VISA

Opportunities for European banks in the green transition

How banks can help both their retail and commercial clients – mobilising capital and de-risking portfolios to strengthen relationships

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Considering the implications of climate change for today's retail banks

> The transition to a carbon-neutral economy provides opportunities, not just risks. By shifting the horizon away from the short term and contributing to a more sustainable economic trajectory, the financial sector can become a powerful force acting in our collective best interest.[1]

Christine Lagarde
President of the European Central Bank

Climate change is set to be the defining societal challenge of our times – with far reaching implications for our economy, the businesses that operate within it, and the way that we, as consumers, lead our everyday lives.

Clearly, it's a vast topic, with far-reaching implications for the financial sector. **In this paper we focus on how retail banks can help their consumer and business customers to navigate their net-zero journeys, and address the three most carbon-intensive sectors – namely buildings, energy and mobility.**

Already, the effects of climate change are becoming painfully and expensively apparent. The European Environment Agency estimates that, between 1980 and 2023, economic losses from weather- and climate-related extremes across the EU Member States approached US$800bn – with 22% of the total incurred between 2021 and 2023 alone.[2]

Of course, this could be just the start. The more the climate warms, the more challenging it becomes for the wider economy to function. Indeed, estimates suggest that for every 1°C temperature rise, the climate crisis will cost 12% of global gross domestic product (GDP).[3]

Estimating the economic impact of climate change:

↑**+1C °** =
↓**- 12%** global GDP

Impact of temperature increase on the economy.[4]

US$5-11tn
by 2030

Market opportunity in global decarbonisation.[5]

Up to **US$3.1tn**
annually by 2050

Cost to the economy due to climate change.[6]

On the flip side, there are definite opportunities available to businesses that mobilise capital and develop innovative solutions to help reduce greenhouse gas emissions or address the impacts of climate change. For example, the World Economic Forum reckons that the total incremental enterprise value of the climate solutions supply chain will reach between $5 trillion and $11 trillion by 2030.[7] It also anticipates that the green economy has the potential to grow at an estimated 7-11% each year and expand from roughly 8% of today's global listed market capitalisation to approximately 12-17% by 2030 – with key sectors such as mobility, housing, energy efficiency and clean energy all looking at multi-trillion potential in incremental value.[8]

Incremental global business opportunities in several key sectors[9]:

US$2.02tn
in mobility systems
Incremental opportunity by 2030

US$1.20tn
in clean energy
Incremental opportunity by 2030

US$1.34tn
in energy efficiency
Incremental opportunity by 2030

US$1.20tn
in affordable housing
Incremental opportunity by 2030

In Europe, a key influence is the regulatory backdrop. All EU Member States are legally bound to reduce their greenhouse gas emissions by 55% (versus 1990 levels) by 2030[6] and become carbon neutral by 2050. In the European Green Deal, the European Commission has set out an array of legislative proposals, action plans, and strategies encompassing 50+ major initiatives across 10+ sectors, with the pathway for the EU to become the first carbon neutral continent.[10] And, in the Clean Industrial Deal, finalised in early-2025, a path is set to speed up access to affordable green energy and mobilise over €100 billion in funding to support EU-made clean manufacturing.[11]

The EU has publicly recognised the significant challenges it faces in staying globally competitive. To address this, it is focusing on reducing the administrative burden on companies through measures which, for example, affect the need to report their sustainability performance. Simultaneously, the EU continues its strong commitment to accelerating sustainability. As one leading law firm puts it, "none of this changes the reality of escalating physical, transition and litigation risks, which, on the current trajectory, could destroy 50% of GDP as early as 2070."[12]

In short, big structural shifts are coming to Europe's economy. Many business leaders see the opportunities of change as well as the risks of inaction. Companies of all sizes are therefore factoring sustainability into their strategies and operations. And, given their role as economic enablers, Europe's banks have a critical role to play.

In this paper we investigate the implications for banks – including the direct implications for the way they run their own business, and the **opportunities to deliver new products and services to consumers and businesses.**

Integrating sustainability into the banking business model

Europe's banks can create business opportunities while meeting "must-have" sustainability requirements. The regulatory backdrop outlined above has many direct implications for the way banks run their business.

