



Banking Trend Radar Webcast

Episode 6: Climate Transition Planning - How banks can profit from credible climate and decarbonization strategies

This webcast will be recorded.

You have the option to ask (anonymous) questions during the presentation via the Q&A function.

We will collect the questions and answer them at the end of the webcast.

Today's speakers

Let's start the conversation!



Dr. NICOLE ROETTMER

Partner

Managing Director, Deloitte
Sustainability & Climate

Mail: nroettmer@deloitte.de



Dr. KATHARINA KAESEHAGE

Senior Manager

Deloitte Sustainability & Climate

Mail: kkaesehage@deloitte.de



THOMAS PEEK

Partner

Risk Advisory

Mail: tpeek@deloitte.de

Strategic value of transition planning

Transition planning can be leveraged as a strategic imperative for aligning business with climate and market dynamics

Transition planning is not a reactive exercise to a distant change; it is already a **near-term strategic imperative** in a rapidly changing world. Transition planning can serve a **dual purpose**



Navigating value creation in the net-zero transition

The transition planning process helps institutions identify and seize new opportunities, and enhance their strategic positioning, brand, and stakeholder engagement, unlocking new value sources.

Safeguarding for climate-related disruption

Transition planning sheds a light on potential financial risks, for example driven by technological, market, policy, litigation and reputational change, and demands setting relevant mitigation measures.

Transition planning also aims to align a financial institution's **business model and operational set-up** with the **evolving market, policy, and stakeholder landscape** related to the **net-zero transition** and other **climate dynamics**



Providing transition finance to essential, currently carbon-intensive sectors, while explaining how these investments align with broader decarbonization goals, and identifying and capitalizing on emerging opportunities in the green economy



Integrating transition planning into the DNA of the organization, from the top and through the functions and their respective processes



Enhancing the strategic positioning through credible, anchored future-proofing: Anticipating market changes, regulatory shifts, technological advancements, and evolving customer preferences

Regulatory requirements

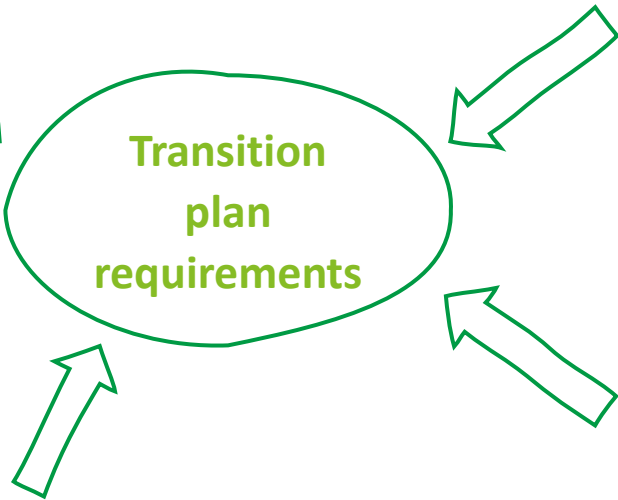
Current regulations and standards define a framework for transition plans, further emphasized by the upcoming CSDDD

illustrative

Disclosure and regulatory requirements and developments



- EU: CSRD
- IFRS
- Singapore: Consultation Paper on Guidelines on Transition Planning
- US: SEC regulation on climate-related disclosure
- Other countries developing regulations aligned with the ISSB, e.g. South Korea, Japan, Hong Kong & more
- ...



Indirect disclosure requirements: Corporate Sustainability Due Diligence Directive (CSDDD)

- Focus of regulation on due diligence requirements
- Includes requirement to develop a 1.5 degree aligned TP



Coming: Embedding of TPs and their quality into rating schemes and automated capital market intelligence



Initiatives / Standards (SBTi, CDP, GFANZ, TPT ...): TP requirements based on voluntary commitments

- Define (detailed) requirements for TP
- Membership / application based on voluntary decisions of companies



Getting started!

Interactive questionnaire

Live Menti from the Webcast!

➤ What measures and impact analyses do you perform to assess **the financial impact of a net zero pathway?**

➤ Which function of your organization is **not** involved in the process of a **sustainable transformation?**

➤ Which analyses have **already been done** by your organization to forecast sustainability developments and prepare for a future business model?

