

How can sustainable finance transform 2050 pledges into real-world impact?

A framework for financial institutions

content

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https://www.ey.com/en_gl/financial-services/how-can-sustainable-finance-transform-2050-pledges-into-real-world-impact

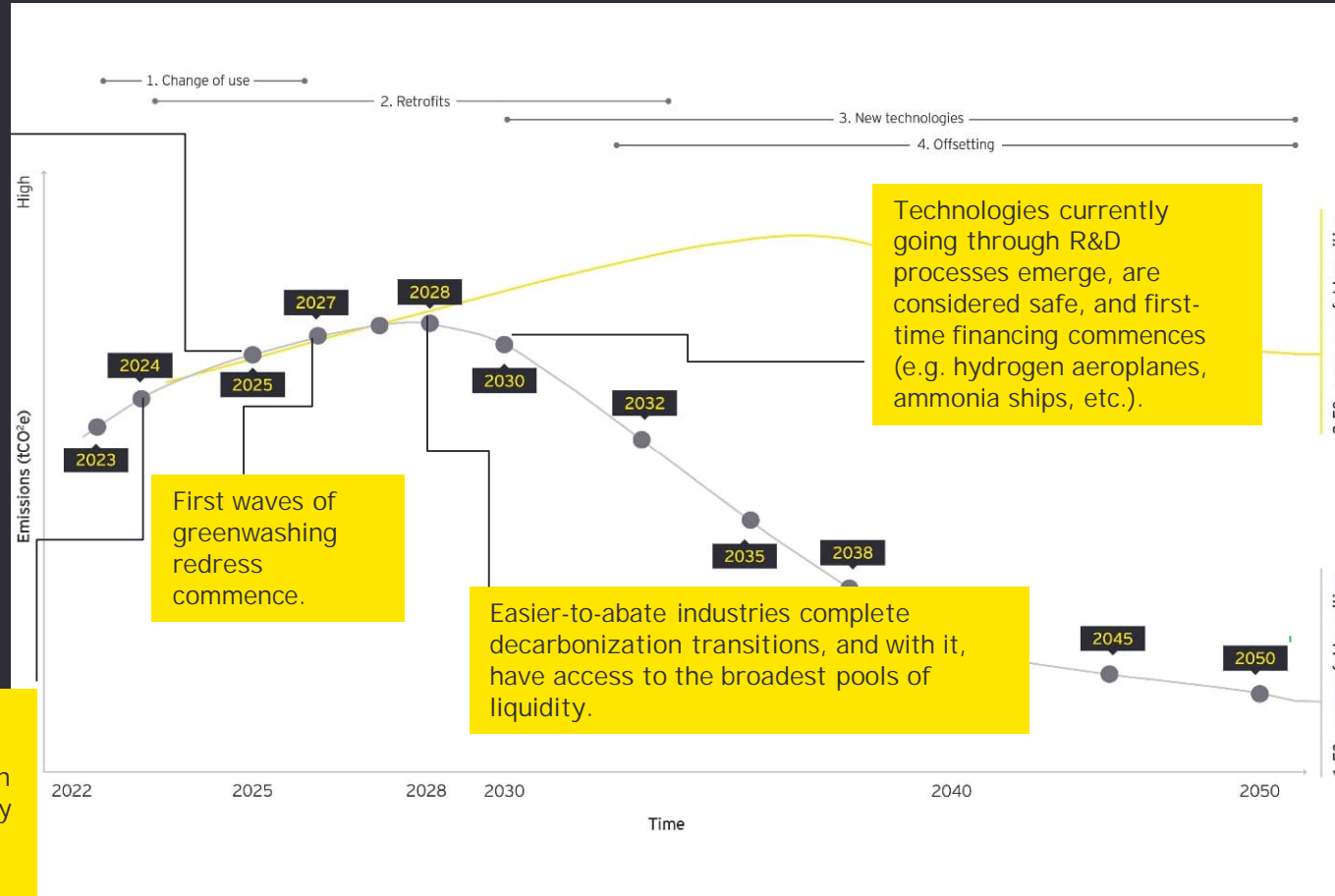


A view of how Finance
Sector evolves over
journey to 2050

Transition in financial services: emissions over time (2023 – 2030)

As conflicts between topics such as decarbonization and energy security have played out, the “supporting all through transition” strategy starts to become more nuanced, with investors, finance providers and risk carriers starting to screen out players and sub-sectors beyond the immediately obvious (e.g. fossil fuels).

