



Standardizing GHG emissions data financed by loans and investment

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Financial institutions are becoming increasingly aware of their responsibility to finance the decarbonization of the global economy...

The Paris Agreement stresses the vital role of the financial industry



Article 2 of Paris Agreement
Para 1

(a) Holding the increase in the global average temperature to well below 2 °C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5 °C above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change;

c) Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.

The financial industry faces mounting pressure from regulators

Bank of England boss says global finance is funding 4C temperature rise

Mark Carney says capital markets are financing projects likely to fuel a catastrophic rise in global heating

REPORTING CLIMAT : LES GRANDS INVESTISSEURS FRANÇAIS SE MOBILISENT

Will France's corporate climate reporting model go global? Global Climate Regulation Looms on the Horizon. Are Banks and Insurers Ready?

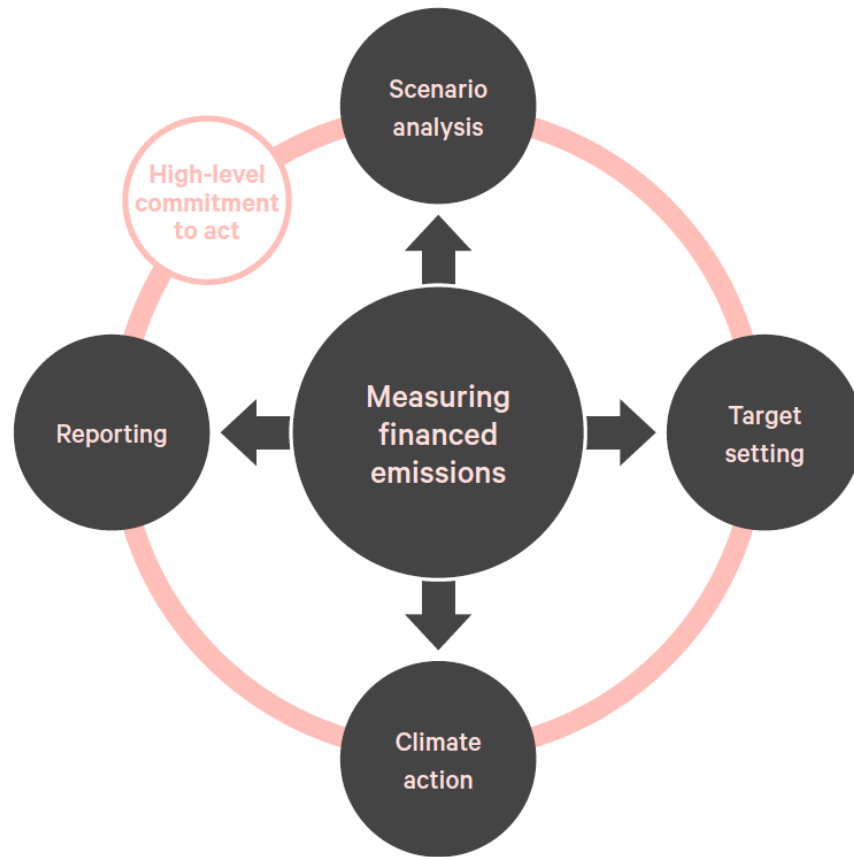
Customers demand transparency on financial flows



Photo source: The Guardian

...Measuring financed emissions in a harmonized and transparent way helps the financial industry assess its actual contribution to decarbonization

Measuring financed emissions is the first step for FIs to perform scenario analysis, set targets, inform actions and disclose progress



Measuring exposure to risks posed by climate-related policies and regulations



Identifying the baseline emission intensity and measuring progress against the set target.



Understanding portfolios' climate impact to enable informed climate action



Disclosing financed emissions and tracking progress

However a harmonized and transparent approach to measure financed emissions is not yet available

Not all FIs measure and report financed emissions...



... Those which do, use various methods and metrics that are not harmonized...