Three direct implications for Europe's banks[13]:

Capital requirements

Sustainability considerations are set to be factored into lending decisions, with higher capital requirements for banks when financing less sustainable business models.

Governance requirements

Obligations to set sustainability targets and develop a publicly accessible transition plan to align business model and strategies with the EU's 2050 carbon-neutral target.

Disclosure requirements

Disclosure of how much of the balance sheet is exposed to environmental risks, plus reporting on sustainability performance, credit quality of carbon-intensive sectors.

There are also indirect implications, namely the changing needs and circumstances of consumers and businesses, their respective journeys to net zero, and type of products and services they expect to receive. This means there are new ways for banks to strengthen relationships and help consumers and businesses alike with their respective journeys to net zero – which will likely entail a range of investment and spending decisions.

Two indirect implications for banks[14]:

Support **consumers** on their net zero journeys

Because of government policy, consumers may be encouraged to invest in climate-friendly living – especially the energy efficiency of their homes, the heating and cooling systems they use, and the way they travel.

For example, they may be incentivised to replace their fossil fuel heating systems with a climate-friendly alternative and/or upgrade from a petrol-powered car to an electric vehicle (EV).

Often, banks may be expected to operationalise the related incentive programmes, and consumers are also likely to be looking for additional financing.

Support **businesses** on their net zero journeys

Because of government policy, many companies will be obliged to change the way they operate, including the need to set and report on sustainability targets. Especially mid-sized companies struggle to implement reporting – an opportunity for banks to support them on their net zero transition journey.

Similarly, to meet consumer and regulatory expectations, many businesses will be looking to reduce the carbon intensity of their products and services, and improve the sustainability of their operations.

To raise the necessary capital, companies may look to take loans, source new leasing products, or issue bonds, all of which banks could facilitate.

Against this backdrop, there is a role for banks to support both consumers and corporate clients in financing and enabling the green transition. The scale of the market is already considerable and rapidly growing. For example, in less than five years, the global market for sustainable finance has almost doubled, up from US$889bn in 2020 to reach US$1.65tn in 2024.[15] In addition to the product potential, there is scope for banks to go further, adopting the role of facilitator and or enabler.

Three potential roles for banks:

Develop innovative products and services

- Help customers understand their carbon footprint
- Service different customer 'cohorts' with tailored products and services
- Simplify decisions around sustainable practices
- Reduce the cost or reward more sustainable alternatives

Coordinate the green ecosystem

- Connect SMBs, corporate clients and/or consumers with service providers
- Help customers access government incentives
- Become a "one-stop shop" for financing and implementation

Improve the enabling environment

- Engage regulators and investors in transition journeys
- Facilitate and/or participate in industry coalitions
- Advocate for better industry standards, data, and policies

By embracing the green transition in this way, banks may be able to do more than capture a competitive advantage. Banks may also be able to create a virtuous cycle, which enhances their product and service offering, brings tangible benefits to their customers, improves the quality of their portfolio, and enhances their reputation.

Creating a virtuous circle of benefits:

1. Banks segment customers, identify sustainability-minded customers, and develop and expand their offering of sustainability-related products and services

2. Clients use these offerings to improve, transition and become more climate-resilient

3. In turn, financed emissions decrease, risk goes down, and the banks' portfolio quality improves, thus freeing up some risk capital

4. Bank reputation and ratings improve, which can reduce cost of borrowing and attract more clients, allowing banks to further grow their green offerings

Helping **consumers** on their journey to net zero

As we discussed in our previous paper, The rise of the sustainable consumers, a large proportion of European consumers care deeply about sustainability and want to live more sustainably. But they are not always sure how to make a difference, or what changes they could make in their day-to-day lives – and herein lies one of the big opportunities for banks.

Three meaningful decisions a consumer can make about sustainability relate to the homes they live in, the type of energy they use in those homes, and the way they decide to travel. In each of these three areas, government policies are increasingly steering them towards more climate-friendly alternatives. But still, there can be uncertainty about which of these alternatives are most appropriate, and how best to finance them. This, in turn, brings potential for banks to offer advisory services and bespoke financing solutions.

