This roadmap points the way to a profitable and sustainable financial sector in 2030. With an ambitious yet realistic vision, it sets out recommendations for the financial sector and the authorities to ensure a successful transition. The financial sector has a key role to play in Norway’s transition to a low-carbon economy. The roadmap shows how this can be done. This chapter presents our vision of the financial sector in 2030 and a summary of the roadmap.

Vision:

The financial sector of 2030 is profitable and sustainable. We invest, manage and insure with the climate in mind, so creating value and contributing to green competitiveness.

For the financial sector of 2030, this means:
- Transparency and access to data and information
- Decisions based on an understanding of climate risks and opportunities
- Increased rate of innovation and a green business sector

The Norway of 2030 will have:
- Delivered on the target of a 40% reduction in greenhouse gas emissions
- A well-functioning, value-creating economy with high employment
- Collaboration between authorities, financial sector, industry and civil society on measures and regulatory conditions that help us succeed in preventing and adapting to climate change

Norway faces challenges but also huge opportunities in the transition to a low-carbon economy.
Norway has set ambitious climate targets and targets to develop a green and profitable business sector. This means that the country will be well positioned not only to handle the new risks posed by climate change, but also to tap opportunities arising in both new and existing sectors. It is crucial here to see the
relationship between climate issues and other important challenges reflected in the UN’s Sustainable Development Goals, and to build on relevant processes in Europe and beyond.

The financial sector’s input is essential for Norway to succeed in the transition to a low-carbon economy. A well-functioning financial sector contributes to economic stability and security in society and is an important enabler and driver of change in other sectors. The Norwegian financial sector is well placed to take on this role, as illustrated by the way the sector came through the financial crisis relatively unscathed and has built up considerable expertise in sustainable investment.

The aim of this roadmap is to:

- **Inspire** the financial sector itself, the authorities, other stakeholders and society by presenting the potential of a profitable financial sector that contributes to the low-carbon transition
- **Inform** about the role of the financial sector both today and in the low-carbon transition
- **Serve as a platform for dialogue and collaboration** on climate issues in the financial sector, and a starting point for decision and policy making

The roadmap builds on five assumptions which need to be met for our vision to be realised:

- The authorities deliver on their climate commitments in the Paris Agreement and the Norwegian Climate Act
- Assessments of climate risk form a natural part of the financial sector’s fiduciary duty
- The financial sector and the authorities pull together as a team
- The financial sector must be “green” in 2030 for Norway to be low-carbon in 2050
- The transition must take place at a sensible and predictable tempo

The recommendations in this roadmap will together create a green and profitable financial sector. The roadmap presents seven general recommendations covering the whole financial sector (Chapter 3) and a number of industry-specific recommendations for (i) banking, (ii) nonlife insurance and (iii) investment, pensions and asset management (Chapter 4). No one of these recommendations on its own is capable of resolving the challenges that the financial sector faces in its transition. It is the combined effect of the recommendations, implemented by the sector, individual players and the authorities, which will enable our vision to be realised.
The recommendations are summarised below:

Establish a common taxonomy for sustainable finance
A common taxonomy will make it possible to understand the climate effects and exposures of different activities, businesses and products. It will then be easier for the financial sector to identify risks and opportunities, and so develop tools and products that contribute to the transition. One likely consequence of establishing a common taxonomy is that customers will have a better basis for comparing products and making choices. It will also be easier for the authorities to oversee the sector’s contributions to the transition.

Align climate reporting with the recommendations of the Financial Stability Board (TCFD)
The Task Force on Climate-related Financial Disclosures (TCFD) has issued sector-specific recommendations on how climate risk should be reported. The TCFD shows how companies can identify financially relevant topics. The proposed framework provides a good starting point for drawing up a reporting standard in the Norwegian financial sector that ensures transparent and consistent information, including on climate risks and opportunities.

Increase climate competence and capacity in the financial sector
To integrate climate risks and opportunities successfully into core processes, there is a need to increase the sector’s competence and understanding of materiality, as well as sufficient capacity for implementation. This change will be quicker and more effective if directors and executive management have a knowledge of the area. Climate competence must also be strengthened in higher education courses relevant to the financial sector.

Include climate risk in the FSA’s mandate
The Norwegian financial supervisory authority Finanstilsynet’s mission is to promote financial stability and well-functioning markets. Given the emergence of climate change as a threat to financial stability, it is appropriate for Finanstilsynet’s mandate to be expanded to include mapping and analysing the consequences and risks of climate change for the financial sector.
Focus and improve collaboration between the financial sector and the authorities

The financial sector’s transition is dependent on close collaboration with the authorities to adjust regulatory conditions and ensure good flows of information. When the authorities offer risk cover, the threshold is lowered for private capital to finance and invest in green projects and ventures. When nonlife insurers share data with the authorities, work on loss prevention and adaptation to climate change becomes more effective.

Use digitalisation skills to scale the market for climate-smart solutions

Digitalisation, the Internet of Things, machine learning and artificial intelligence are transforming consumer behaviour, the competitive landscape and business models. The financial sector should increase digital customisation and data processing to develop and market profitable and climate-smart products and services. In so doing, the sector will also encourage individual customers to choose these products and move their own behaviour in a more sustainable direction.