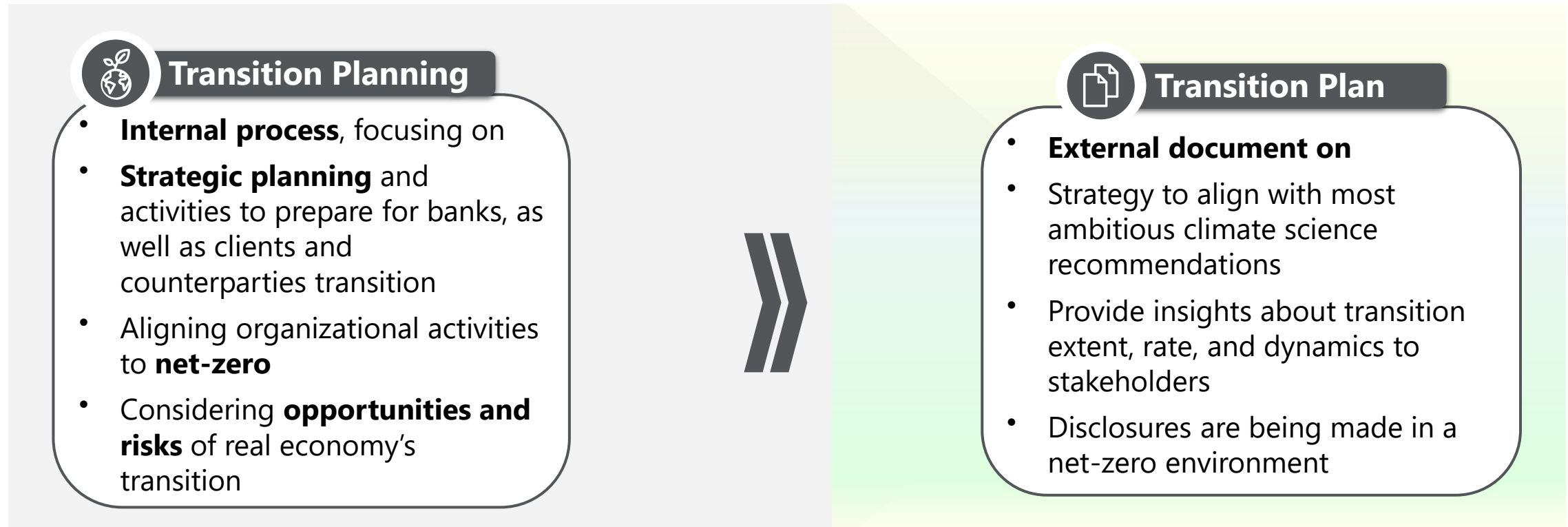


**Scan QR code or go to
menti.com and enter
access code 4376 3154**



Differentiation of transition planning and transition plans

A transition plan includes strategic climate risk as well as net zero considerations



Source: IIF & Deloitte 2024

Key considerations on credibility challenges

To form credible transition plans, banks are currently still facing a set of challenges and relevant questions

Key considerations affecting banks' transition planning approaches



1. **Scientific Basis and Strategic Positioning**
2. **Consideration of Climate vs. Other Financial Performance Drivers**
3. **Data & Metrics**
4. **Targets, Scope, and Coverage**
5. **Implementation Activities**
6. **Organizational Integration and Governance**
7. **Disclosure**

Source: IIF & Deloitte 2024

Key safeguards for a transition plan

The analysis illustrated that a few key safeguards are applied

1. Scientific Basis and Strategic Positioning

"We aim to engage the whole ecosystem [of] hard-to-abate sectors" (*Large European Bank*)

2. Consideration of Climate vs. Other Financial Performance Drivers

"We support a just transition that seeks (...) social inclusion" (*Standard Bank Group Ltd*)

3. Data & Metrics

"It is critical for us to understand what our **clients transition** planning looks like" (*Large European Bank*)

4. Targets, Scope, and Coverage

"It all comes down to three points – Action, Ambition, Accountability" (*Large European Bank*)

5. Implementation Activities

"If clients are not making any progress (...), we make careful evaluation of whether to continue our business." (*Mizuho Financial Group*)

6. Organizational Integration and Governance

"Targets at board level have been introduced from 2022 that count into remuneration." (*ING Group N.V.*)

7. Disclosure

"Transition planning is not a one-time exercise" (*Deutsche Bank AG*)

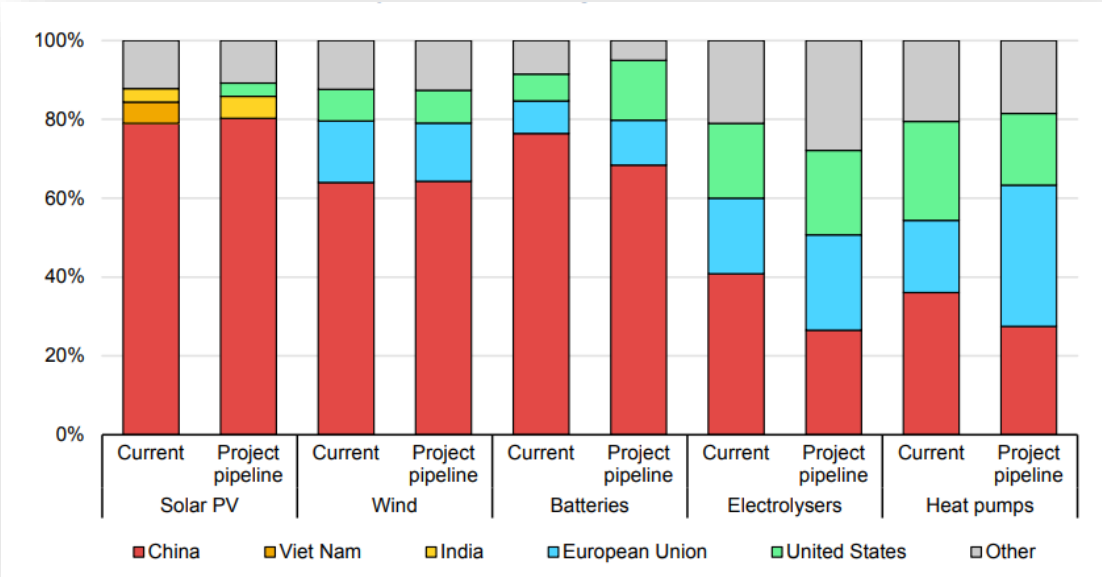
What measures and impact analyses do you perform to assess the financial impact of a net zero pathway?



