UNEP FINANCE INITIATIVE | PRINCIPLES FOR RESPONSIBLE BANKING

PCAF Partnership for Carbon Accounting Financials

SEMINARIO VIRTUAL

Medición del impacto climático de los bancos para facilitar el alineamiento de carteras con el acuerdo de París

28 abril, 2020 16:00 – 17:00 CEST

Panelistas

María Eugenia Sosa Taborda

Coordinadora de la Red de América Latina y el Caribe

Angélica Afanador

Consultora Gerente en Guidehouse y Miembro del Secretariado de PCAF

Tjeerd Krumpelman

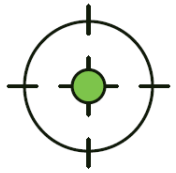
Jefe Global de Asesoría, Reporte y Participación Empresarial

Aligning financial portfolios with climate policy objectives

The Principles for Responsible Banking

Key Steps to be Implemented by Signatories

The Principles for Responsible Banking require your bank to take three key steps to ensure the effective implementation of the Principles, and to enable your bank to continuously improve its impact and contribution to society:



Step 1:

Impact Analysis

Step 2:

Target Setting & Implementation

Step 3:

Accountability

Within 4 years, your bank should have implemented the required steps regarding impact analysis, target setting & implementation, and accountability.

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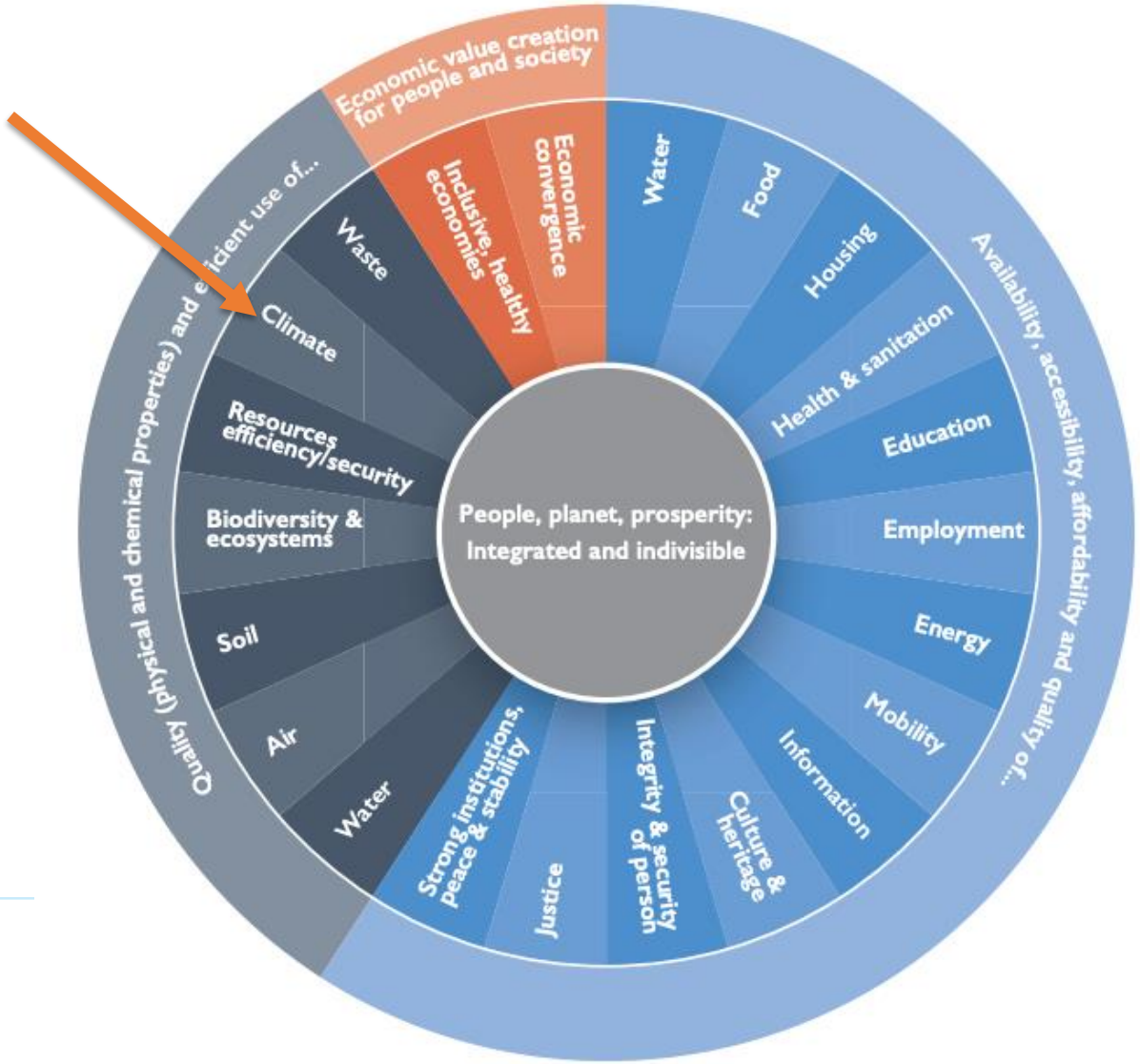
Step 1: Impact Analysis