Contribute to innovation and change in other sectors

The financial sector has an influence on the rest of the business sector through the way it finances, lends, insures and invests. By building knowledge and understanding of climate risks and opportunities, players in the financial sector can play an important role in the transition to a low-carbon economy.

Besides these seven general recommendations, the roadmap provides recommendations for specific parts of the financial sector:

**Banking:**

**Measure carbon-related credit exposure**, in line with the recommendations from the TCFD. Measurement and reporting help increase transparency on carbon-related assets. This will be an important tool in understanding and reducing climate risk in the portfolio. It will also help banks identify sectors and projects that contribute to the transition, and new earnings opportunities.

**Make climate part of the credit process.** Both risks (such as high greenhouse gas emissions in production or end-use, fossil solutions and outdated technology) and opportunities (energy efficiency, renewable solutions and new business models such as the circular economy) should be considered and priced into the credit process. Including climate factors in credit assessments will provide incentives for borrowers to be greener, reduce banks’ climate exposure and increase exposure to green growth industries. It is
crucial that this is phased in gradually and in a predictable and constructive manner that ensures free competition between players.

**Include climate criteria in residential and commercial mortgages.** By introducing clear requirements, banks will be able to reduce the risk in their loan portfolios, promote a more climate-smart building stock and create jobs to achieve this. A first step might be to offer separate loan products with attractive terms, but in the longer term all loans should carry these requirements. The criteria should be developed in conjunction with the construction industry and Circular Norway, with reference to established standards such as BREEAM and the upcoming EU standard for energy-efficient mortgages, and inspired by the likes of ABN AMRO’s guidelines for commercial mortgages.

**Make the bond market “greener”,** both by including climate factors in prospectuses and issuances of ordinary bonds, and by increasing issuances of green bonds. Norwegian companies have issuances in the ordinary bond market that qualify, but are not necessarily classified, as “green”. Setting climate criteria in the credit process will pave the way for an increase in banks’ own issuances of green bonds, for example to fund green loans. In this way, banks can contribute to increased volumes and liquidity in the market for green bonds.

**Nonlife insurance:**

**Exchange claims and climate data with local and other authorities.** A framework that standardises and simplifies the exchange of data will be valuable not only for the industry but also for local and other authorities. This will contribute to better planning and more robust local environments.

**Step up loss prevention efforts.** The industry has played a key role in fire and road safety. Similar preventive work on climate-related social changes could prevent or reduce payouts in the longer term.

**Draw up climate criteria for rebuilds after natural disasters.** The industry’s knowledge of high-risk areas is important. When combined with the construction sector’s knowledge of climate-smart materials and solutions, this could lead to homes being rebuilt in such a way that the risk of future damage is reduced, energy and maintenance costs lower, and the housing stock greener.
Develop products that stimulate climate-smart behaviour, a sharing economy and circular solutions. A combination of new consumer behaviours and new technology is opening up market opportunities for insurance products that promote change. Examples are motor insurance policies that reward climate-friendly driving, lower premiums for electric cars, home insurance policies that incentivise energy savings, and insurance solutions that also cover car-sharing schemes.

**Investment, pensions and asset management:**

**Measure greenhouse gas emissions from the portfolio and set reduction targets.** This will mean using available data to gain an overview of emissions from companies in the portfolio and measuring them against relevant parameters, such as the companies’ market value or revenue and/or the portfolio’s percentage holdings in them. Reductions can be achieved by strengthening active ownership, investing less in emissions-intensive businesses, and investing more in forward-looking industries. Setting targets will also result in greater demand for climate data, so increasing data accessibility and quality.

**Integrate climate risk into mandates, strategies, analyses and investment decisions.** For climate risk assessments to impact positively on both returns and the transition, it is crucial that they are integrated throughout the “value chain”. Investment mandates from asset owners and the associated strategies should include explicit requirements for climate risk assessments (which will therefore also influence the choice of manager). Managers in turn will need to have a knowledge of how different sectors, markets and companies are affected by climate factors – both risks and business opportunities – and use this knowledge in analyses and investment decisions.

**Set targets for the allocation of capital to forward-looking companies and industries.** Concrete targets will encourage positive changes in industry and help ensure that managers actively seek out new investment opportunities. The skills built up will also be relevant to the rest of the investment portfolio.

**Stress-test the portfolio against zero emissions in 2050 and reduce climate exposure.** The financial sector supports Norway’s climate ambitions and the Paris goals. It is therefore important to ensure that we build portfolios that reflect this, and that we adjust these portfolios over time. Stress testing – in the form of analysing how robust the portfolio is in a scenario with zero emissions in 2050 – will provide a sound basis for long-term management and reduction of climate exposure in the portfolios.
For our vision to be realised, the recommendations in the roadmap must actually be adopted and implemented. This means that every single player in the financial sector needs to use the roadmap to contribute to the transition through to 2030, based on its own skills and strategy. This includes concrete action plans, practical measures and reporting on progress. The authorities need to adjust the regulatory framework so that it promotes the transition in the financial sector. Finance Norway needs to unite the Norwegian financial sector behind the roadmap’s ambitions, which includes initiating collaboration within the sector, with the authorities and with other stakeholders, engaging in dialogue with the EU, and monitoring progress towards the roadmap’s vision.