Potential for banks to offer sustainable advisory services and financing solutions to **consumers:**

SECTOR FOCUS	POTENTIAL GREEN BANKING PRODUCTS & SERVICES FOR CUSTOMERS		
Energy Policies should help private households to use more renewable energy	Advising on technology adoption and upgrades	Providing renewable energy financing and leasing products	
Homes Policies promote investments in climate friendly heating systems and energy efficiency	Offering a one-stop shop advisory on green homes	Providing green mortgages	Providing green retrofit loans
Mobility Policies create incentives for consumers to switch to electric vehicles (EVs)	Providing EV and charging financing	Advising consumers on EV purchasing decisions	

For housing, for example, banks could provide a "one-stop-shop" to support consumers considering retrofitting their homes.

Case study: **Santander** helps UK consumers with home improvements

For UK customers who want to improve the energy efficiency of their homes, Santander offers end-to-end support. Via the Greener Homes Hub on the Santander website, they can get information on energy efficiency, find solutions for their own home, and apply for financial support, such as mortgage add-ons and home-improvement loans. If the work to their home is done by one of Santander's industry partners, customers can also claim cashback of up to GBP1,000.[16]

Mortgage add-on loans[17]
GBP1,000+ | +5 years tenure
-85% of property value

Home improvement loans[18]
GBP1,000 – GBP25,000 | 1-5 years tenure
Rates from 6.2% APR

But, of course, to deliver viable and credible products, it's vital for banks to understand how much consumers are willing to pay. It's necessary to know what type of features will be most valued by them. And it's useful to get a sense of whether, in the minds of their customers, banks even have permission to play in this space.

Visa has been commissioning in-depth consumer research into the subject for several years. In a 2022 pan-European survey, for example, Visa found that most people don't really know what type of sustainability features to expect from their bank (if pressed, paperless billing was the most mentioned possibility). However, when they consider the subject in more depth, people quickly see potential intersections between finance and sustainability, and begin to demonstrate real enthusiasm. For example, 42% of consumers say they would use a payment card more often if they were rewarded for sustainable behaviour, rising to 46% in the UK and 54% in Greece.[19]

This appetite for higher fees also applies to sustainable banking products, with more than two-fifths (41%) of sustainability-minded respondents willing to pay more.[20] **The good news is that, if they were told more about sustainable banking features and services, and the fees were modest (a maximum of EUR10), the proportion grew above a half (51%).** This highlights the importance of banks to educate their consumers on what sustainable banking features can even look like. It's an opportunity for banks to delight their customers by offering what they need but never expected from their bank.

Interestingly, the willingness to pay increased for surveyed 16–29-year-olds to 57% and, for surveyed customers of neobanks, it reached 68%.[21] Visa found that more affluent Gen Z customers are especially interested in sustainability offerings. They therefore represent a compelling customer segment for banks to target with new offerings and thereby deepen customer stickiness.