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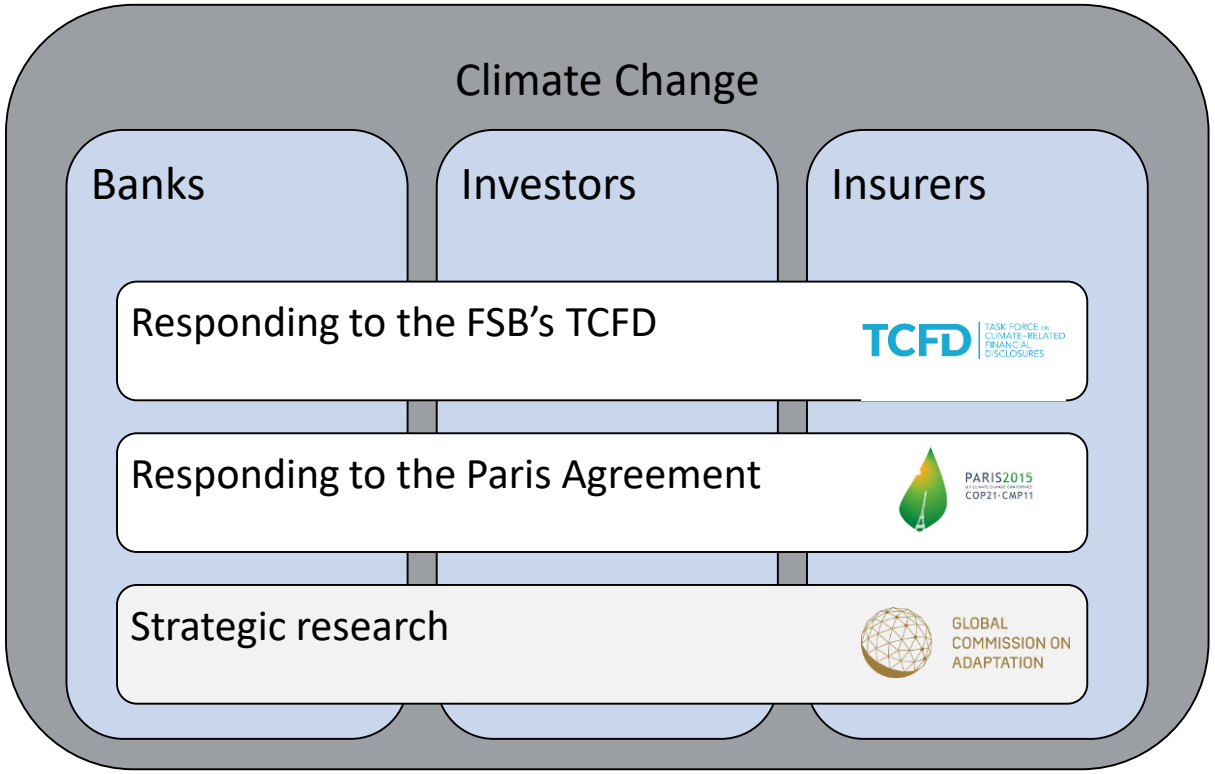
Climate Change Workstreams at UNEP FI



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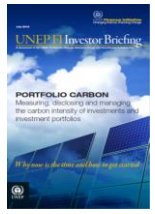
Time line

2009
First ever finance sector supplement on sustainability reporting



2013
Why and how investors should measure and disclose carbon

2015
FI guidelines to identify, assess, manage carbon risks

2015-2017
What comes after risk disclosure? Risk mitigation action.

2018
Recommendations for assessing Transition Risks

2018
Recommendations for assessing Physical Risks

FIs disclosing on sustainability

FIs assessing and disclosing carbon/transition risks

FIs mitigating transition risks

TCFD Recommendations

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COLLECTIVE COMMITMENT TO CLIMATE ACTION

- The Collective Commitment to Climate Action sets out concrete and time-bound actions that banks will take to scale up their contribution to and align their lending with the objectives of the Paris Agreement on Climate, including:
- aligning their portfolios to reflect and finance the low-carbon, climate-resilient economy required to limit global warming to well-below 2, striving for 1.5 degrees Celsius;
- taking concrete action, within a year of joining, and use their products, services and client relationships to facilitate the economic transition required to achieve climate neutrality;
- being publicly accountable for their climate impact and progress on these commitments.

