financial Services Providers Alliance for Net Zero which includes exchanges. To join this alliance, an organisation will be required to sign an 8-point commitment statement, setting out specific actions and objectives on how it plans to reach a net zero state. Joining this alliance under GFANZ will ensure an automatic inclusion in the Race to Zero campaign.

The UN SSE provides support to GFANZ and currently acts as a secretariat for the exchange community. If you wish to be involved, please feel free to contact the team at climate@sseininitiative.org

What are the minimum set of criteria to be recognised by the Race to Zero campaign?

 All commitments in the Race to Zero Campaign are channelled through alliances and initiatives that require their participants to meet the following procedural criteria:

- 1. Pledge:** Pledge at the head-of-organisation level to reach net zero in the 2040s or sooner, or by midcentury at the latest, in line with global efforts to limit warming to 1.5°C.
- 2. Plan:** In advance of COP26, explain what steps will be taken toward achieving net zero, especially in the short- to medium-term. Set an interim target to achieve in the next decade.
- 3. Proceed:** Take immediate action toward achieving net zero, consistent with delivering interim targets specified.
- 4. Publish:** Commit to report progress at least annually, including via, to the extent possible, platforms that feed into the UNFCCC Global Climate Action Portal.

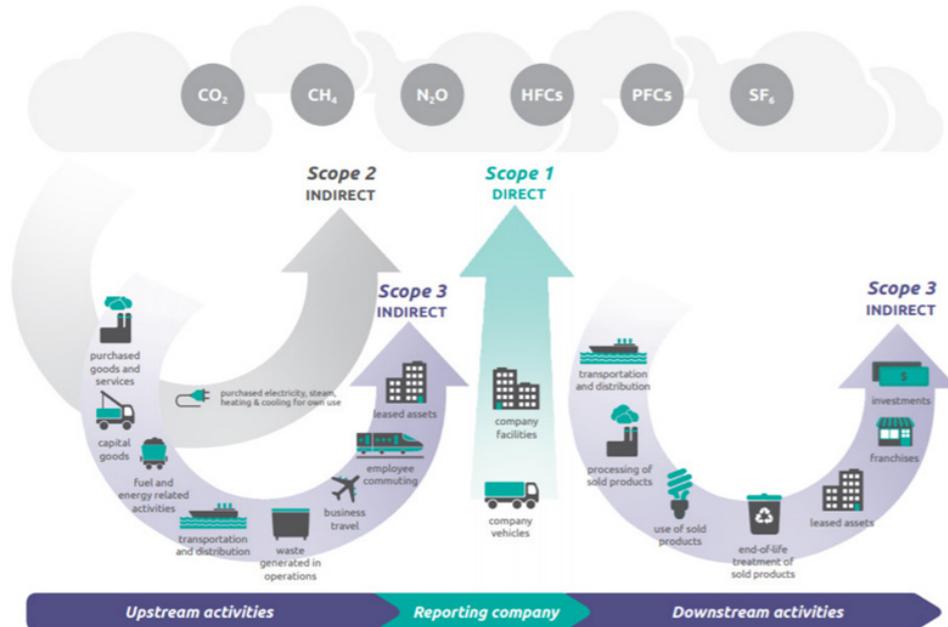
You can find interpretation guidance of the minimum criteria [here](#) and a useful lexicon of definitions [here](#).

Which part of an exchanges' operation should be covered under a commitment?

 Achieving net zero emissions means that exchanges either emit no GHGs or offset whatever emissions they cannot avoid by, for example, taking actions such as tree planting or employing carbon capture and storage technologies.

An exchange should work on all its emissions (Scope 1, 2 and 3) and also encourage their suppliers to reduce their carbon emissions.

Scope 1 emissions are direct emissions from the exchanges' operations (company facilities). Scope 2 emissions are indirect emissions from the exchanges' purchased electricity, steam, heating and cooling. Scope 3 are also indirect and can be either upstream activities or downstream activities, such as business travel or investments.



Source: Greenhouse Gas Protocol

? What else can exchanges do to support net zero?

A A key component of committing to net zero is access to reliable and accurate data, and therefore this commitment goes hand in hand with the guidance on and promotion of consistent, comparable and reliable global climate disclosure. Stock exchanges can lead this movement for climate-related disclosures by providing guidance to their market on how to disclose climate-related data. This will help investors work with issuers on sector-specific decarbonisation approaches, thereby supporting global decarbonisation.² The UN SSE provides a [model guidance on climate disclosure](#), which is a template that can be used by exchanges and adjusted to their unique market circumstances.

²Science Based Targets *Methodologies -Book.indb* (sciencebasedtargets.org) and NZAOA, *Protocol AOA Target Setting Protocol Jan 21 (3)[2].pdf* (unepfi.org)



About the SSE

The SSE initiative is a UN Partnership Programme organised by UNCTAD, the UN Global Compact, UNEP FI and the PRI. The SSE's mission is to provide a global platform for exploring how exchanges, in collaboration with investors, companies (issuers), regulators, policy makers and relevant international organisations can enhance performance on environmental, social and corporate governance issues and encourage sustainable investment, including the financing of the UN Sustainable Development Goals. The SSE seeks to achieve this mission through an integrated programme of conducting evidence-based policy analysis, facilitating a network and forum for multi-stakeholder consensus-building, and providing technical guidelines, advisory services and training.

Acknowledgements

The report was prepared by the following members of the SSE team: Lisa Remke, Siobhan Cleary, Anthony Miller, Rita Schmutz and Tiffany Grabski with graphic design by Leah Busler. This report benefited from comments from London Stock Exchange Group and Singapore Exchange as well as Jessica Andrews from UNEP-FI.