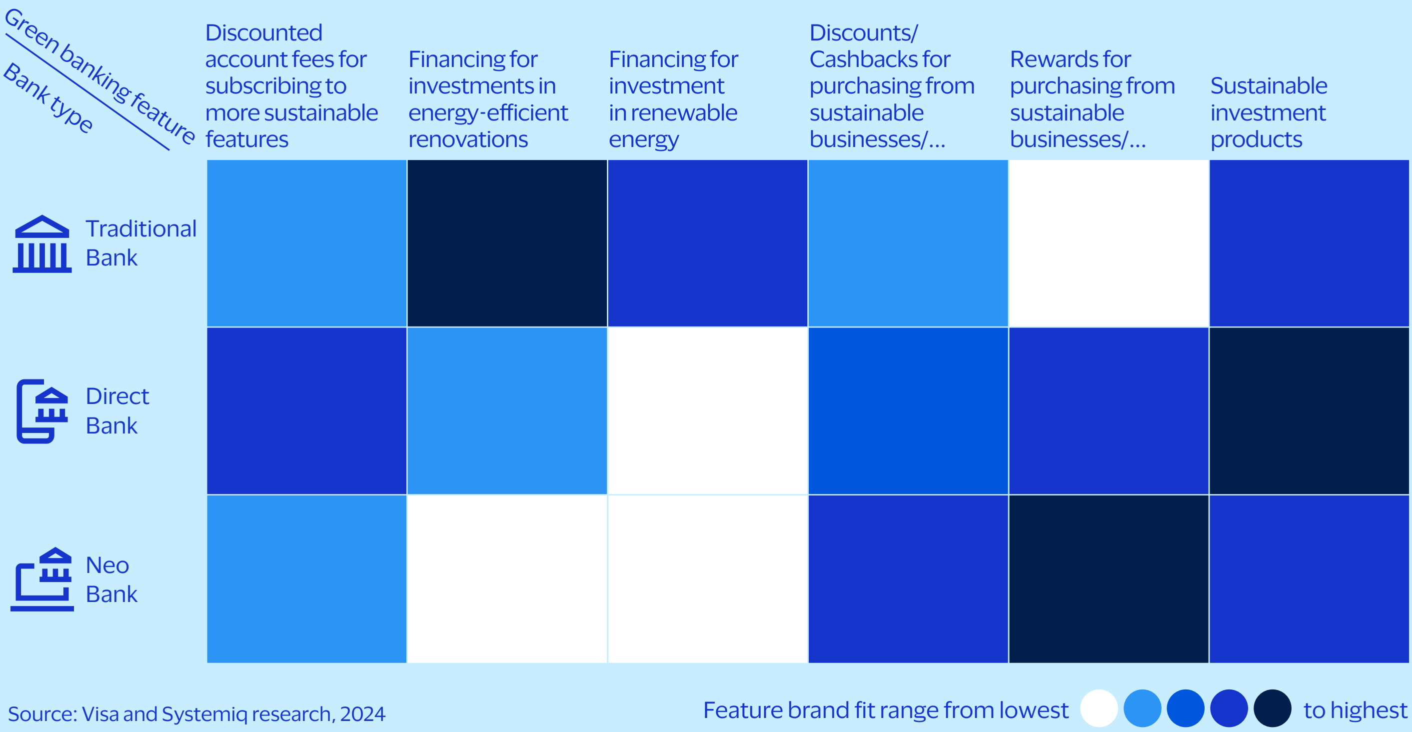
57%

of 16-29-year-olds would be willing to pay higher banking fees for sustainable banking features.[21]

68%

of 16-29-year-olds neobanks customers would be willing to pay higher banking fees for sustainable banking features.[21]

Consumers associate different sustainability features with different types of banks:



Source: Visa and Systemiq research, 2024

We asked sustainability-minded consumers the likelihood of them changing their bank to get access to better sustainability features. The heatmap above shows the six features they were most interested in, and the type of bank these features were most closely associated with.

So, our research and analysis suggests the picture is complex and nuanced. Yes, consumers have high expectations of their banks. Yes, they are interested in sustainable banking propositions, and many of them are willing to pay a premium. But they may need to be prompted and educated. Also, their willingness to pay will vary significantly by segment. And the products and features consumers expect from banks – and are most excited about – depends in part on the type of bank it is.

Banks can leverage a deeper customer understanding – both through research and by analysing their customer segments via data-driven insights – to build the right propositions for their customers.

Helping **businesses** on their journey to net zero

As the green transition gathers pace, the services a bank provides to its business customers will become inextricably linked with sustainability considerations. That is partly because sustainability will become a factor in almost all lending, financing and investment decisions. It is also because so many companies will be investing in climate-friendly products and services. Financial institutions are particularly well positioned to help business companies in planning, financing, and measuring their progress towards net zero.

As in the consumer banking realm, much of the opportunity is clustered around buildings, energy use and mobility. Across each of these areas, the European regulatory backdrop is spurring businesses to make new choices and decisions, and there is scope for banks to offer both advisory services and financing solutions.