Climate risk management is genuinely embedded at most FIs, and mandatory transition plans are used by the industry to appraise risk with increasing sophistication.

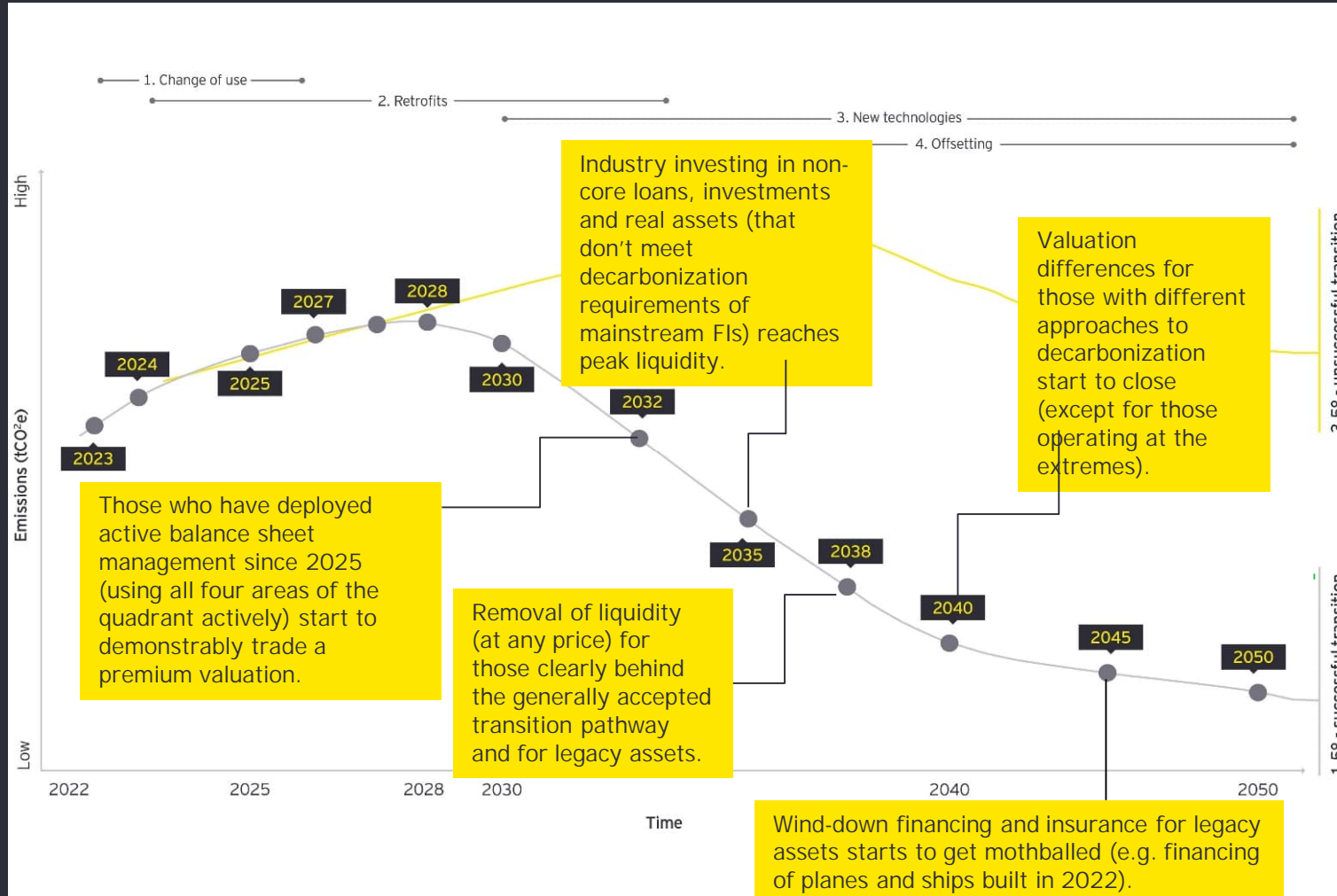


Technologies currently going through R&D processes emerge, are considered safe, and first-time financing commences (e.g. hydrogen aeroplanes, ammonia ships, etc.).

First waves of greenwashing redress commence.

