Net-Zero Banking Alliance (NZBA)

Prelims: *Current events of national and international importance*

Why in news?

The NZBA announced its shutdown, citing political pressure and departure of its members.

- **NZBA –** A ***voluntary,*** industry-led coalition backed by ***UN initiative*** seeking carbon-neutral investments by banks.
- **Launched in –** 2021.
- **Under–** The UN Environment Programme Finance Initiative (UNEP FI)
- **Aim –** To get banks to ***slash the carbon footprint*** of their loans and investments and help drive the transition to a net-zero economy by 2050.
- **Support –** It was supported ***up to 150 banks*** to develop independent and individual climate-related business strategies and to set more than 500 sectoral net zero targets.
- **Key actions of NZBA –**
  - Transition operational and financed emissions to align with net-zero pathways by 2050.
  - Set and publish long-term and intermediate decarbonization targets.
  - Annually publish absolute emissions and emissions intensity to track progress against their targets.
  - Disclose their progress and a board-level reviewed transition strategy within one year of setting targets.
- **Reasons for alliance's collapse –** NZBA dissolved under mounting political pressure, wave of member withdrawals, inconsistent commitments, weak governance, non-binding obligations of NZBA, etc.

Quick Facts

United Nations Environment Programme Finance Initiative (UNEP FI)

• **Partnership –** Between the UNEP and a network of over 450 financial institutions, including banks, insurers, and investors.
• **Established in –** 1992
• It brings together a large network of banks, insurers and investors that catalyzes action across the financial system to deliver more sustainable global economies.
• It was the 1st organization to engage the finance sector on sustainability and incubated the ***Principles for Responsible Investment***.

References

1. The Hindu | Collapse of NZBA
2. UNEP-FI | UNEP Finance Initiative

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