Potential for banks to offer sustainable advisory services and financing solutions to **businesses**

SECTOR FOCUS	POTENTIAL GREEN BANKING PRODUCTS & SERVICES FOR CUSTOMERS		
Energy Increase in the production, distribution, and use of renewable energies	Providing renewable energy financing and leasing products	Engage with clients on target-setting & providing sustain ability-linked financing	Provide large-scale project finance for clean energy projects
	Advisory for energy transformation projects	Make use of government risk absorption to finance innovative concepts	Advocate for 'gold standard' for climate transition plans
Buildings Policies require energy efficiency measures and additional disclosures for commercial properties	Help companies understand and measure embodied carbon	Advocate for a national database of energy efficiency data	
	Provide loans that incentivise low-carbon developments	Incorporating environmental considerations in lending practices	
Mobility Companies are encouraged to electrify their vehicle fleets	Facilitate and finance EV leasing arrangements	Financing charging infrastructure	

Our international research programmes confirm that sustainability considerations are certainly on the agenda of most business leaders. In a 2022 Visa study, 65% of businesses said environmental sustainability is important for strategic decision making.[22] Yet a range of challenges prevented them from making meaningful progress towards net zero, including a lack of know-how, difficulties around setting and measuring sustainability indicators, cashflow pressures, and the need to balance growth, profitability and sustainability. Consequently, just 35% of businesses said they had managed to achieve any sustainability goals or milestones.[23]

To dig deeper, we commissioned a programme of follow-on research to get a sense of on-the-ground needs, priorities and experiences. This demonstrated that companies are typically taking one of three approaches towards sustainability – a compliance-driven, a reporting-driven, or a market-driven approach.

Typically, businesses are taking one of three approaches to sustainability considerations[24]:

Compliance-driven
"wait and watch"

- Predominantly a wait-and-see attitude, with a focus on risk minimisation, and avoiding penalties
- Sustainability responsibility often assigned to risk, legal or compliance department

Reporting-driven
"CSRD is the driving force"

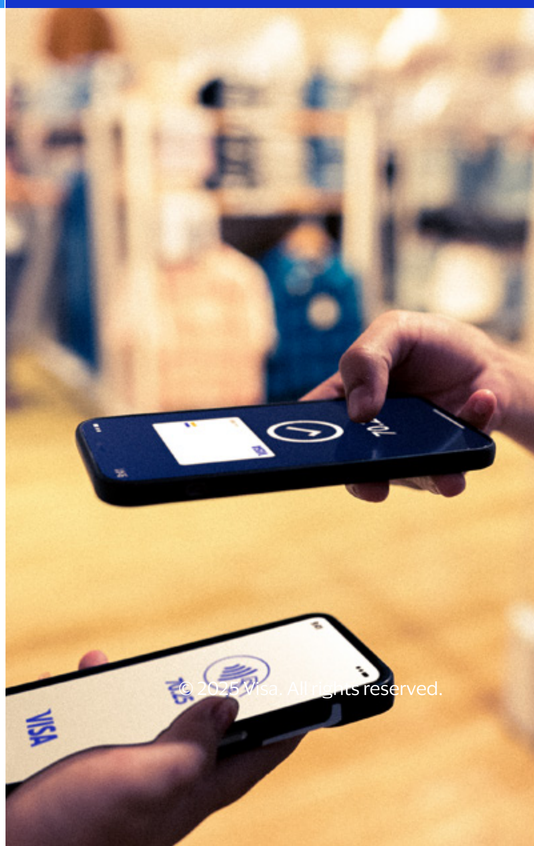
- Using the Corporate Sustainability Reporting Directive (CSRD)[25] as an opportunity to get serious about sustainability and establish the baseline position
- Putting a focus on measuring, but often crippled by a lack of sustainability know-how

Market-driven
"It's a business opportunity"

- Seeing sustainability as a value driver – for new product/service constructs and/or reputational advantage
- Looking for guidance on sustainability-based growth and innovation strategies

Irrespective of which of these three a company is taking, it will typically be looking for guidance. In-house expertise will be in short supply. And, other than one of the large consulting firms, it won't often know where to turn for help or advice – especially on the financial aspects of sustainability.[26]

This spells an opportunity for banks. In our research, businesses admitted that they wouldn't normally think of their bank as a source of sustainability-related support.[27] Given the scarcity of sustainability know-how across the business community, there is an opportunity for banks to increase their engagement with their business customers by filling this void – especially if a bank could demonstrate its industry knowledge or show how its financial expertise could make a tangible contribution to sustainability-related challenges and opportunities.