... Leading to inconsistent assessments of industry's financed emissions

*"Since no carbon footprint standards have been set, each UN PRI signatory has defined its own indicators. In more than 90% of cases, they define a measurement unit, and about 70% compare their footprint with a benchmark [...] Consequently, the interpretation of the portfolio's carbon footprint will differ according to the measurement unit chosen"**

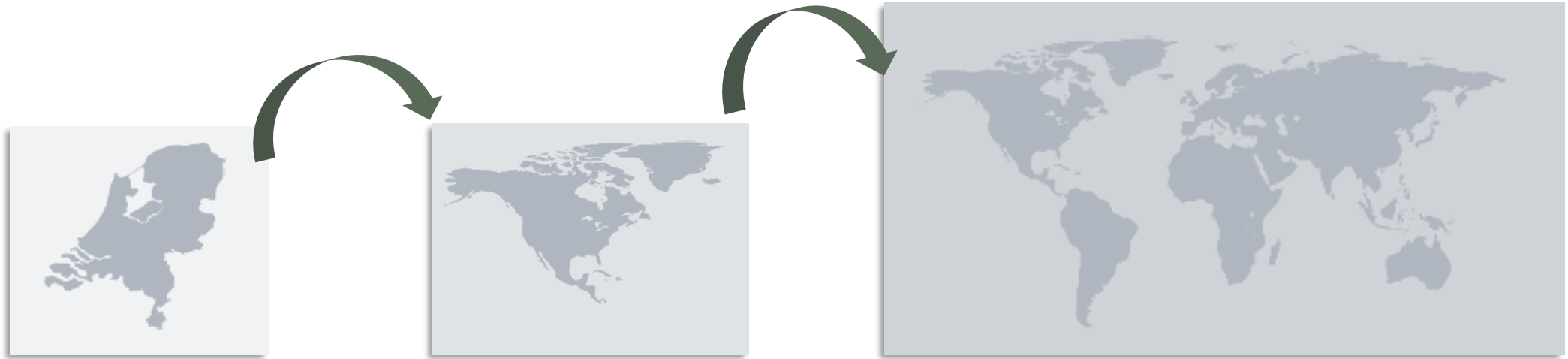
Financial institution	Portfolio carbon footprint**	
	Metrics	Methodologies
Swedfund International AB	tCO2e	GHG Protocol
Robeco	tCO2e, tCO2e/enterprise value	GHG Protocol and PCAF
Desjardins Global Assets Management	tCO2e/\$M sales	Weighted average carbon intensity
Allianz Global Investors	tCO2e/mn EUR sales (weighted)	MSCI
Allianz SE	tCO2e / \$M invested	According to data provider
Itaú Asset Management	tCO2e vs. benchmark tCO2e	N/A
Banks in general***	tCO2e, tCO2/\$M invested, tCO2e vs. benchmark tCO2e	GHG Protocol, according to data provider, PCAF

*Source: UN PRI Montreal Pledge (2016). [Accelerating investors climate disclosure](#)

**Source: [Transparency reports from PRI signatories in 2019](#).

*** From PCAF engagements with Banks

...Therefore a group of financial institutions initiated a partnership to harmonize the way the industry measures financed emissions



2015: Netherlands

- **18** FIs committed (banks, pension funds, asset managers, insurance companies, etc.)
- Led by ASN Bank
- Transparent, low cost methods for 8 asset classes

2018: North America

- **11** FIs committed (banks, credit unions, DFIs)
- Led by Amalgamated Bank
- Transparent, low cost methods for 6 asset classes

2019: Global

- **60** FIs committed
- Led by ABN AMRO, Amalgamated Bank, ASN Bank, Global Alliance for Banking on Values and Triodos Bank
- Global methodology development will begin next year

2022: Global

- Our goal is to have at least 250 FIs participating by 2022

As of June 2020, over 60 financial institutions are part of the Partnership for Carbon Accounting Financials



Check the full list of PCAF participants [here](#)

Objectives of PCAF

1

Develop the Global Carbon Accounting Standard for the financial industry

2

Increase the number of financial institutions that use the Standard and disclose emissions to over 250 institutions worldwide

The PCAF Global Core Team is building on the GHG Protocol and the PCAF Dutch's and North American's work