From TCFD Adoption to PA Alignment

Role of scenarios

- Both require a **forward-looking** stance. Both are **scenario-based**
- **TCFD** is about considering and assessing scenarios **across** emissions pathways and across temperature outcomes
- **PAA** is about focusing on one outcome: 'well below 2 degrees'

Inward vs outward-looking

- **TCFD** is 'inward-looking' - assessing the implications of each such scenario on portfolios
- **PAA** is 'outward-looking' – making portfolios consistent with a 'well below two degree scenario'
- **PAA** is both normative & required

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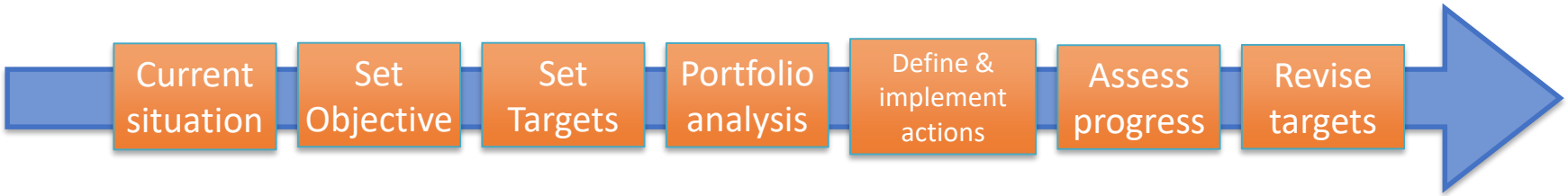
How banks can deliver on climate change



Current situation:

1. Choose Methodology
2. Decide on portfolio coverage
3. Collect data
4. Assess portfolio
5. Select Scenario
6. Calculate baseline and delta

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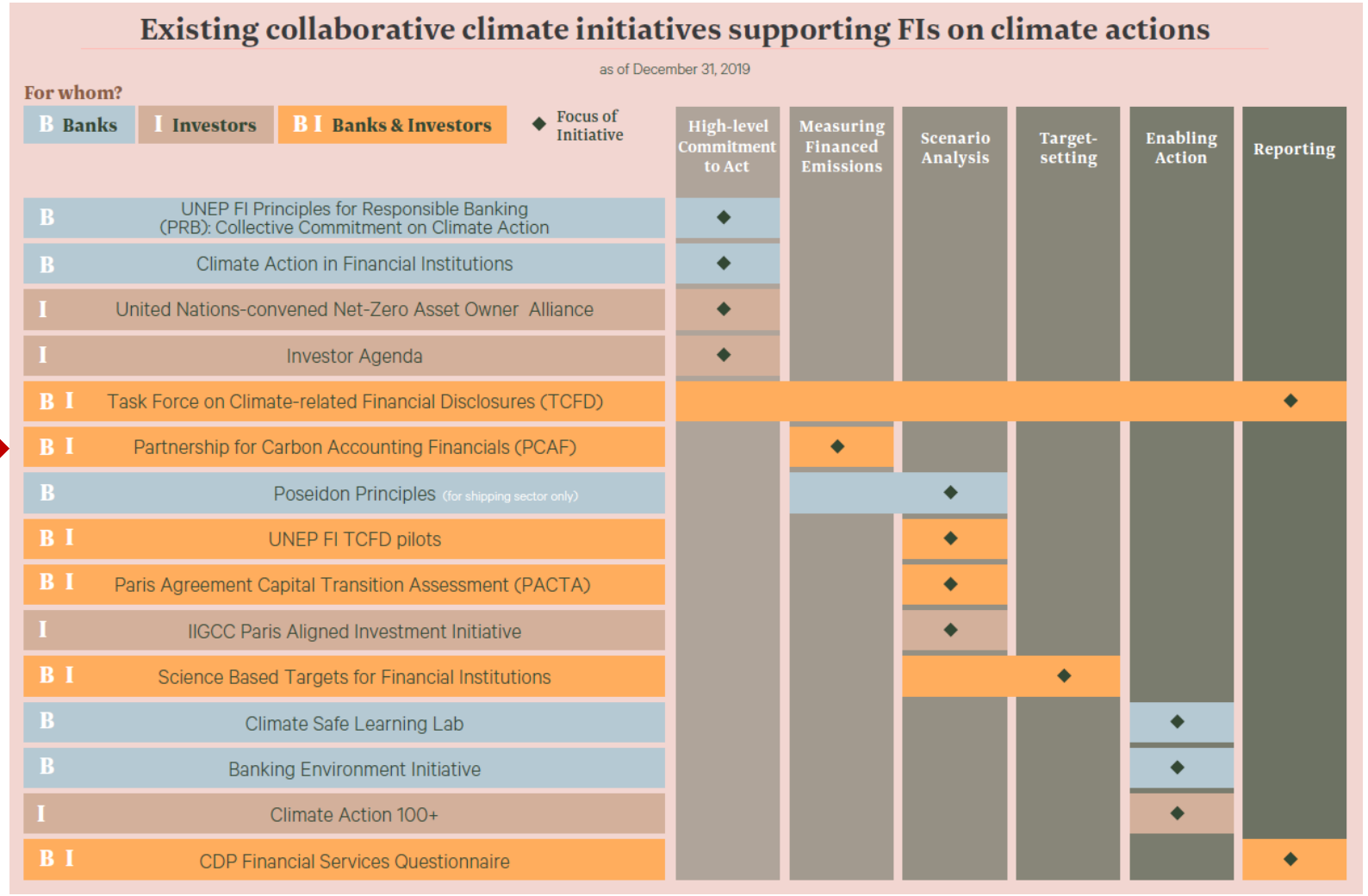
Partnership for Carbon Accounting Financials

