PCAF Public Consultation 2024 - Part A

Introduction

The PCAF Secretariat invites you to participate in the public consultation on the new guidance and methods.

It is not required to answer the consultations on all new guidance and methods. Please respond where it is relevant to your organization. We kindly ask that you please submit one response per organization, when possible. Please note that you are allowed to save your responses and complete them at a later time if you would like to.

The consultation will be open until February 28, 2025.

We thank you in advance for your efforts.

Best Regards,
PCAF Secretariat

Contact Information

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5. Type of organization *

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- ○ Data provider
- ◉ NGO
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- ○ Policymaker / regulator
- ○ Autre

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Use of Proceeds Accounting

8. Would you like to provide feedback on this method? *

- ◉ Yes
- ○ No

Use of Proceeds Structures

9. What is your overall impression of the method?

- ○ Very positive
- ● Positive
- ○ Neutral
- ○ Negative
- ○ Very negative

10. What do you like most about it?

The decision tree that guides decisions on which GHG accounting treatment will be used for which UoP structure (i.e. under which asset class method it will fall).

11. What would have to change for you to have a better impression of the method?

Entrez votre réponse

12. How satisfied are you with the method? Please rate the following:

	Very satisfied	Satisfied	Neutral	Dissatisfied	Very dissatisfied
Ease of understanding: the method is clear and without ambiguity	○	●	○	○	○
Completeness: the method is of sufficient breadth, depth, and scope	○	●	○	○	○
Applicability: the method is applicable in your regional context	○	○	●	○	○
Consistency: the method is consistent with the carbon accounting principles derived from the GHG Protocol	○	●	○	○	○

13. What would you change to make the method easier to understand / to be more complete / applicable / consistent? If yes, what changes would you make?

Entrez votre réponse

14. Can you describe one or two issues that you foresee in implementing the method and which the method description didn't provide help in a sufficient way?

The calculation of financed emissions follows the basic principles of PCAF A, that is the differentiation between listed and private structures, with the use of the same attribution factors (using specifically equity and debt in UoP structure for most cases). Therefore, it can be expected to suffer from the same volatility problems related to the use of corporate value as a denominator in the attribution factor..

15. How satisfied are you with the section outlining the scope of the method and GHG accounting treatment? If not satisfied, can you elaborate on your concerns, and could you provide suggestions how these concerns could be addressed?

Entrez votre réponse

16. How satisfied are you with the sections outlining the calculation approach for UoP structures (emissions scopes covered, attribution, equations to calculate financed emissions and data required)? If not satisfied, can you elaborate on your concerns, and could you provide suggestions how these concerns could be addressed?

The guidance may be clarified concerning the reporting of emissions within the UoP structure. For instance, the sentence on p.14: "when there is sufficient evidence that absolute emissions or emission removals have been attributed and reported in line with this method" is unclear and subjective due to the lack of a definition of "sufficient evidence", and may lead to incorrect reporting of UoP structure GHG emissions or even the gaming of these emissions.

The guidance should be more stringent with respect to the disclosure of essential data and hypotheses, e.g. assumptions underlying data quality score 5 emissions and allocation percentages.

17. How satisfied are you with the section outlining the assessment boundary? If not satisfied, can you elaborate on your concerns, and could you provide suggestions how these concerns could be addressed?

Entrez votre réponse

18. How satisfied are you with the section outlining the adjustment for under-and overallocation in integrated UoP structures? If not satisfied, can you elaborate on your concerns, and could you provide suggestions how these concerns could be addressed?

Entrez votre réponse

19. If applicable, could you provide a use case how this method could be applied within your institution?

Entrez votre réponse

20. What do you think are the limitations of this method?

Entrez votre réponse

Accounting for projects without a separate balance sheet

21. What is your overall impression of the method?

- ○ Very positive
- ◉ Positive
- ○ Neutral
- ○ Negative
- ○ Very negative

22. What do you like most about it?

It brings additional clarity to the PCAF Part A project finance chapter.