It builds upon the GHG Protocol and the last five years of work done by PCAF in the Netherlands and North America



The Global Core Team has selected six asset classes for the 1st version of the global standard

Mortgages

Commercial real estate

Business loans (Corporate / SME loans)

Project finance

Listed corporate finance

Motor vehicles loans

More asset classes can be added when the financial industry demands it

Emissions are attributed to financial institutions based on robust and consistent accounting rules

Carbon accounting for financial institutions is the annual accounting and disclosure of the GHG emissions of loans and investment, for both positive and negative impact

$$\text{GHG Emissions}_{\text{Bank}} = \text{GHG Emissions}_{\text{Investee}} \times \frac{\text{Outstanding amount}_{\text{Bank}}}{\text{Equity + Debt}_{\text{Investee}}}$$

Investee can be:

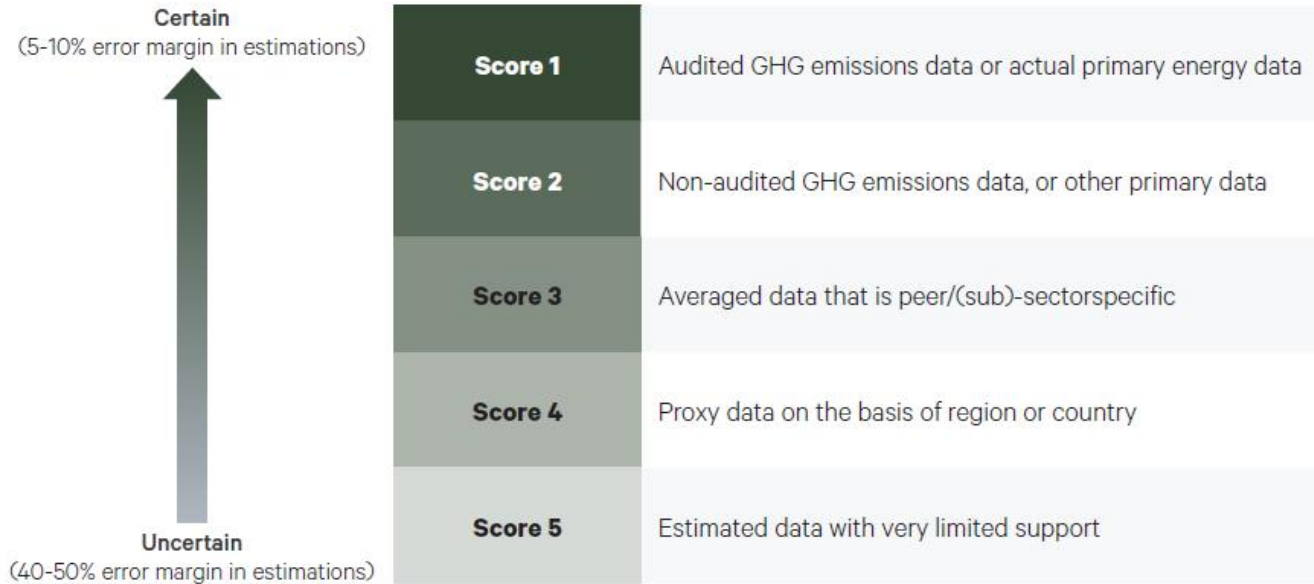
- Company
- Property
- Nature/forest
- Project



