

FINANCED EMISSIONS DATABASE

Top-down, economy-wide and bank-level estimates of direct and indirect financed emissions across sectors in emerging markets

www.rfi-insights.org

KEY FEATURES

- ➔ Consistency & comparability
- ➔ Economy-wide coverage for multiple countries
- ➔ Compatibility with other methodologies
- ➔ Ideal for data-scarce environment
- ➔ Transparent Methodology
- ➔ Online accessibility
- ➔ 3 Levels: Country, Financial Sector, & Bank Level
- ➔ Islamic & Conventional

Methodology builds on the P9XCA approach developed and used by Credit Agricole and piloted by ADEME with other banks. P9XCA has been used since 2014 and received positive feedback from IIGCC (see right).

“ [P9XCA Methodology] transparently discloses the assumptions and variables used in its carbon accounting approach. ”

(IIGCC, 2022)

DATABASE COVERAGE



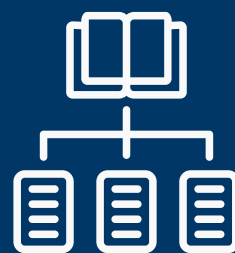
206 banks

125 Conventional & 81 Islamic



11 Countries

GCC, Türkiye, Pakistan, Bangladesh, Malaysia, & Indonesia



1350 sectors

mapped to 20 ISIC sectors

LOOK BEYOND HIGH EMITTING SECTORS

WHEN CLIMATE TRANSITION RISKS MATERIALIZE, LOSSES WILL CASCADE THROUGH THE ECONOMY, NOT JUST AFFECTING HIGH EMITTING SECTORS

PHYSICAL RISKS WILL ACCELERATE THE SPEED OF THE TRANSITION



A MORE DISORDERLY TRANSITION WILL RAISE RISKS ACROSS ALL SECTORS

ECONOMIC SECTORS

TRANSITION RISK

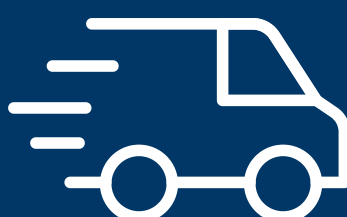
IMPACT TO SECTOR



Waste

INCREASED COSTS

Emissions cost in waste management affect operational costs



Transportation

DISRUPTED SUPPLY CHAIN

Increased input and distribution costs



Electricity

DECLINE IN PROFITABILITY

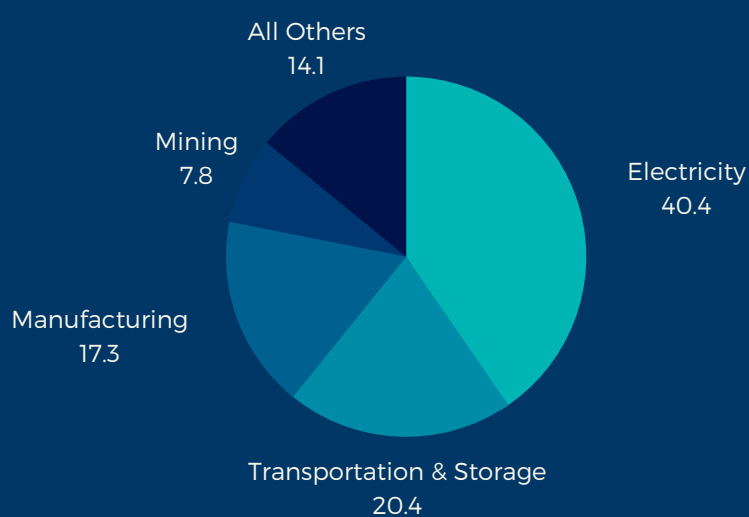
Increased electricity costs and fixed costs

