ECONOMIST IMPACT

Banking in 2035: climate action paradigm shift

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Scenario 2

Economist Impact, sponsored by SAS, conducted a foresight research programme under which we developed three scenarios in 2035. These revolve around digitalisation (scenario 1), climate action (scenario 2) and geopolitical fragmentation (scenario 3). These possible futures illuminate how banks can evolve their mission and business models to deliver value to customers, shareholders, communities and the natural environment. The second of these scenarios is presented here.

The 2035 scenario

The world is on track to limit global warming to 1.5°C by the end of the century, preventing the most catastrophic effects of climate change.

Decarbonisation is taking hold in infrastructure, transport and energy—major urban areas around the world have been redesigned to become energy efficient and climate resilient.

Public transport options, including electric buses and subways, are widely accessible, and half the vehicles on the road are now electric or hybrid.

Business travel has sharply declined as colleagues are now closely connected across borders, while consumers consciously avoid air travel to reduce their carbon footprint.

50%

According to the IEA, if global energy-related CO2 emissions are to reach net zero by 2050, fossil fuel use must drop 50% by 2035 from 2020 levels.[1]

Key factors driving the path to 2035

ESG

Environmental, social and governance (ESG): consumer and investor pressure pushed businesses to integrate ESG issues into their core strategy.

Rules, policy and regulations: governments introduced a carbon tax and mandated climate-related disclosures.

Technological advances: strengthened public-private partnerships accelerated breakthroughs in climate technologies.

Capitalism for the climate

Challenges

- **Changes in organisational culture** is needed to integrate ESG into banks' strategies.
- **A trade-off** exists between short-term profit imperatives and long-term value creation from ESG integration.

Opportunities

- **Climate risk management** is facilitated by the wider availability of ESG data.
- **Financing the green transition** promotes the development and commercialisation of climate technologies.

Conclusion

While it is entirely possible that there could be variations on this scenario by 2035, it sheds light on the ways that banks can evolve their mission to contribute to a sustainable future for both people and the planet.

Read the **Banking in 2035: three possible futures** briefing paper to find out more

[1] Source: IEA, "Net zero by 2050", May 2021, https://www.iea.org/reports/net-zero-by-2050