Apoyo a bancos de América Latina en la medición de emisiones financiadas

April 28, 2020

PCAF Partnership for Carbon Accounting Financials

PCAF facilita la medición de las emisiones de GEI financiadas por préstamos e inversiones



Fuente: [PCAF (2019). Shaping the climate action journey for financial institutions]

La medición de emisiones financiadas es uno de los eslabones de la cadena que permite a los bancos medir, reportar y alinear carteras con el Acuerdo de Paris

Medir emisiones financiadas es la base para hacer análisis de escenarios, fijar objetivos, tomar acción y reportar

Scenario analysis

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

Target setting

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

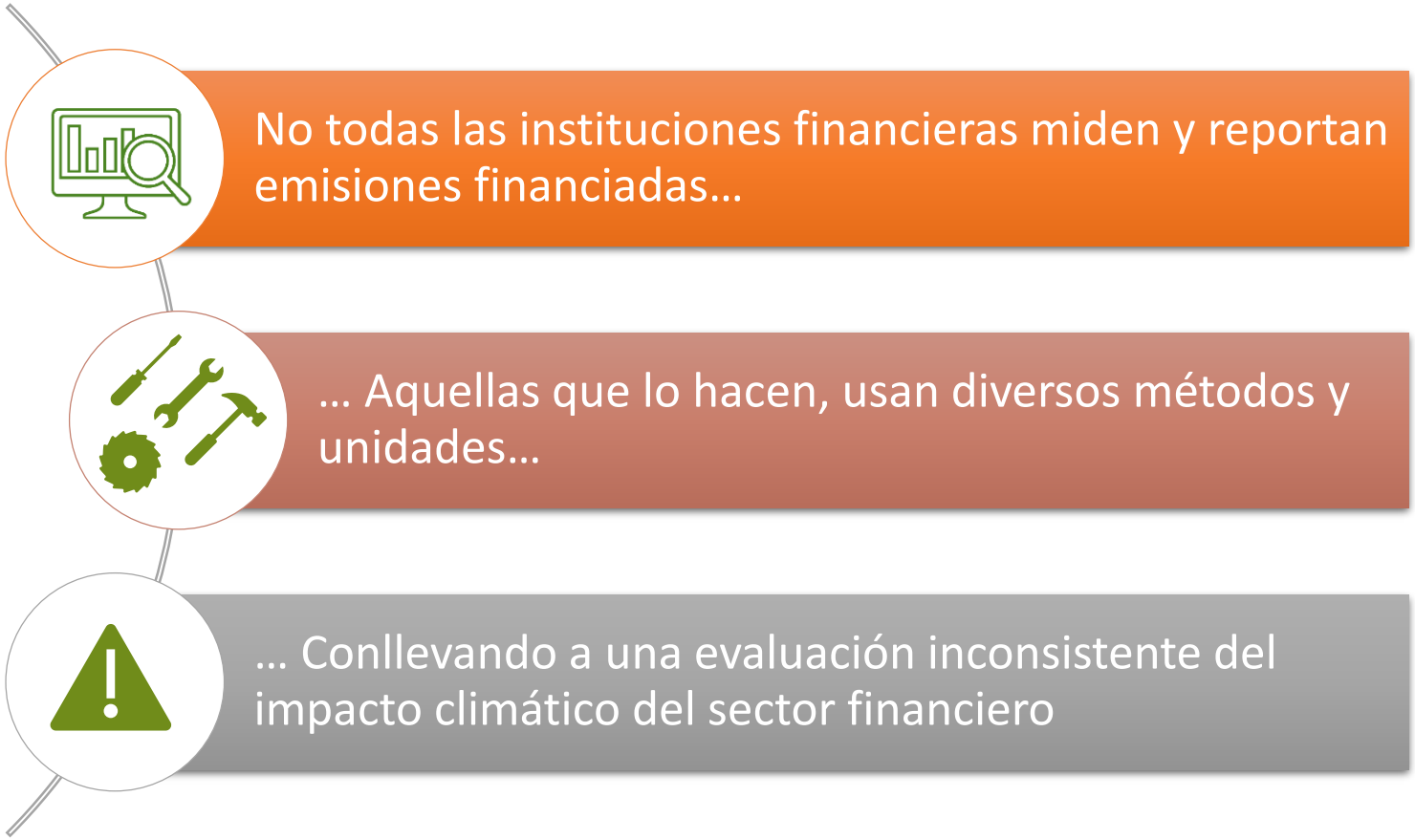
Climate action

Understanding portfolios' climate impact to enable informed climate action

Reporting

Disclosing financed emissions and tracking progress

Sin embargo, hasta hace poco no existía una metodología armonizada y transparente



...Para resolver este problema, un grupo de bancos e inversionistas decidió crear PCAF

2015: Holanda

- **18** bancos, fondos de pension, gestores de inversion, aseguradoras etc.
- Liderado por ASN Bank
- Métodos para 8 activos

2018: Norte América

- **12** bancos en EEUU y Canaddá
- Liderado por Amalgamated Bank
- Métodos para 6 activos

2019: Global

- Iniciado por ABN AMRO, Amalgamated Bank, Triodos Bank, ASN Bank y Global Alliance for Banking on Values
- +50 instituciones comprometidas con PCAF desde el inicio

2022: Global

- PCAF aspira a min. 250 participantes al final del 2022.