One example could be to develop a range of carbon-friendly banking and financing solutions – such as payment products that enable the tracking of scope 3 emissions, loans that incentivise low-carbon developments, specialised leasing schemes for EV fleets and financing for the related charging infrastructure, and bespoke financing and leasing products related to renewable energy.

Another opportunity could be to help a companies to enhance their credit rating and/or investment case – showcasing the stock market impact of a positive sustainability-rating, advising on sustainability-compliant investment plans, providing guidance on how to invest capital in an sustainability-compliant manner, and advising on the likely impact of evolving sustainability-related credit requirements and expectations. Banks can also help business customers by offering carbon accounting solutions or advisory services on key regulations such as the CSRD, and in a second step, help them with their financing needs for their green transition. What can this look like in action?

At the same time, there could be potential to help carbon-intensive companies to adapt to changing carbon regulations, such as the EU Emissions Trading Scheme (ETS) and the Cross Border Adjustment Mechanism (CBAM). Under the terms of the CBAM, an emissions subsidy valued at some EUR20bn a year, is set to be phased out, which will have profound implications for players in the sector – including any companies involved with iron, steel, aluminium, cement, fertiliser, electricity and hydrogen.[28]

In short, there is huge potential for banks to advise and empower their business customers, steering them beyond a compliance-driven "wait and watch" approach, and enabling them to pursue market-driven opportunities. Also, there are many sustainability-related pain points for companies of all sizes to navigate which banks can help them with, an imminent example being their CSRD reporting. To learn more, we outlined some of the related opportunities for banks in our recent paper Supporting the transition to net zero for business in Europe.

Case study: **Nordea** helps business customers with their CSRD materiality assessments

Nordea aims to make a positive contribution to society by engaging and working with customers on their transition plans.[29] Beyond advising on and financing sustainable activities, Nordea's Sustainable Finance Advisory Team has started providing external reviews on business customers CSRD-compliant financial materiality assessments.[30]

Case study: **NatWest** empowers business customers to take the first steps on their decarbonisation plans

The NatWest Carbon Planner is a free online tool – accessible from the bank's Carbon Hub webpages – that enables UK businesses to estimate and benchmark their carbon footprint and set plans for reductions. Based on company size, balance sheet, industry sector, and estimated carbon footprint, the Planner generates tailored recommendations for the company's decarbonisation action plans and provides information on relevant financial products.[31]

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How Visa can help

Visa Sustainability Solutions and **Visa Consulting & Analytics** can provide direct access to a range of sustainability-focused advisory, data science, and product solutions.

With our deep payment expertise and unparalleled transaction data, combined with our in-house sustainability expertise and knowledge of your business dynamics, we are ideally placed to help you deliver the sustainability solutions your customers are looking for – and capture the related growth opportunity.

Our advisory services span:

- **Market analysis and discovery** – we can offer deep insights into your sustainability-related opportunities, investigate the linkages with your wider aspirations and business strategy, and enable you to achieve alignment between them. We then plot your current and target position on the sustainability maturity curve and help you prioritise initiatives that can bridge the gap.
- **Actionable data insights** – including segmentation and persona development of eco-conscious customers, carbon scoring for estimated consumer and merchant footprints, as well as prediction of sustainable spend using proprietary data models.
- **Value proposition/product design** – design and develop the proposition/product, validating consumer attitudes, and developing the go-to-market plan.
- **Product implementation and launch** – act as your guide and implementation team, from detailed design to product launch and performance management.

To get started, reach out directly to your Visa Account Executive or send an email to **vca@visa.com**

Learn more about the team, resources, and our data-backed insights on **Visa.com/VCA**, and follow the team on **LinkedIn**.

We also offer products and solutions such as:

- A climate impact and engagement toolbox for mobile banking apps, and setting up data-driven rewards/loyalty for green spending
- Commercial client carbon accounting services that help business customers on their net-zero journey.

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23. Visa global sustainability research and analysis: qualitative and quantitative research phases, conducted across 18 countries in 2022
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