Deep Dive: Take a tight view on the future markets

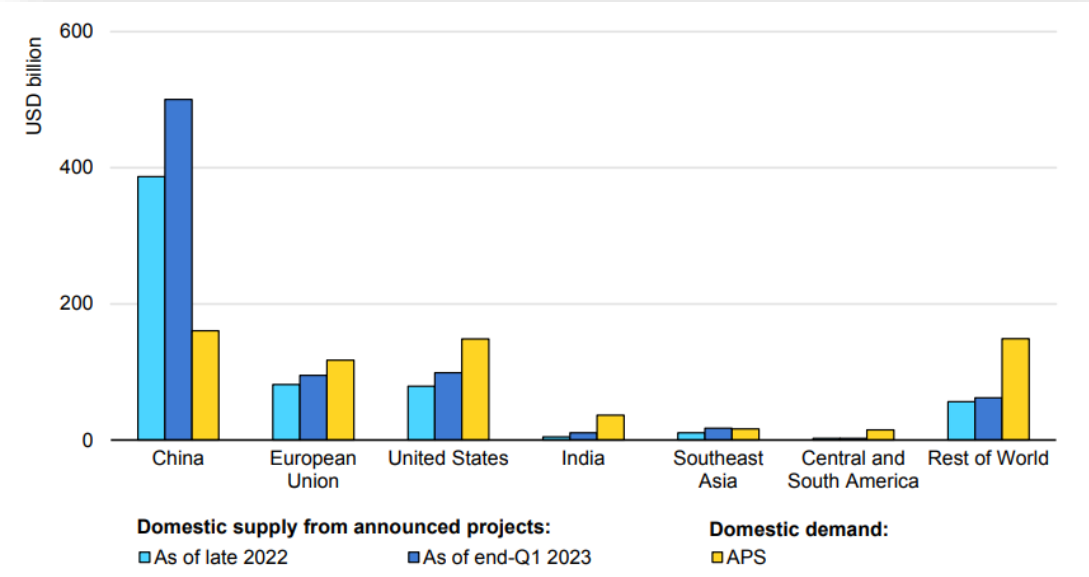
We can track how 2030 future market potentials are now being distributed

Current and projected (2030) geographic concentration for manufacturing operations for key clean technologies



Projected for announced capacity additions

Market sizes for key clean energy technologies in 2030

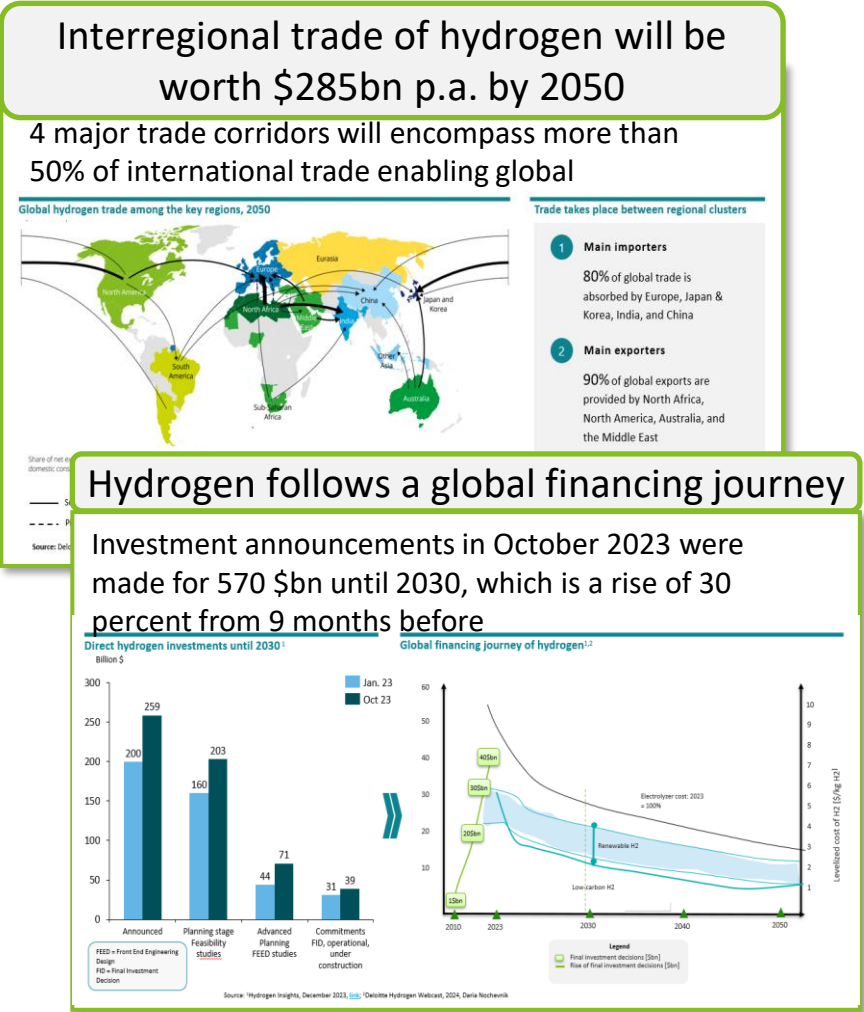


APS = Announced Pledges Scenario

Source: IEA 2023

Deep Dive: Translate future markets into specific offerings

Hydrogen is an excellent example on how new sustainable investments can create value for financial institutions