A la fecha, hay cerca de 60 instituciones participando en PCAF y colaborando para lograr dos objetivos

La lista de participantes de PCAF aquí

Objetivos de PCAF

1. Crear el Estándar Global de Contabilidad de Emisiones GEI para el sector financiero

2. Incrementar el número de instituciones financieras (min. 250) que usan el Estándar y reportan emisiones financiadas

Desde el 2015, los participantes de PCAF han creado métodos de contabilidad de emisiones GEI para 10 tipos de activos

Cinco reportes publicados por los equipos de Holanda y Norte América. Los reportes más recientes son de finales del 2019.

10 tipos de activos

- Bonos soberanos
- Capital cotizado en bolsa
- Financiación de proyectos
- Hipotecas residenciales
- Hipotecas commerciales
- Deuda corporativa
- Crédito corporativo
- Inversiones indirectas
- Crédito automotor
- Crédito público

El Core Team de PCAF actualmente desarrolla el Estándar de Contabilidad de Emisiones Financiadas

El Estándar se basa en el Protocolo de Gases de Efecto Invernadero, el cual ofrece una guía general de medición de emisiones para el sector financiero

Emissions*

$$= \sum_i \text{Attribution share in investee}_i \quad \text{x} \quad \text{Emissions of investee}_i \quad \text{(with i = investee)}$$

$$\frac{\text{Investment}_i}{\text{Investee equity}_i + \text{Investee debt}_i}$$

(Option 1)
Reported Emissions$_i$

(Option 2)
Physical Activity Data$_i$ x Emission Factor

(Option 3)
Economic Activity Data$_i$ x Emission Factor

Hierarchy of preference

Data availability & data needs

Investment information in numerator (i.e. outstanding investment value) is readily available to FIs.

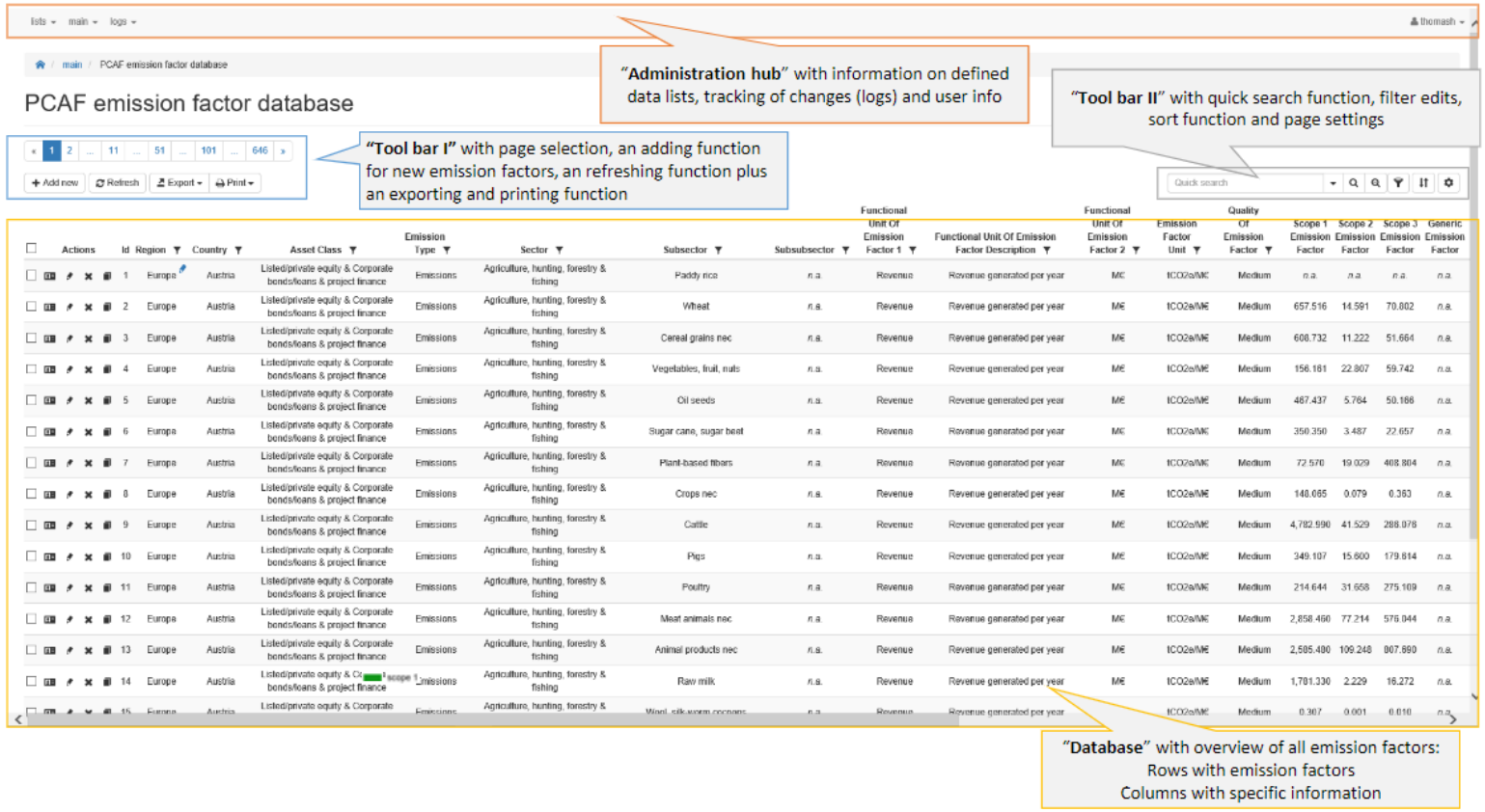
Information on investee equity and debt is often also readily available to banks OR has to be collected from the investee's balance sheet (or other data portals).

