



NGFS Cali-Baku Pledge to Enable Action

On the occasion of the 2024 United Nations Biodiversity Conference (COP16) and Climate Change Conference (COP29), we, the NGFS, reaffirm our commitment to addressing the challenges arising from climate change, biodiversity loss, and nature degradation.

According to the Climate Scenarios we have developed in collaboration with leading scientists, limiting global warming to 1.5°C above pre-industrial levels is still achievable with increased efforts across the entire economy, and is economically far less costly than inaction. While central banks and financial supervisors can provide an enabling environment, governments remain the primary drivers by setting national transition pathways through Nationally Determined Contributions (NDCs) and National Biodiversity Strategies and Action Plans (NBSAPs). Aligning the next round of NDCs with the objectives of the Paris Agreement is therefore essential to ensure the required whole-economy mobilisationⁱ towards low greenhouse gas emissions and environmentally sustainable development.

The impacts of climate change and nature degradation are becoming increasingly apparent and disproportionately affect emerging markets and developing economies (EMDEs). However, asset prices and the cost of capital still fail to adequately reflect the associated risksⁱⁱ. Left unaddressed, climate and nature risks can turn into economic, financial and systemic risks. By integrating these risks into their work, central banks and financial supervisors can enhance the financial system's ability to manage risks and to mobilize capital for green and low-carbon investments.

In this context, we pledge to continue to play an enabling role in the collective effort to green the financial system and align financial flows with the objectives of the Paris Agreement and the Global Biodiversity Framework. In particular:

- We recognize the need to consider the economic impacts and financial risks arising from climate change and nature degradation with an integrated approach in order to fulfil our monetary policy and financial stability mandates.
- We commit to help our members integrate climate and nature-related financial risks by providing analytical frameworks, tools, and guidance.
- We invite the broader financial community, particularly ministries of finance, financial institutions and corporates, to make use of these resources.

1. The NGFS pledges to continue enhancing the capacity of the financial system to handle climate and nature-related risks

The Network for Greening the Financial System (NGFS) is a voluntary network that brings together 141 central banks and financial supervisors and 21 observers across five continents, launched to help strengthen the global response to meet the goals of the Paris agreement. While the NGFS initially focused on addressing climate goals, the interdependencies between climate, biodiversity, and other planetary boundaries have made it clear that the resilience of the financial system relies on a holistic approach. The NGFS has thus been at the forefront of taking an integrated approach to nature-related risksⁱⁱⁱ.

The NGFS has developed and shared multiple resources to help its members integrate climate and nature-related considerations into their core missions and activities. For example, the NGFS has provided guidance on how financial supervisors can address these risks in prudential supervision^{iv}, and

explored how central banks can incorporate climate-related considerations into their monetary policy operational frameworks^v. It has encouraged its members to lead by example when setting up or refining their own climate-related disclosures^{vi}. To help mainstream nature-related considerations and guide action by its members, the NGFS has released a Conceptual Framework on nature-related financial risks^{vii}. The network also supports its member's ability to address climate and nature-related risks by facilitating access to training and capacity building resources, with special attention to the specific challenges and needs of EMDEs^{viii}.

The climate scenarios developed by the NGFS, in particular, have become a reference for financial authorities and beyond. Climate change exposes the financial sector to radical uncertainty, as both the economic effects of climate change and climate policies are difficult to predict. Therefore, innovative forward-looking approaches, such as climate scenario analysis, are essential for assessing risks. The NGFS scenarios help assess the financial system's resilience under different transition pathways. The NGFS is now preparing to release the first vintage of its short-term scenarios to assess climate risks over a shorter time horizon. The NGFS has also issued recommendations for developing scenarios to assess nature-related economic and financial risks^{ix}.

2. The NGFS pledges to enable action beyond its membership, by providing relevant knowledge and tools

The NGFS resources and publications are public goods, accessible and relevant to many actors dealing with climate and nature-related risks. Central banks and financial supervisors are analytical powerhouses that can drive action by providing knowledge and policy tools. The examples provided below illustrate how the NGFS' resources can be utilized beyond its membership.

The NGFS encourages policy makers to use its resources to identify critical ecosystems and sources of transition and physical risks, and determine which economic sectors are most vulnerable. For example, the NGFS Climate Scenarios can be used to assess the macro-financial impacts of different transition policies or to identify the sectors most vulnerable to climate risk and take adequate action. The Conceptual Framework on nature-related risks can also help to identify key ecosystems and dependent economic sectors. Additionally, governments can use the NGFS's insights to better understand and prepare for the impacts of climate change. With limited public funds available for climate mitigation and adaptation, ministries of finance can identify key actions highlighted by the NGFS' document on scaling up blended finance solutions in EMDEs^x.