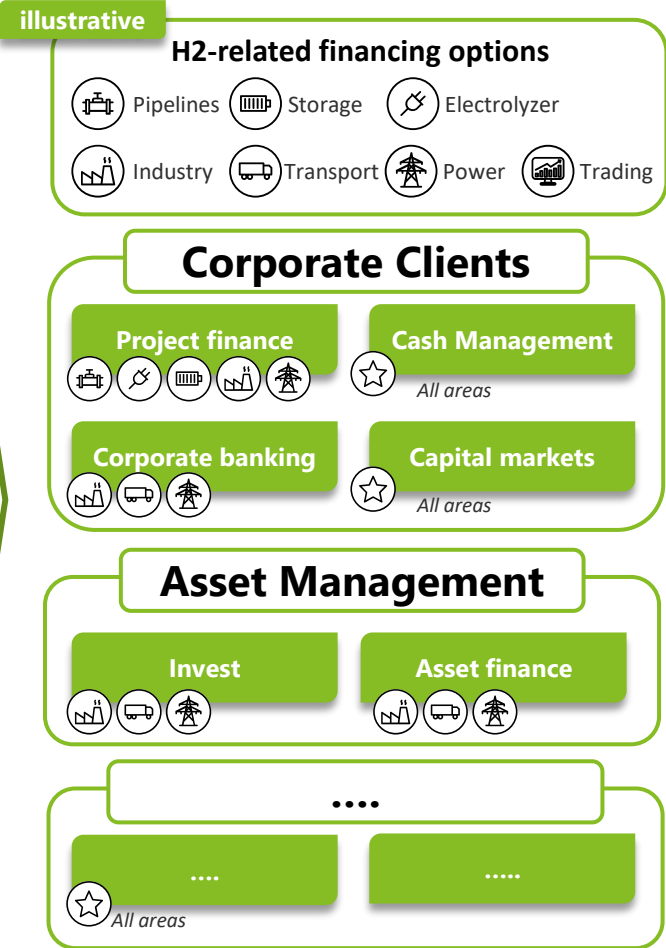


Key hydrogen market intelligence

Review market size, timing (incl. technology) assumptions and key perquisites

Key entry points for specific services (which actors)