Three options to derive emissions in order of preference:
(1) directly derives investee emissions from reports/databases
(2) & (3) indirectly derive investee emissions by linking investee specific activity or economic data with emission factors

* Note that the same approach is also used to calculate the other climate impact types: avoided emissions & carbon sequestration.

Reconociendo el reto que presenta el acceso a datos, PCAF está creando una base de datos con factores de emisión

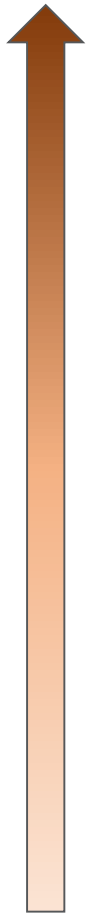
- Fácil de usar para aplicar los métodos de PCAF y empezar la medición de impacto climático
- Permite un anális de hotspots para identificar las áreas de la cartera de mayor impacto climático



- Factores de emisión disponibles al público en todas las geografías y clases de activos.
- **V.g. Para préstamos corporativos en sus países:** factores de emisiones promedio del sector (i.e. tCO_2e por ingresos, por activos totales y por indicadores de actividad física).
- Uso gratis para participantes de PCAF
- Incluye calificación de calidad de datos

Por el principio de transparencia, el uso de datos para la evaluación de impacto va acompañado de un scorecard de calidad de datos

More certain



Less certain

Score	Level	Broad description	Data requirements	Units	Source
1	Investee	Audited GHG emissions + known financial data	**Audited** GHG emissions data from investees	tCO2e	Reported by investees (e.g. through CDP, Bloomberg, public databases like eGRID, company reports)
			Outstanding loan value	USD	Bank
			Investee balance sheet total	USD	Bank or data sources (e.g. CapIQ, Bloomberg, company reports)
2		Unaudited GHG emissions + known financial data	**Unaudited** GHG emissions data from investees	tCO2e	Reported by investees (e.g. through CDP, Bloomberg, public databases like eGRID, company reports)
			Outstanding loan value	USD	Bank
			Investee balance sheet total	USD	Bank or data sources (e.g. CapIQ, Bloomberg, company reports)
3		Estimated GHG emissions + known financial data	**Activity data** reported to bank by investee	What company produces	Reported by company (e.g., CDP, annual reports)
			Emission factor for physical activity	tCO2e/activity indicator	**PCAF database**
			Outstanding loan value	USD	Bank
			Investee balance sheet total	USD	Bank or data sources (e.g. CapIQ, Bloomberg, company reports)
4	Sector	Estimated GHG emissions + known financial data	**Estimated sector emissions (5 or 6 digit NAICS code) per $ revenue**	**tCO2e / USD**	**PCAF database**
			Revenue data of investee (USD)	USD	Bank
			Outstanding loan value (USD)	USD	Bank or data sources (e.g. CapIQ, Bloomberg, company reports)
			Investee balance sheet total (USD)	USD	Bank or data sources (e.g. CapIQ, Bloomberg, company reports)
5		Estimated GHG emissions + estimated financial data	**Estimated sector emissions (3 or 4 digit NAICS/GICS code) per $ of assets**	**tCO2e / USD**	**PCAF database**
			Outstanding loan value	USD	Bank

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PCAF and ABN AMRO

Tjeerd Krumpelman
Group Sustainability, ABN AMRO

28 April 2020

PCAF and carbon accounting

- Both for risk indicators (effect on the world on you) or impact indicators (effect of you on the world), it is important to deduct the financed climate impact (CO_2e) in a uniform and transparent manner.

- Carbon accounting does that, it gives the financial institution a tool to measure the impact of its portfolio and provides a starting point from which reduction and risk strategies can be formulated and measured.