23. What would have to change in order for you to have a better impression of the method?

Entrez votre réponse

24. How satisfied are you with the method? Please rate the following:

	Very satisfied	Satisfied	Neutral	Dissatisfied	Very dissatisfied
Ease of understanding: the method is clear and without ambiguity	○	◉	○	○	○
Completeness: the method is of sufficient breadth, depth, and scope	○	◉	○	○	○
Applicability: the method is applicable in your regional context	○	○	◉	○	○
Consistency: the method is consistent with the carbon accounting principles derived from the GHG Protocol	○	◉	○	○	○

25. What would you change to make the method easier to understand / to be more complete / applicable / consistent?

Entrez votre réponse

26. Can you describe one or two issues that you foresee in implementing the method and which the method description didn't provide help in a sufficient way?

Entrez votre réponse

27. If applicable, could you provide a use case how this method could be applied within your institution?

Entrez votre réponse

Accounting for financed scope 3 category 15 emissions

28. What is your overall impression of the method?

- ( ) Very positive
- ( ) Positive
- (•) Neutral
- ( ) Negative
- ( ) Very negative

29. What do you like most about it?

Entrez votre réponse

30. What would have to change in order for you to have a better impression of the method?

The guidance should set forth clearer/more structured orientations for the inclusion of Scope 3.15 in FIs' Scope 3.15 emissions.

31. How satisfied are you with the method? Please rate the following:

	Very satisfied	Satisfied	Neutral	Dissatisfied	Very dissatisfied
Ease of understanding: the method is clear and without ambiguity	( )	( )	(•)	( )	( )
Completeness: the method is of sufficient breadth, depth, and scope	( )	( )	( )	(•)	( )
Applicability: the method is applicable in your regional context	( )	( )	(•)	( )	( )
Consistency: the method is consistent with the carbon accounting principles derived from the GHG Protocol	( )	( )	(•)	( )	( )

32. What would you change to make the method easier to understand / to be more complete / applicable / consistent?

Entrez votre réponse

33. Can you describe one or two issues that you foresee in implementing the method and which the method description didn't provide help in a sufficient way?

Entrez votre réponse

34. If applicable, could you provide a use case how this method could be applied within your institution?

Entrez votre réponse

35. What do you think are the limitations of this method?

Entrez votre réponse

General

36. If you have any further feedback on the content of this Consultation Draft that is not addressed by the questions above, please provide it here.

Entrez votre réponse

Securitizations and Structured Products

37. Would you like to provide feedback on this method? *

- (•) Yes
- ( ) No

38. What role do you perform in relation to Securitization and Structured Products (you can choose more than one role): *

- [ ] Originator
- [ ] Issuer (are there any cases where the Originator is not the issuer)
- [ ] Arranger
- [ ] Investor
- [ ] Facilitator (Arranger/Underwriter/Lead Manager/Co-Manager)
- [ ] Trustee
- [ ] Data provider
- [ ] Consultant
- [x] NGO

39. What is your overall impression of the method?

- ( ) Very positive
- ( ) Positive
- (•) Neutral
- ( ) Negative
- ( ) Very negative

40. What do you like most about it?

Entrez votre réponse

41. What would have to change for you to have a better impression of the method?

The guidance tackles a very broad and technical issue. To treat this issue exhaustively, it should be expanded and refer in a more detailed and concrete way to actual practices around structured/securitized products. As such, it seems that the guidance leaves too much room for maneuvering to FIs, and there is a risk that these will publish emissions figures that are unverifiable (not disclosing all assumptions and attribution factors) and underestimated, or even completely erroneous.

42. How satisfied are you with the method? Please rate the following:

	Very satisfied	Satisfied	Neutral	Dissatisfied	Very dissatisfied
Ease of understanding: the method is clear and without ambiguity	○	○	○	●	○
Completeness: the method is of sufficient breadth, depth, and scope	○	○	○	●	○
Applicability: the method is applicable in your regional context	○	○	●	○	○
Consistency: the method is consistent with the carbon accounting principles derived from the GHG Protocol	○	○	●	○	○

43. Would you make change to the method to make it easier to understand / to be more complete / applicable / consistent? If yes, what changes would you make?