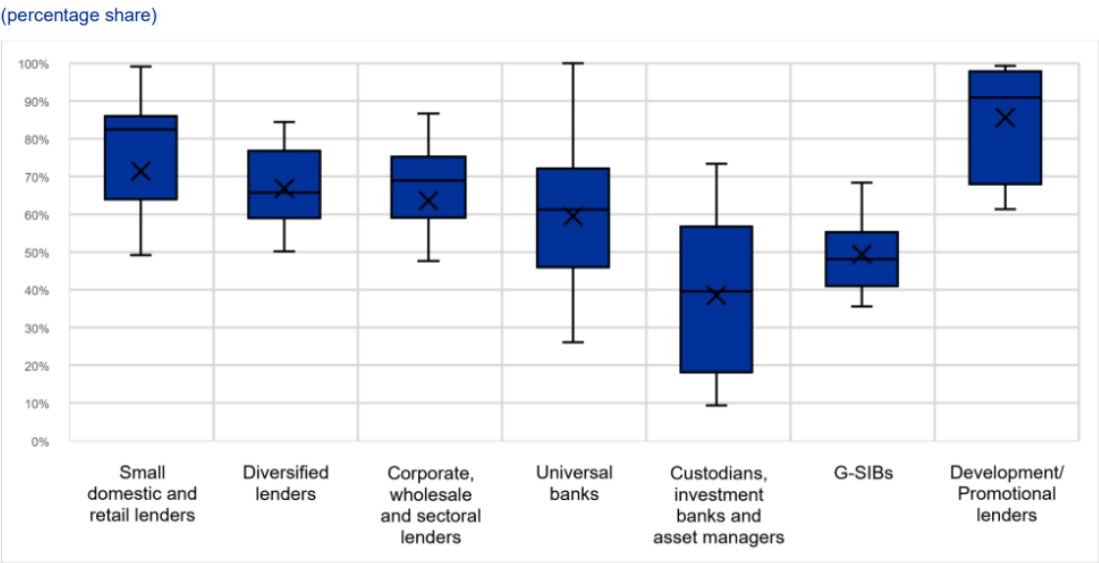
Market fit offering / SWOT



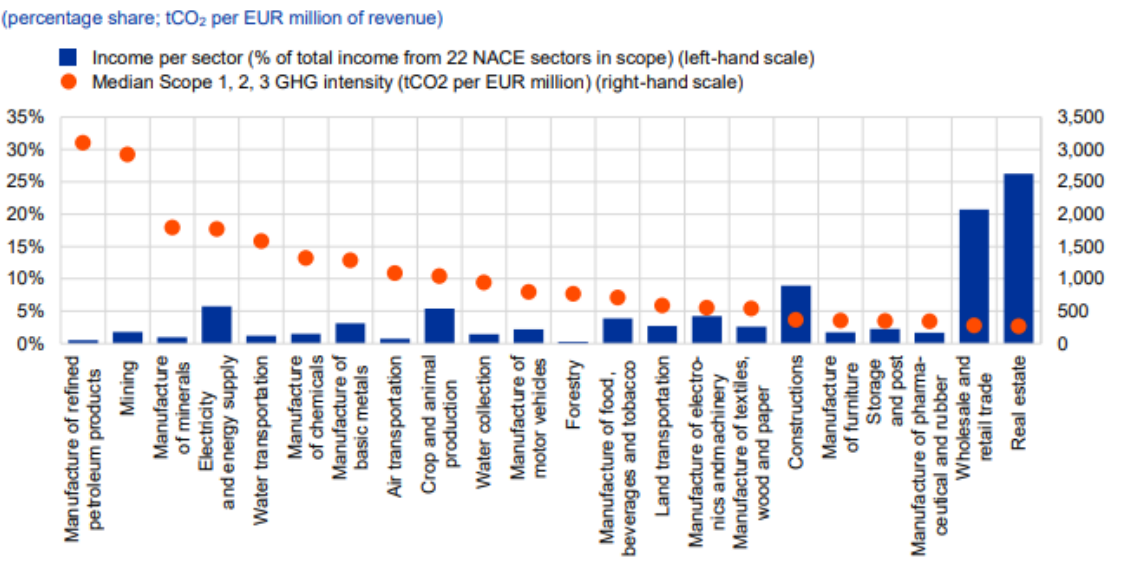
Deep Dive: Manage the conversion to your financials

In the future, investments in carbon-intensive industries are going to decline

Interest income from 22 carbon-intensive industries as a share of total non-financial corporate interest income



Interest income and fee and commission income per sector from 22 carbon-intensive industries and median of the Scope 1, 2 and 3 GHG intensity



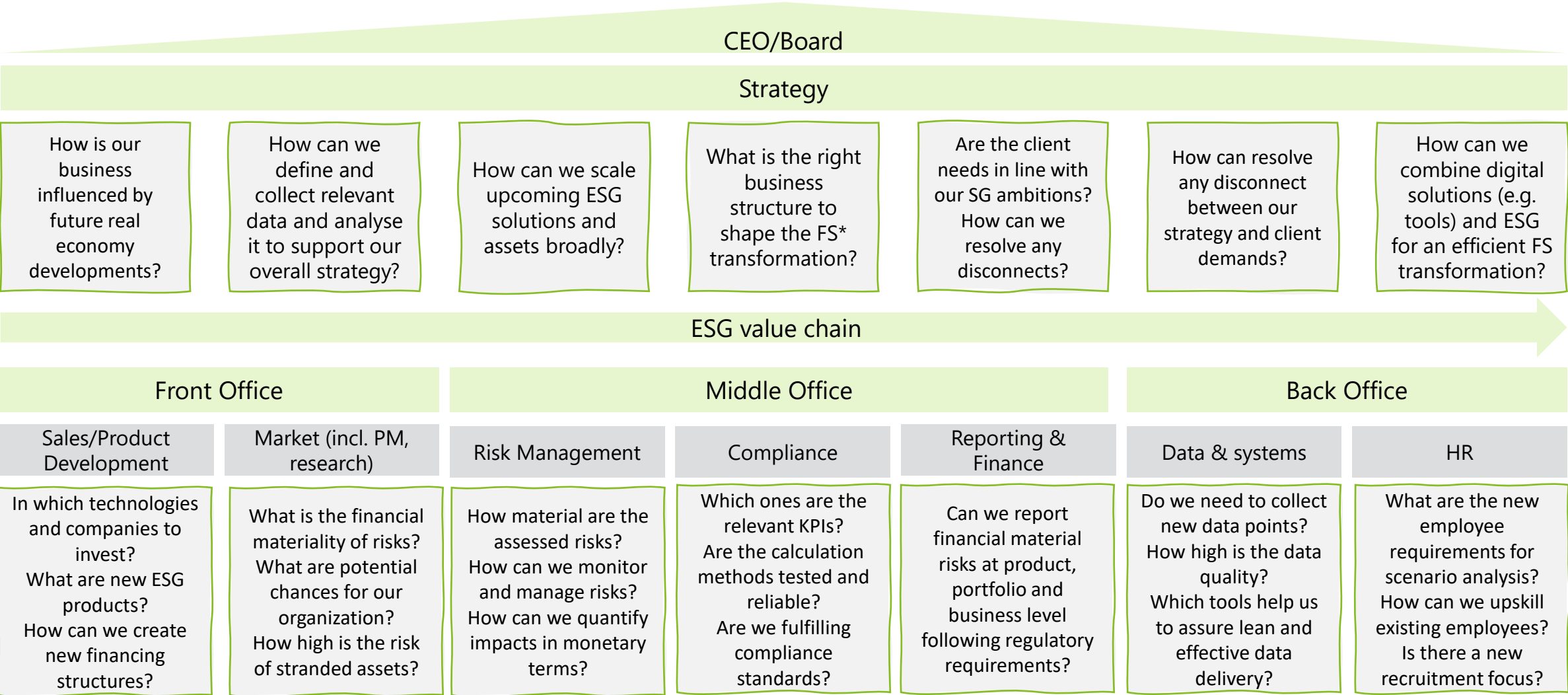
Source: ECB 2022

Which function of your organization is not involved in the process of a sustainable transformation?