THE OVERLOOKED INTERLINKAGES

THE NEED TO BROADEN OUR ASSESSMENT

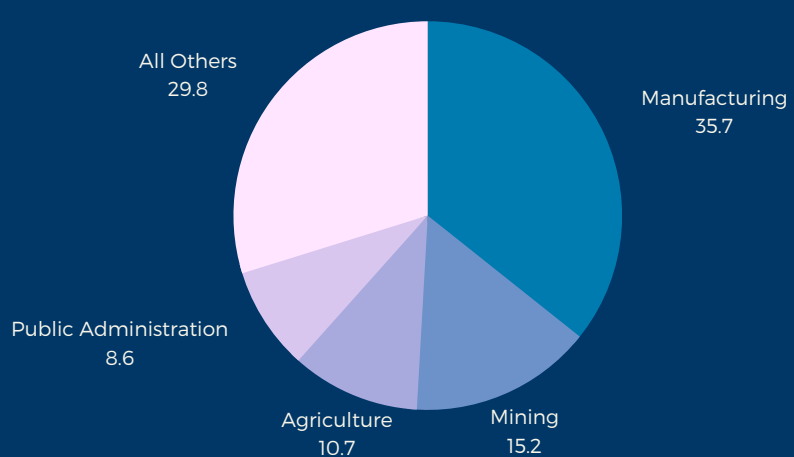
Some bottom-up methodologies such as PACTA, assesses risk based on evaluating future production plans with the Paris Agreement, but have significantly discrete data requirements that may not fit emerging or Islamic markets with limited data availability. In Malaysia, data constraints prevented the inclusion of real estate and agriculture sectors in PACTA analysis.

TOP DIRECT EMITTERS (%) MALAYSIA



The top 3 highest emitting sectors in many countries, such as Electricity, Transportation & Waste Management, are responsible for 80% of emissions, despite accounting for 40% or less of financing assets. Other sectors including Agriculture, Manufacturing and Retail are important for the economy and have a role to play in supporting the climate transitioning.

TOP INDIRECT EMITTERS (%) MALAYSIA



There is an urgent need to achieve a balance between supply-side and demand-side efforts for the climate transition. Much of current efforts primarily or exclusively focus on the supply side, such as financing renewable energy or electric vehicles, which only address direct sources of emissions. It is equally important to support demand-side efforts to ensure that individual transition investments can support a workable outcome for the economy as a whole.

DIRECT EMISSION COVERAGE



CLIMATE RISK EXPOSURE

5 Challenges Banks Face in Accounting for their Financed Emissions

01

Limited Consistency

- Limited consistency in client-reported emission estimates using bottoms-up approaches.

02

Magnified Margins of Errors

- Increased margins of error when aggregating results across banks that create discontinuity between reported bank-level and national emissions.

03

Limited Scope of GHG estimates

- Most banks only report high-emissions sector data which more often than not doesn't reflect their true climate risk

04

Limited Capacity

- Most banks find it difficult to conduct regular climate risk assessments with high costs for technical know-how to support sector-level data analysis.

05

Climate Mitigation Tunnel Vision

- Focusing only on high emitting sectors often leads banks to overlook relationships between these climate risks and the economy-wide interlinkages and efforts required across sectors.



HOW OUR METHODOLOGY WORKS

GHG EMISSIONS

WRI DATA

ECONOMIC ACTIVITY

GDP DATA

FINANCING

STOCKS

BANK FINANCING

BONDS & SUKUK

We use data collected from multiple sources but to build **consistency**, we mapped all sectors against the International Standard Industrial Classification of All Economic Activities (ISIC).

To check **completeness**, we compared the total bank's financing data we collected from their financial statements against total financing data collected by central banks and ensured our data covers no less than **90% of total bank loans** in each country

WHAT BANKS CAN GAIN FROM ADDING A TOP DOWN APPROACH

- **Identify interlinkages** across markets so you can understand how your action beyond high emitting sectors contribute to climate mitigation
- **Broaden your vision** with order of magnitude insights across the whole balance sheet so you can mobilize more of your assets towards climate mitigation.
- **Use consistent metrics** aligned with the way NDCs & other national targets are set

WHAT RFI FOUNDATION OFFERS



01

ACCESSIBILITY

- An open data source that serves as a starting point for banks' climate strategy

02

CONVENIENCE

- Banks can assess their emissions concentrations using an online resource

03

COMPARABILITY

- Gain the ability to see how emissions concentrations vary across different markets & banks

04

SUPPORT

- Access technical support and guidance from RFI about the methodology & how to use the data most effectively

05

FORWARD LOOKING

- Use the data to inform portfolio alignment metrics and support climate risk assessments



Financed Emission Database
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