Entrez votre réponse

44. Can you describe one or two issues that you foresee in implementing the method and which the method description didn't provide help in a sufficient way?

Entrez votre réponse

45. How satisfied are you with the section outlining the Asset class definition? If you are not satisfied, can you elaborate on any concerns, and could you provide suggestions how these concerns could be addressed?

Entrez votre réponse

46. Are there any Securitization and Structured Products not currently in scope that you feel should be included? Please provide your rationale.

Other hard asset-backed securities with largely available asset-level emissions data (such as aircraft, ships, or other transportation equipment) should be included (cf. Table 2.11).

47. How satisfied are you with the section outlining the General guidance on emissions accounting? If you are not satisfied, can you elaborate on any concerns, and could you provide suggestions how these concerns could be addressed?

Emissions accounting for a structured product should also cover the absolute Scope 3 emissions related to the hard assets backing the underlying collateral of that product. Coverage should be mandatory for all listed structured products.

48. Is the guidance in Figure 2.22. Allocation of emissions (financed & facilitated) throughout the loan origination and securitization process sufficient? If you don't agree, can you elaborate on any concerns, and could you provide suggestions how these concerns could be addressed?

Agreed.

49. The guidance covers typical (true sale) securitization structures in the main body of the guidance and structural nuances, including different structures, structural features, accounting for principal loss and default, in the technical appendix. Do you agree with the approach?

Yes, we agree.

50. How satisfied are you with the section outlining the Emission scopes covered and the level of granularity? If you are not satisfied, can you elaborate on any concerns, and could you provide suggestions how these concerns could be addressed?

Entrez votre réponse

51. How satisfied are you with the section outlining the Attribution of emissions and the level of granularity in the guidance?

	Very satisfied	Satisfied	Neutral	Dissatisfied	Very dissatisfied
Overall attribution approach and principles	○	○	●	○	○
Collateral attribution factor	○	○	●	○	○
Loan attribution factor	○	○	●	○	○
Tranche attribution factor	○	○	●	○	○
Investment attribution factor	○	○	●	○	○

52. How satisfied are you with the section outlining the Attribution of emissions and the quality of the Collateral Attribution guidance?

	Very satisfied	Satisfied	Neutral	Dissatisfied	Very dissatisfied
Ease of understanding: the method is clear and without ambiguity	○	○	○	●	○
Completeness: the method is of sufficient breadth, depth, and scope	○	○	●	○	○
Applicability: the method is applicable in your regional context	○	○	●	○	○
Consistency: the method is consistent with the carbon accounting principles derived from the GHG Protocol	○	○	●	○	○

53. If you have any, can you elaborate on any concerns related to Attribution of emissions guidance, and could you provide suggestions how these concerns could be addressed?

The discussion on "Collateral Attribution Factors" (CAF) could be further developed in several ways, particularly by providing more information on the benefits and disadvantages of using one option against another. The question of using a more conservative value (i.e. giving the highest CAF between current and original) could also be raised.

The fact that nominal values are recommended in these attribution factors can be regarded as positive, as those are less prone to volatility than (market-based) corporate values in PCAF A financed emissions' attribution factors.

54. How satisfied are you with the section outlining the Equations to calculate financed emissions and the level of granularity? If you are not satisfied, can you elaborate on any concerns, and could you provide suggestions how these concerns could be addressed?

Entrez votre réponse

55. A worked example for an RMBS deal is provided. Is this useful and sufficient? If not, could you elaborate on any concerns and/or provide suggestions on the need a format of further worked examples and/or guidance.

It seems useful, but a more complex example with other structured products could also have been provided.

56. How satisfied are you with the section outlining the Data required and data quality score and the level of granularity? If you are not satisfied, can you elaborate on any concerns, and could you provide suggestions how these concerns could be addressed?

Guidance on data quality could be more extensive/concrete and should include requirements regarding the disclosure of hypotheses underlying estimates. The unavailability of data as well as the use of proxies should be duly justified. PCAF guidance could also clarify equations to calculate data quality scores.