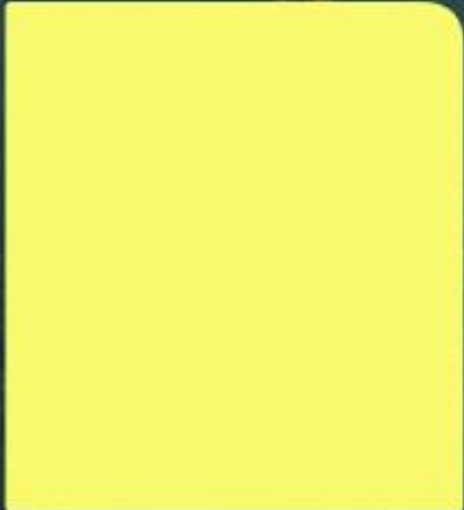
Deep Dive: Enablement across business functions

Risk analysis can enable the transition planning processes for different business functions



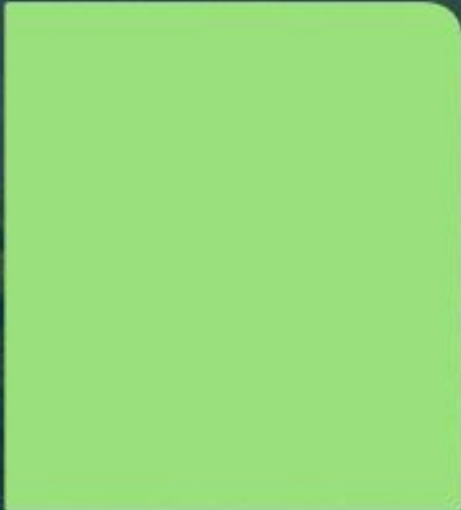
Which analysis are already done by your organization to forecast sustainability developments and prepare for a future business model?