The NGFS also invites financial institutions to use NGFS publications and tools to manage risks, mobilize capital and align financial flows with sustainability-related objectives. For example, by developing and implementing robust transition plans based on key considerations and recommendations, such as those outlined in the NGFS's Transition Plan Package^{xi}. By using the NGFS's Conceptual Framework on nature-related risks, financial institutions can align their strategies with government policies, identify sources of risk, and engage with companies to drive change. The NGFS Climate Scenarios offer tools for stress testing portfolios. The new NGFS Data Directory can help institutions identify relevant climate metrics and data sources to make environmentally sound investment decisions^{xii}. The NGFS reports on monetary policy can also help financial institutions understand and anticipate central bank actions in response to climate-related shocks.

Looking ahead, NGFS members will continue to lead by example, by taking climate and nature into consideration, sharing best practices and promoting transparency. The NGFS values "learning by doing" and taking a hands-on approach of climate and nature-related issues. Building on its members' experiences and using the best available data and science, the NGFS will continue applying its members' expertise to address climate change and nature degradation. Financial flows shape the world we live in and it is more necessary than ever to provide finance with a clear purpose^{xiii}.

References

- ⁱ Global climate finance needs are expected to reach USD 5.9 - 12 trillion annually by 2030 according to CPI, [Global Landscape of Climate Finance 2023](#) (November 2023).
- ⁱⁱ NGFS (2022), [Capturing risk differentials from climate-related risks](#) and NGFS (2022), [Credit ratings and climate change – challenges for central bank operations](#)
- ⁱⁱⁱ See NGFS (2021), [Central banking and supervision in the biosphere](#) and NGFS (2022), [Statement on nature-related financial risks](#)
- ^{iv} NGFS (2020, 2021) [NGFS Guide for supervisors: Integrating climate-related and environmental risks into prudential supervision](#) (May 2020), see also the [Progress report on the NGFS Guide for supervisors](#) (October 2021).
- ^v NGFS (2020, 2024) [Climate Change and Monetary Policy Initial takeaways](#) (June 2020), [Adapting central bank operations to a hotter world: current progress and insights from practical examples](#) (July 2024).
- ^{vi} NGFS (2024), [Guide on climate-related disclosure for central banks](#).
- ^{vii} NGFS (2023), [Conceptual framework to guide action by central banks and financial supervisors](#)
- ^{viii} See [NGFS facilitates capacity building across its membership](#)
- ^{ix} NGFS (2023), [Recommendations on the development of scenarios for assessing nature-related economic and financial risks](#).
- ^x NGFS (2023), [Scaling Up Blended Finance for Climate Mitigation and Adaptation in Emerging Market and Developing Economies](#).
- ^{xi} NGFS (2024), [Transition Plan Package](#).
- ^{xii} See [NGFS Data Directory: a growing resource for climate risk data](#)
- ^{xiii} As highlighted by the UN-convened Independent High-Level Expert Group in their 2023 report "[A climate finance framework: decisive action to deliver on the Paris Agreement](#)".

Annex. An overview of recent NGFS resources and tools

Since COP28 and the publication of the [NGFS Dubai Stocktake](#), the NGFS has released a number of publications that provide key insights on the greening of the financial system across its main themes and streams of work. Readers can find more information in the NGFS [Annual report 2023](#).

Following the publication of the [Phase IV of NGFS Climate Scenarios](#), the NGFS released an explanatory note on its **scenarios**, looking at their [purpose, use cases and guidance on where institutional adaptations are required](#). Regarding **financial supervision**, the NGFS released a package of reports on [transition plans](#) including considerations for EMDEs, the connection between financial and non-financial firms' transition plans and the microprudential perspective.

The NGFS has published a series of reports on the **macroeconomics of climate change and monetary policy**. The first report in this series focused on the links between [acute physical impacts from climate change and monetary policy](#), the [second looked at the green transition and the macroeconomy with a monetary policy perspective](#) and the third looks at [central banks' approaches to modelling the effects of climate change](#). The NGFS also published a report on [adapting central bank operations to a hotter world: current progress and insights from practical examples](#).

Looking at **how central banks can reach net zero** within their own activities, the NGFS released a report and two technical documents on [sustainable and responsible investment in central banks' portfolio management](#), as well as the second edition of its [guide on climate-related disclosure for central banks](#).

Regarding **nature-related risks**, the NGFS released its [Conceptual Framework to guide Action by Central Banks and Supervisors](#) as well as [recommendations toward the development of scenarios for assessing nature-related economic and financial risks](#). The NGFS also published a document on [nature-related litigation: emerging trends and lessons learned from climate-related litigation](#).

The NGFS also released a report on [scaling up blended finance for climate mitigation and adaptation in EMDEs](#) and an information note on [improving greenhouse gas emissions data](#). Keep an eye out for upcoming publications, including a Synthesis Report on the greening of the financial system and a concept note on adaptation at COP29, as well as the phase V of NGFS Scenarios and the first edition of NGFS short term scenarios in the coming months.