- There is no uniform, transparent and widely accepted methodology yet. This is the goal of PCAF.

A 3 step programme: Measuring, reporting & steering

1. **Measure**
2. **Report**
3. **Steer**

PCAF Methodology retail mortgages - Measure

- Use CBS data for the average energy use per label.
- The emission factors are based on information from the Netherlands. (https://www.co2emissiefactoren.nl/)

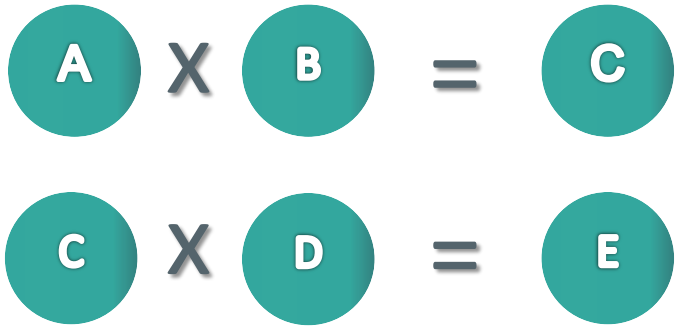
A: Average energy use per label (gas and electricity)

B: Emissions factors gas and electricity (Netherlands)

C: CO_2 emissions gas and electricity per energy label

D: Number of objects per energy label

E: Total CO_2 emissions per energy label (Kton GHG)



Retail mortgages portfolio - Report

Retail Banking

CO_2 emission: Retail mortgages portfolio

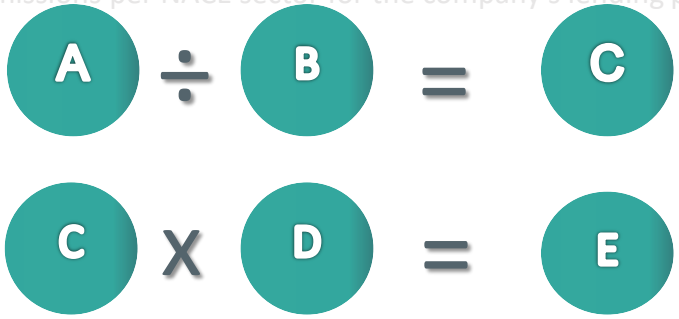
Energy label	A	B	C	D	E	F	G	Out of scope[1]	CRE	Total
Percentage in portfolio	13.00%	17.00%	29.60%	9.00%	8.00%	10.50%	11.50%	1.40%	0.02%	100%
Number of objects	104,657	136,993	238,406	72,107	64,271	84,270	92,146	11,561	167	804,578
Exposure in € bln[2]	27,650	26,988	37,828	13,634	10,508	16,480	19,402	3,303	79	155,872
Total CO_2 emissions in Kton	**378**	**487**	**874**	**276**	**261**	**370**	**392**	**45**	**214**	**3,082**

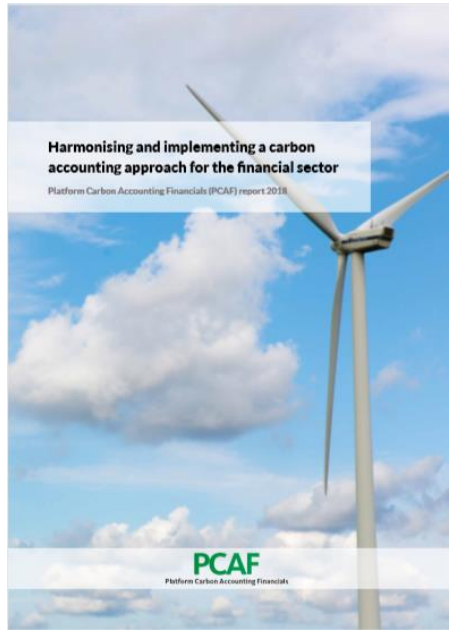
Source: A report by ABN AMRO: "Sustainability facts and figures & Engagement 2018." Based on the PCAF methodology.

PCAF Methodology lending portfolio - Measure

- Used when the borrower does not report on GHG emissions
- When the transaction does not involve detailed due diligence and monitoring
- Use CBS data on country's emissions per NACE sector and country's financial balances per NACE sector

- A: Country emissions per NACE sector (ton GHG)
- B: Country financial balances per NACE sector (M€)
- C: Emission factor per NACE sector (ton GHG/M€)
- D: Company's lending portfolio (M€)
- E: Financed emissions per NACE sector for the company's lending portfolio (ton GHG)





Emissions lending portfolio ABN AMRO - Report

	ABN AMRO 2018	
NACE Sectors	Financial balance in mln per sector (€)	GHGe in ktons per sector
Agriculture (A)	8,409	8,014
Minerals (B)	4,731	126
Industry (C)	18,834	940
Utilities (D)	1,967	1,146
Water distribution (E)	879	517
Construction (F)	2,831	116
Retail (G)	25,137	240
Transport (H)	14,350	2,727
Leisure (I)	1,465	73
Information and communication (J)	2,893	6
Administrative services (N)	5,916	140
Scientifical and techinal acitivities (M)	1,882	11
Healthcare (Q)	4,132	336
Education (P)	202	23
Other services (S)	266	15
Recreation (R)	1,099	46
Total	**94,993**	**14,474**

Source: A report by ABN AMRO: "Sustainability facts and figures & Engagement 2018." Based on the PCAF methodology.

