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## Green Finance: GFANZ Amending Its Membership Rules

November 1, 2022

Green Finance



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The Glasgow Financial Alliance for Net Zero (GFANZ) has amended its membership rules by dropping its connection to the UN-supported Race to Zero campaign. As mentioned in our [article](#) last week, certain major U.S. banks were considering withdrawing from GFANZ over litigation and enforcement concerns. GFANZ's [progress report](#) does not mention compliance with Race to Zero guidelines as a condition of membership. Instead it states that the alliances would “take note of the advice and guidance” of Race to Zero. GFANZ has over 450 members worldwide and represents over \$130 trillion in assets. Prior to this change, one of the key requirements for institutions signing up to one of the GFANZ alliances, was the commitment to adhere to the Race to Zero minimum standards.

[Race to Zero](#) is a “global campaign to rally leadership and support from businesses, cities, regions, investors for a healthy, resilient, zero carbon recovery that prevents future threats, creates decent jobs, and unlocks inclusive, sustainable growth.” Earlier this year, Race to Zero amended its criteria with the additional requirement to publish a transition plan within 12 months of membership together with a commitment to achieve net zero across “all emissions scopes.”

This requirement caused great concerns to some GFANZ members, especially due to current global energy security issues and the potential conflict between the fossil fuel criteria and their fiduciary duties.

A GFANZ [spokesperson](#) stated that the change “will help ensure GFANZ’s recommendations reflect regional contexts, and the supervisory, regulatory, and legal obligations unique to the financial sector, as we continue to support net-zero implementation. Implementation is a critical step that requires a broad range of guidance and expertise from finance, science, academia, business, the official sector, and civil society.”

**Taking the Temperature: This move was not entirely unexpected, given the recent pressure GFANZ has found itself under and considering the pushback from some industry participants against Scope 3 (supply chain emissions) requirements. However, considering that GFANZ had previously placed great reliance on the Race to Zero and utilized its criteria as a key source of credibility, it remains to be seen if this change will have an impact on the long-term future and stability of the alliance. This divergence in principles may lead to yet further distinct and potentially confusing and conflicting standards in the sustainability space. It also highlights the challenges confronting the asset management industry in addressing climate-related issues, including how those concerns impact investment decisions and fiduciary duties, their need for issuer disclosure in order to make informed investment decisions, and their own consideration of not making sustainability disclosure commitments that are incompatible with fiduciary duties or that expose them to legal challenges.**