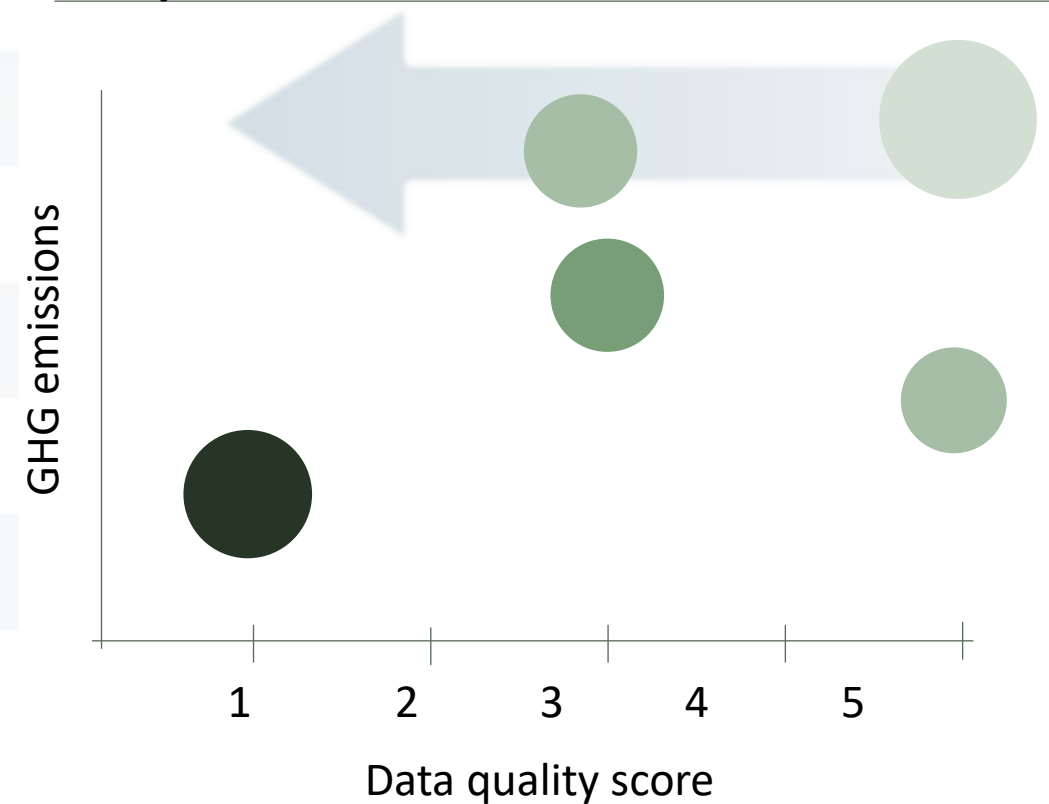
Attribution factor

PCAF proposed to score data quality to measure accuracy and progress

Data quality scoring from 1 to 5....