Easier-to-abate industries complete decarbonization transitions, and with it, have access to the broadest pools of liquidity.

Transition in financial services: emissions over time (2030 – 2050)



Decarbonization is complete, and carbon topics cease to become part of balance sheet management, rather a threshold requirement at origination.

Top down view of
sectors and their
Proximity to transition

Constructing a vision for client sector transition pathways



1 Analyze

The **proximity**, which is a combination of urgency and capability, of each sector's transition.



2 Understand

How ongoing initiatives and activities in the real economy are influencing the **clarity** of each industry's transition pathways.



3 Assess

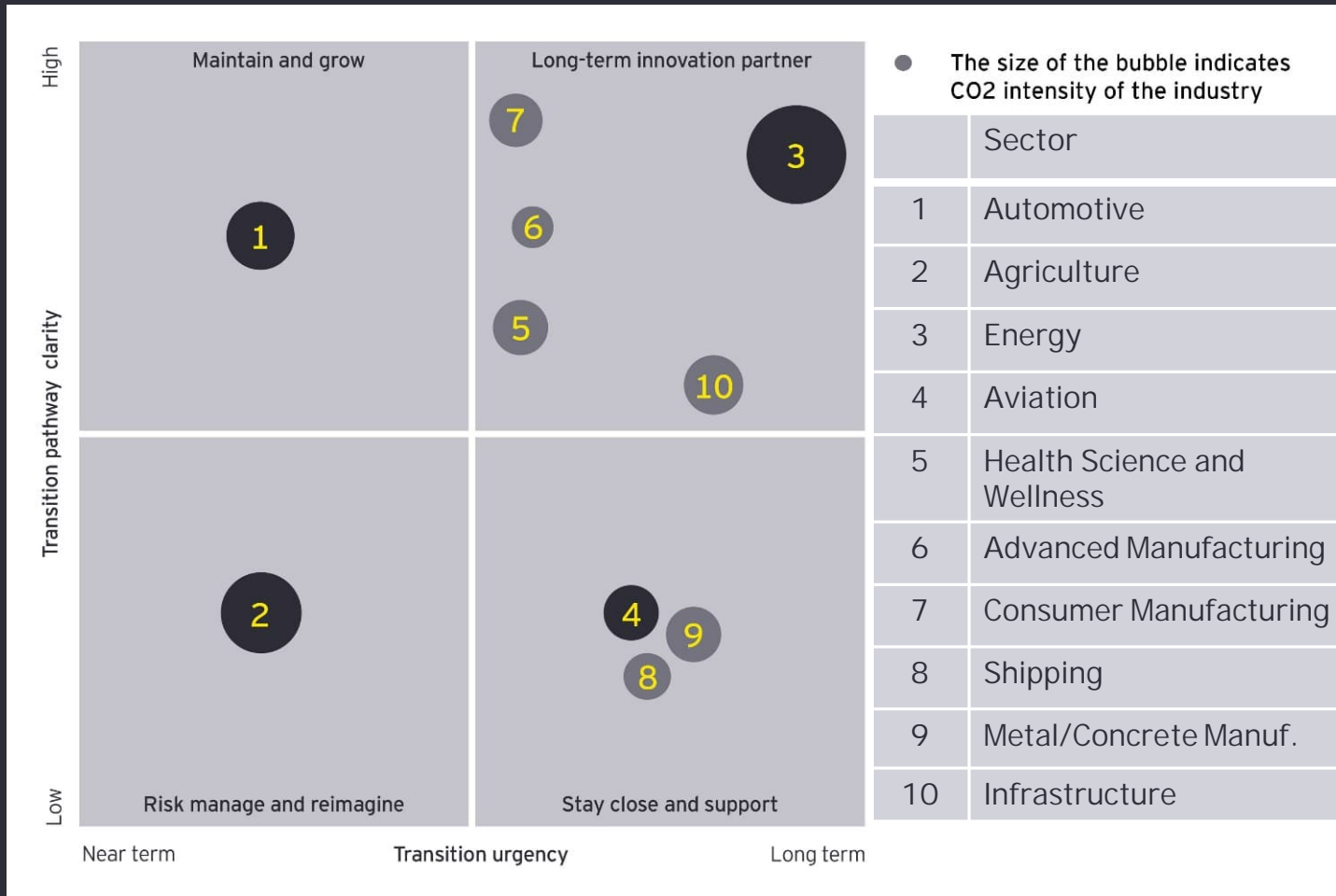
Insights into the proximity and clarity of the transition to appraise the **risks and opportunities** facing different industries.



