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## Green Finance: Letter from NZBA Chair to Its Members

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Green Finance



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Last week, Tracey McDermott, the Steering Group Chair of the Net Zero Banking Alliance (NZBA), a UN-convened banking industry coalition, wrote an [open letter](#) to NZBA members. The letter reported that since its founding in April 2021, the NZBA's membership had grown from 43 to 119 financial institutions and highlighted the publication of its [Transition Finance Guide](#). The non-binding Guide provides suggestions and guidance on actions the banking sector can take in terms of financing efforts to transition to a green economy.

In its preamble, the Guide states that, "Ultimately, banks should send a clear message that their support for real economy firms' net-zero transitions, including transition finance, requires the firms themselves to commit to achieving net-zero targets and to develop credible transition plans. Banks may engage with firms to support and encourage their transition and outline planned support (time and capital) for clients with credible transition plans."

**Taking the Temperature: NZBA is part of the UN's Race to Zero Alliance, which also includes the Glasgow Financial Alliance for Net Zero (GFANZ), another investor alliance launched by former Bank of England Governor Mark Carney. GFANZ was in the news recently due to public statements by certain major U.S. banks that the banks were considering withdrawing from the GFANZ due to concerns over their ability to satisfy increasingly stringent decarbonization commitments and the potential to be subject to litigation or enforcement actions as a result. These developments illustrate just a few of the challenges confronting the financial industry with respect to sustainability issues. NZBA and GFANZs' goals are well-intentioned, but financial institutions and other public issuers confront the reality that meeting publicly-articulated goals could be difficult, if possible at all, especially if those goals are attributed to an issuer via membership in industry groups like GFANZ, as opposed to being formulated by the issuer itself.**