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Sector market analyses

6



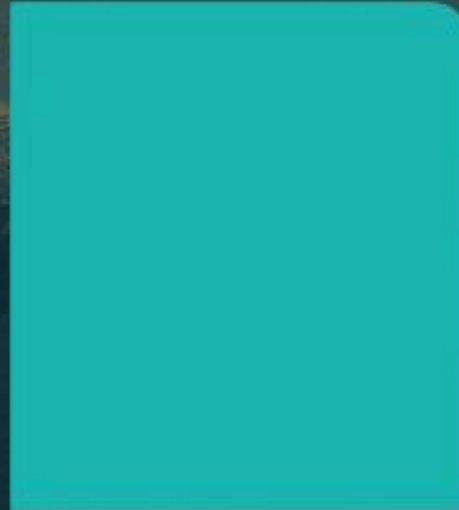
Tech analyses

6



Sector policy analyses

6

Overarching policy
analyses

0

Other

Deep Dive: Navigating the current political ambiguity

Example policy tracking tools - IPR FPS forecasts

Adjusted baseline

Forecast change relative to IPR FPS 2023:  Forecast changes (previous quarters)															
Consistent Acceleration Achieved Deceleration															
		 Economy wide		 Power			 Buildings  Transport			 Industry  Agri		 Land use  Nature			
		Net Zero CO ₂ emissions	Carbon price	New coal phase-out	All coal phase-out	Clean power	Zero-carbon heating	Light duty vehicles	Heavy duty vehicles	Industry decarb.	Low-carbon agriculture	Net deforestation	Deforestation-free supply	Protection & restoration	Nature incentives
Asia Pacific excl. China	 Australia	2050	\$70	2023	2038-40	2045	2035	2040	2045	2065	2030	2025-30	2030	2030	2025
	 Indonesia	2060	\$50	2025	2055	2055	N/A	2045	2050	>2070	2035	2030	>2035	>2040	2035
	 India	2065	\$50	2030	2060	2060	N/A	2040	2045	>2070	2035	2025-35	>2035	2040	>2035
	 Japan	2050	\$70	2025	2045	2045	2040	2040	2040	2065	2025	2025	2035	2030	2030
	 South Korea	2050	\$70	2025	2045	2045	2040	2035	2040	2065	2030	2030	>2035	2040	2030
	 Vietnam	2060	\$50	2025	2045	2050	N/A	2040	2045	>2070	2030	2025	>2035	>2040	2030
China	 China	2060	\$50	2030	2045	2050	2045	2040	2045	2065	2030	2025	2035	2035	2030
Europe	 France	2050	\$120	Achieved	2024: European Parliament endorses first-ever carbon removal certification scheme				2040	2060	2025	Achieved	2030	2030	2025
	 Germany	2045	\$120	<2023	2030	2040	2035	2035	2040	2070	2025	2025-30	2030	2025	2030
	 Italy	2050	\$120	<2023	<2030	2045	2035	2035	2040	2070	2025	2025	2030	2030	2030
	 UK	2050	\$120	Achieved	2024	2035	2035	2030	2040	2065	2025	2025	2030	2030	2025
Eurasia	 Russia	>2065	\$0	2030	2060	2060	2050	2050	2055	>2070	2035	2025-35	>2035	>2040	>2035
Middle East and Africa	 Nigeria	>2065	\$20	Achieved	Achieved	2050	N/A	2045	2050	>2070	2035	2035	>2035	>2040	>2035
	 Saudi Arabia	2060	\$20	N/A	N/A	2060	N/A	2040	2045	>2070	N/A	2030	>2035	2040	>2035
	 South Africa	>2065	\$30	2030	2055	2055	2050	2040	2045	>2070	2035	2035	>2035	2040	2035
	 Turkey	2060	\$30	2030	2045	2050	2050	2040	2045	>2070	2035	2025	>2035	>2040	>2035
North America	 Canada	2050	\$100	<2023	2030	2035	2035	2035	2040	2065	2025	2025	2035	2035	2030
	 Mexico	>2065	\$30	<2023	2038-40	2050	N/A	2040	2045	>2070	2035	2030	>2035	2040	2035
	 US	2050	\$30	<2023	2035	2040	2040	2040	2045	2065	2030	2025	2035	2035	2030
South America	 Argentina	2060	\$30	Achieved	Achieved	2050	2045	2040	2045	>2070	2035	2030	>2035	2040	2035
	 Brazil	2050	\$50	Achieved	Achieved	2030*	N/A	2045	2050	2070	2030	2030	2035	2030	2030

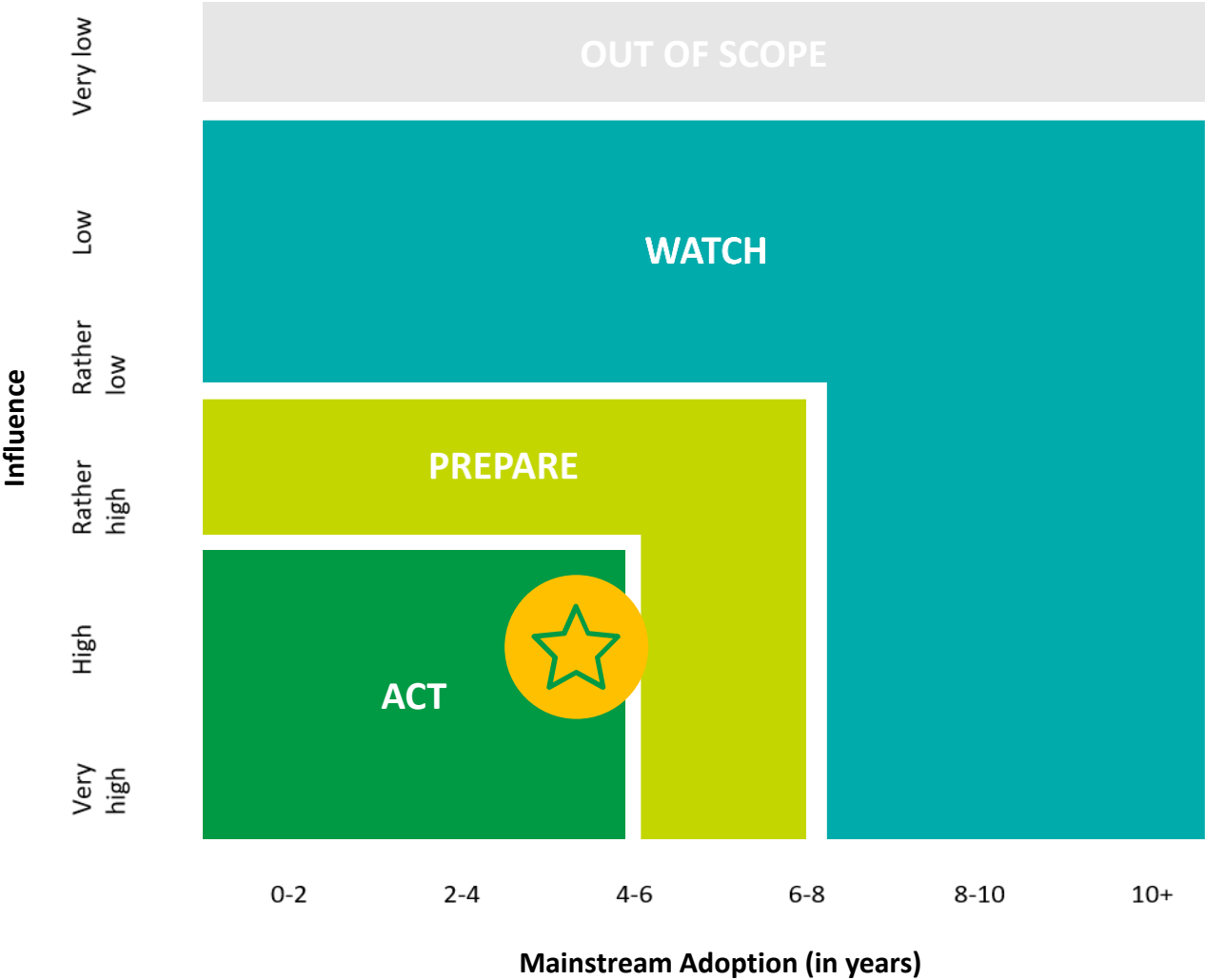
Trend Assessment

ACT!