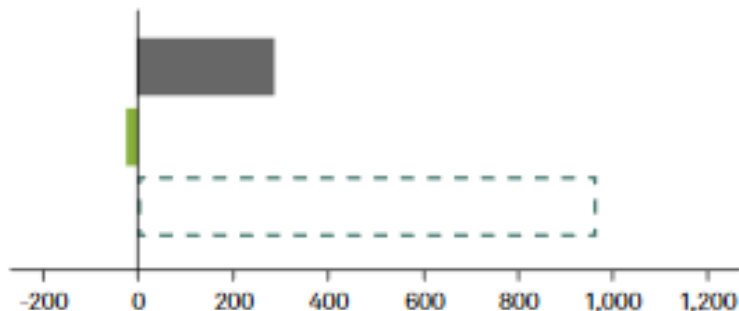


...enables a bank to develop a strategy to improve data over time

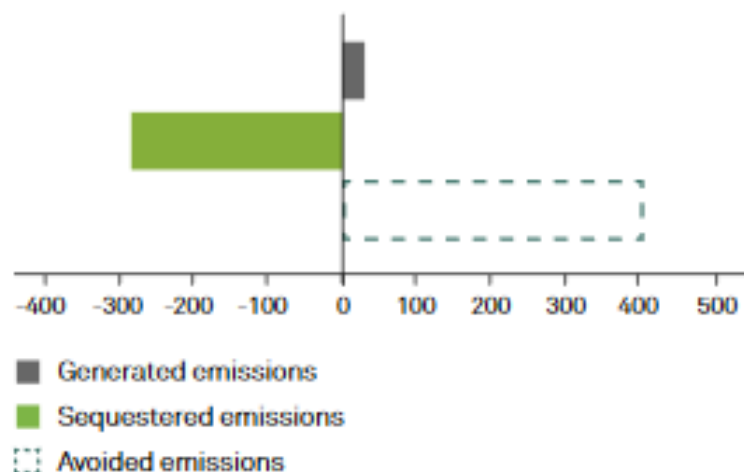


Example of annual reporting by Triodos Bank

Climate impact of our loans & investments
in ktonne CO₂ eq. 2019



Climate impact in emission intensity 2019
in ktonne CO₂ eq./billion EUR financed



2019 – Climate impact of our loans and funds' investments

Impact sector	Total outstanding loans & funds investments covered (in 1,000 EUR)	Attributed emissions (in ktonne CO ₂ eq.)	Emission intensity (in ktonne CO ₂ eq./billion EUR)	Data quality score high quality = 1 low quality = 5
Generated emissions				
Environment:				
Organic farming	327,548	15	46	2.9
Sustainable property	1,046,640	34	32	3.1
Residential mortgages	2,192,019	35	16	2.3
Environmental – other	239,128	10	42	5.0
Social:				
Care for the elderly	652,871	24	37	3.8
Healthcare – other	419,541	16	38	5.0
Social housing	535,901	22	41	4.0
Inclusive finance & development	838,140	9	11	5.0
Social other & municipalities	677,377	15	22	5.0
Culture:				
Arts and culture	458,911	33	72	4.7
Education	287,909	7	24	4.2
Culture – other	255,683	16	63	5.0
IEB funds	1,883,105	53	28	2.3
	9,814,773	289	29	3.4
Sequestered emissions				
Nature development & Forestry	84,769	-24	-283	2.9
Net emissions	9,899,542	265	27	3.4
Avoided emissions				
Renewable energy	2,391,993	962	402	1.6
Total¹	12,291,535			3.1

Unique collaboration results in measurement of CO₂ emissions based on actual energy data

- To improve the data quality of the GHG emissions accounting of mortgages, Dutch PCAF participants collaborated with the Central Bureau of Statistics (CBS)
- Actual energy data from grid operators was combined with the mortgage books of 7 PCAF participants, taking all privacy and data protection rules into account
- Results are published at aggregated level
- Data of higher quality ultimately allows better steering on the road to the Paris climate targets.