Looking forward

1. **Measure** carbon by use of PCAF methodology
2. **Report** on carbon in- and externally
3. **Steer** on carbon reduction using SBT

ABN AMRO Mission 2030 - Steer

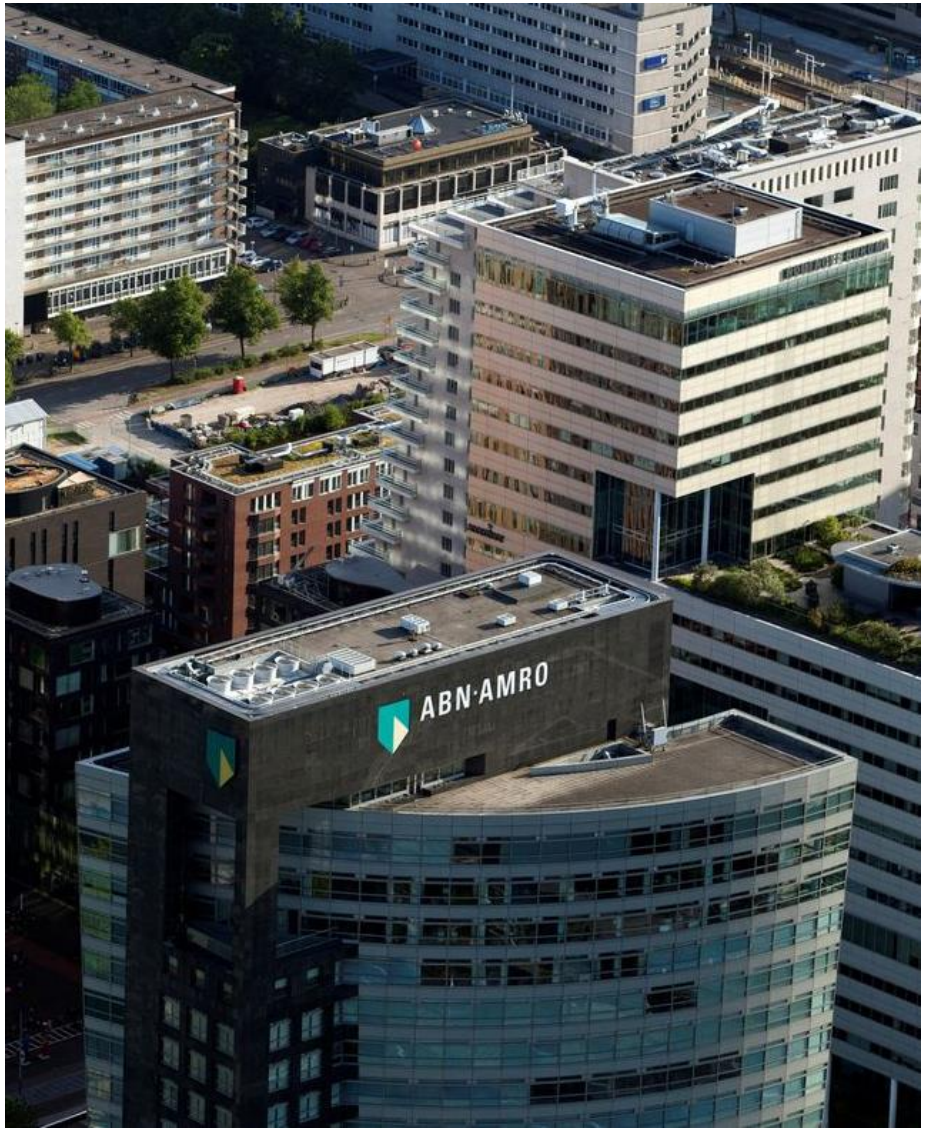
‘Mission 2030’: ambition to ensure that all of the homes and offices financed by ABN AMRO (*EUR 185 billion*) will have an average energy label ‘A’ by 2030.

Paris Proof example - Steer

The Paris Agreement stipulates that office buildings may use a maximum of 50 kilowatt hours per square meter per year in order to be ‘Paris Proof’.

We are going to reduce our own energy consumption, this by making all our offices Paris Proof by 2030.

A total of more than 12.3 million kilowatt hours of electricity must be saved (current use of the buildings is 34 million kilowatt hours). Besides that, gas should not be used anymore in the buildings for a saving of 1.1 million cubic meters of gas. With this we will save 6,371 tons of CO_2 emissions annually.



Thank you

Tjeerd Krumpelman
ABN AMRO

April 2020

Preguntas y respuestas

María Eugenia Sosa Taborda

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