4 Imagine

Detailed **potential futures** for every sector, as they advance through the four phases of decarbonization.

EY view on sectoral proximity to transition

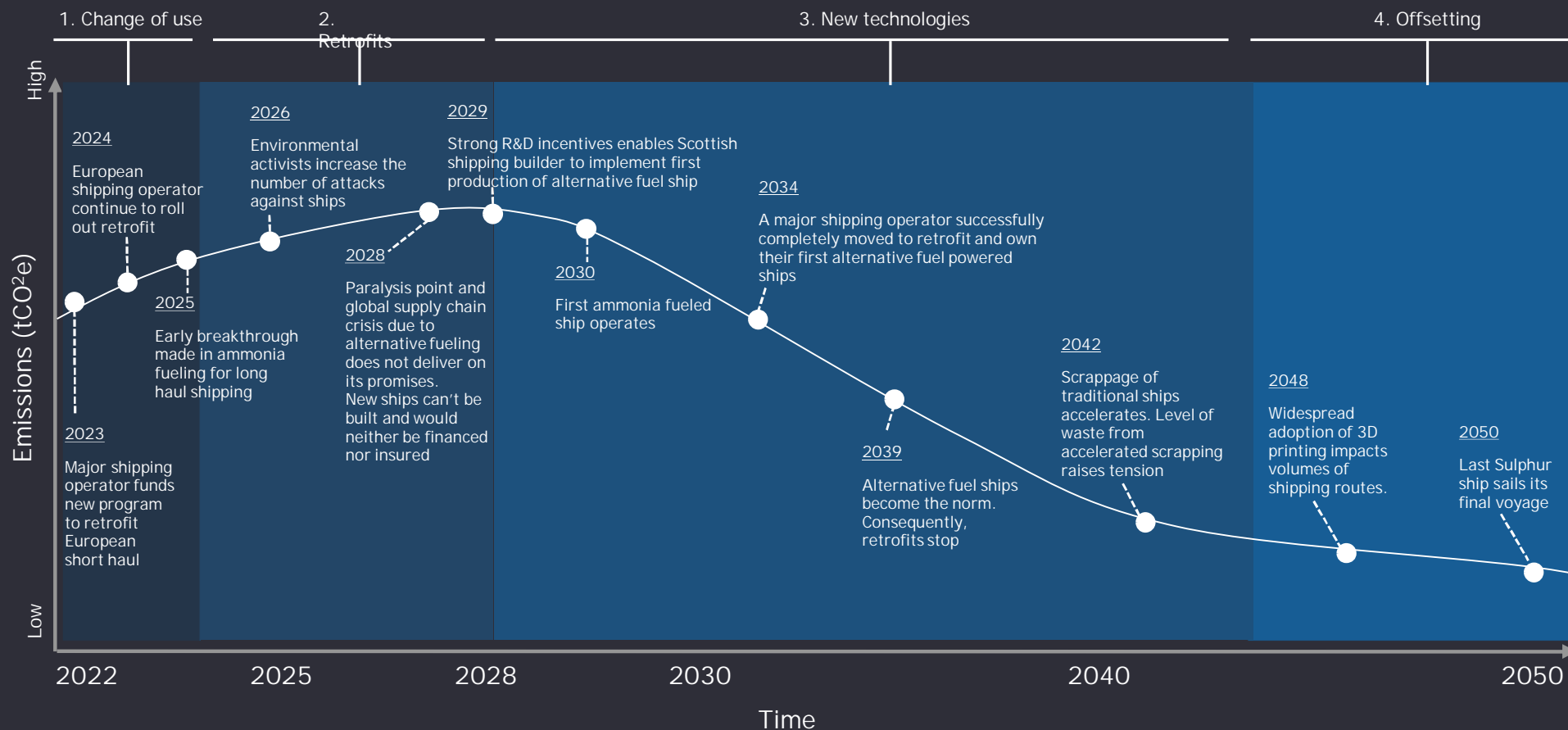


Positioning to support clients at respective stages

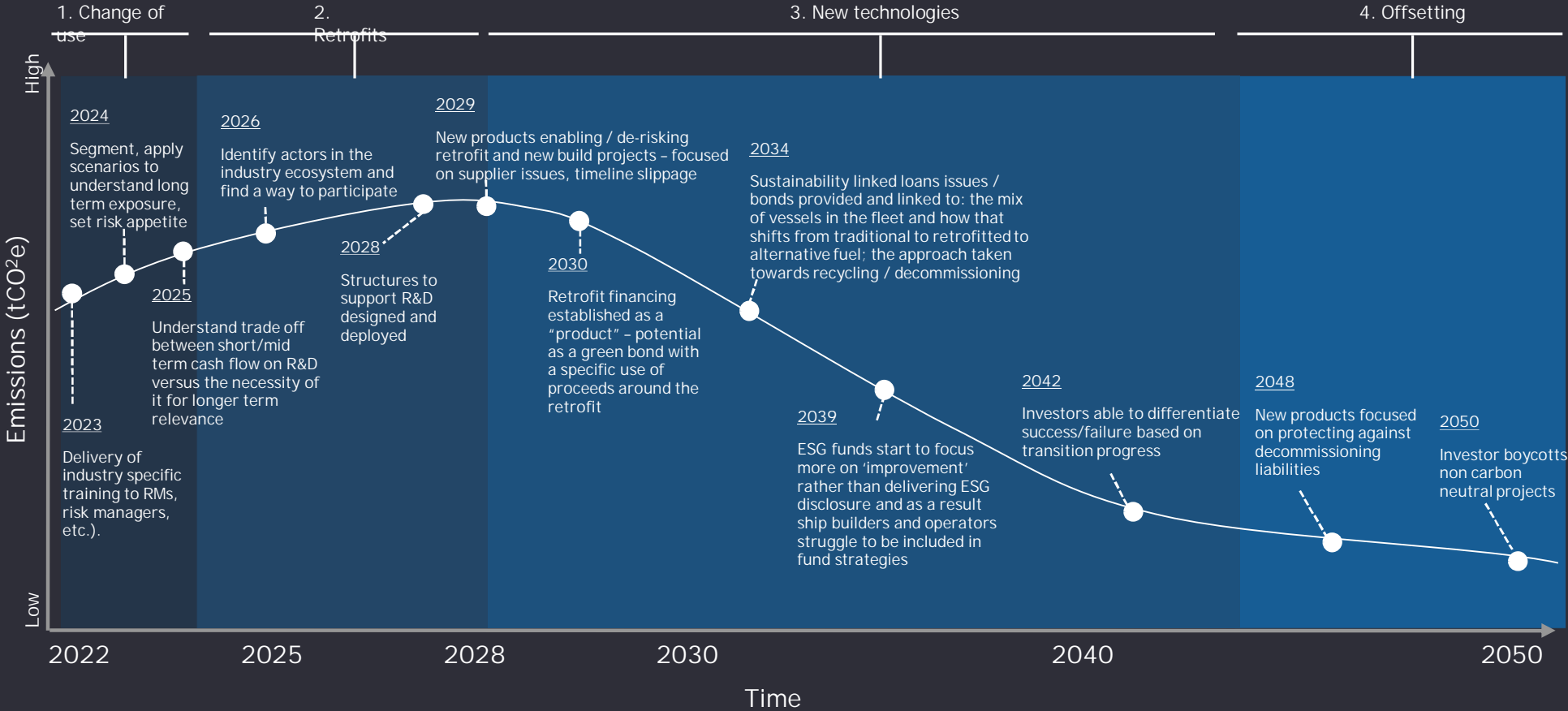
Maintain and grow	The sector's transition is near, clear and already underway. FIs have an imminent opportunity to finance, invest in or de-risk ongoing transition activities.
Risk manage and reimagine	The transition is urgent, but challenging or complex. FIs should engage closely with the sector, encouraging laggards and managing risks while financing more advanced players or initiatives.
Long-term innovation partner	Transition pathways are relatively clear but will take time to implement. FIs should begin delivering the long-term finance, investment and risk management the industry needs to establish a robust transition pathway. This is likely to require scaled-up or entirely new financial solutions.
Stay close and support	The transition journey remains unclear and will take time to emerge. FIs should maintain a watching brief as clarity gradually improves, monitoring industry developments and preparing innovative solutions that can be applied when opportunities to finance, risk manage or divest arise..

An example of Sectoral
transition and the
pacing for Finance

Transition pathway for Shipping



Financial sector considerations to support the transition



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