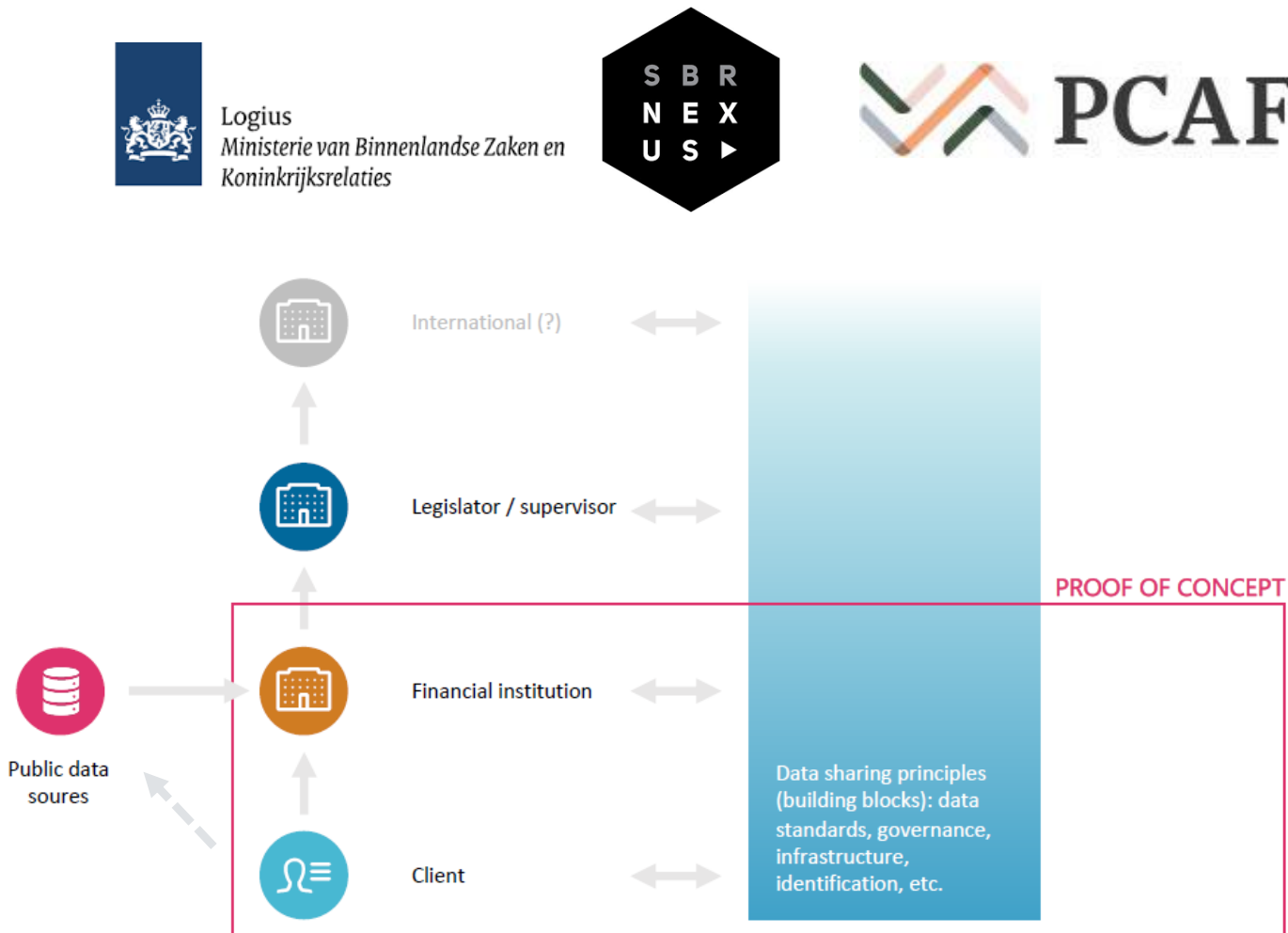


Tabel 1: Het aantal woningen in Nederland

Jaar	Financiële instelling	Aantal panden [x 1000]	Elektriciteit [x 1M kWh]	Aardgas [x 1M m3]	CO2 [x 1k ton]
2015	ABN AMRO Bank	799	2.874	1.211	3.688
	De Volksbank	289	1.037	439	1.335
	ASR Nederland	38,8	125	53	161
	ING Bank	602	2.157	898	2.748
	De Coöperatieve Rabobank	1.256	4.629	2.033	6.089
	Triodos Bank	2,3	6,5	3,2	9,3
	Van Lanschot	13	62	32	90
	Totaal 7 PCAF banken	3.001	10.892	4.669	14.120
2016	Totaal NL	3.873	13.835	5.880	17.847
	ABN AMRO Bank	791	2.795	1.253	3.610
	De Volksbank	280	987	446	1.282
	ASR Nederland	42,3	137	61	176
	ING Bank	578	2.041	904	2.616
	De Coöperatieve Rabobank	1.227	4.472	2.098	5.943
	Triodos Bank	2,9	7,8	4,2	11,3
	Van Lanschot	12,6	60	32	87
	Totaal 7 PCAF banken	2.935	10.499	4.799	13.724
	Totaal NL	3.880	13.618	6.167	17.700

Tabel 1: Het aantal woningen in Nederland, voor 2015 en 2016, met een positieve uitstaande hypotheekschuld voor de 7 banken van PCAF. Daarnaast zijn de energielevering en de bijbehorende CO₂-uitstoot getoond. Als referentie is het totaal voor de 7 banken en heel Nederland toegevoegd.

Next step is further standardization of data flows based on XBRL



- Logius, SBR Nexus and PCAF will start a pilot to standardize data flows and data sharing between clients and financial institutions
- Proof of concept will focus on Corporate loans or Commercial Real Estate
- Proof of concept could be very interesting and valuable for Non-Financial Reporting Directive (NFRD) and centralized register as requested by six financial associations.



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