Influence

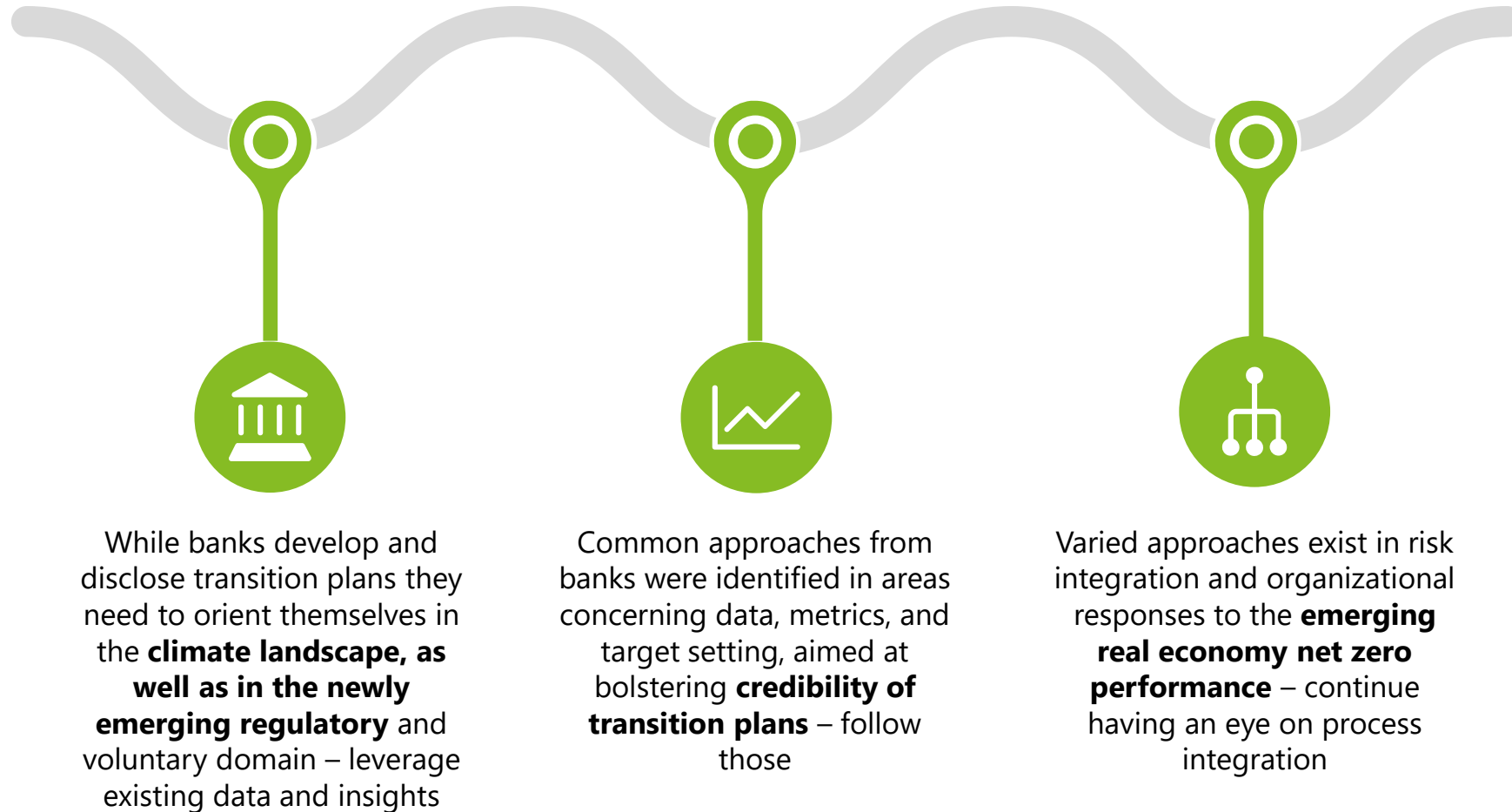


Time of Mainstream Adoption



Wrap Up

Our key takeaways for transition planning



Q&A

Upcoming Webcast

Episode 7: AI Overlay – Revolutionizing Financial Crime Prevention

Date: 28. November 2024, 2:00–2:45 pm

For further details, please go to our website: *Deloitte Banking Trend Radar Webcast*



Martin Hirtreiter

Partner

Financial Advisory

mhirtreiter@deloitte.de



Dr. Robert Schmuck

Director

Financial Advisory

rschmuck@deloitte.de

Thank you