57. Do you agree that Originators should provide loan level data to assist with the calculation of financed emissions?

- (●) Agree
- ( ) Neutral
- ( ) Disagree

58. The guidance suggests certain types of data that would be useful in estimating emissions. What level of data do you believe should be provided by originators?

	All listed	Minimum required
Residential real estate	◉	○
Commercial real estate	◉	○
Motor vehicles / autos	◉	○
Other hard assets	◉	○

59. What issues do you anticipate Originators will encounter in providing this data?

Entrez votre réponse

60. Please suggest data sources for further information.

Entrez votre réponse

61. Is the guidance in Figure 2.25 Structured products data quality decision tree useful and sufficient? If not, can you elaborate on any concerns, and could you provide suggestions how these concerns could be addressed?

Entrez votre réponse

62. How satisfied are you with the section outlining the Assessment boundary and the level of granularity? If you are not satisfied, can you elaborate on any concerns, and could you provide suggestions how these concerns could be addressed?

One concern with the assessment boundaries of reporting lies in the possibilities of window dressing, with a possibility for fund managers to tweak emission figures.

63. How satisfied are you with the section outlining the Limitations and the level of granularity? If not, what other limitations do you see with the methodology outlined?

Entrez votre réponse

64. How satisfied are you with the position on double counting? If not satisfied, can you elaborate on any concerns, and could you provide suggestions how these concerns could be addressed?

Entrez votre réponse

65. How satisfied are you with the section outlining the Technical Appendix: Different types of structures and the level of granularity? If not satisfied, can you elaborate on any concerns, and could you provide suggestions how these concerns could be addressed?

Entrez votre réponse

66. How satisfied are you with the section outlining the Technical Appendix: Principal loss and default and the level of granularity? If not satisfied, can you elaborate on any concerns, and could you provide suggestions how these concerns could be addressed?

Entrez votre réponse

67. If you have any further feedback on the content of this Consultation Draft that is not addressed by the questions above, please provide it here.

Entrez votre réponse

Sub-Sovereign Debt

68. Would you like to provide feedback on this method? *

- ○ Yes
- ◉ No

Financed Avoided Emissions and Forward-Looking Metrics

69. Would you like to provide feedback on this method? *

- (●) Yes
- ( ) No

Avoided Emissions

70. What is your overall impression of the method?

- ( ) Very positive
- ( ) Positive
- ( ) Neutral
- ( ) Negative
- (●) Very negative

71. What do you like most about it?

Entrez votre réponse

72. What would have to change for you to have a better impression of the method?

The method applies PCAF A financed emissions principles to the avoided emission concept as previously developed in papers from WBCSD and GFANZ. However, it does not fill in the methodological gaps or provide concrete guidance for the effective calculation of financed avoided emissions.

73. How satisfied are you with the method? Please rate the following:

	Very satisfied	Satisfied	Neutral	Dissatisfied	Very dissatisfied
Ease of understanding: the method is clear and without ambiguity	○	○	○	●	○
Completeness: the method is of sufficient breadth, depth, and scope	○	○	○	○	●
Applicability: the method is applicable in your regional context	○	○	○	○	●
Consistency: the method is consistent with the carbon accounting principles derived from the GHG Protocol	○	○	○	●	○

74. Would you make changes to the method to make it easier to understand / to be more complete / applicable / consistent? If yes, what changes would you make?

Entrez votre réponse

75. Can you describe one or two issues that you foresee in implementing the method and which the method description didn't provide help in a sufficient way?

As acknowledged in the method description, "no official standards for avoided emissions accounting exist to date". The method does not claim to compensate for this absence, relating exclusively to the optional reporting of financed avoided emissions. It is therefore not sufficient on its own as it does not provide guidelines for calculating the avoided emissions that underly financed avoided emissions. The methodology for calculating avoided emissions and the degree of transparency over the methodology is left to the Financial Institutions themselves with obvious implications for manipulation.

76. Should the method require all avoided emissions calculations, from FIs and counterparties, to follow one specific calculation method (e.g. WBCSD)

The question does not really make sense because no well-established and consensus-based method for calculating avoided emissions currently exists.

77. What is your impression of the guardrails listed for avoided emissions? Would you change anything in this section, and if yes, what?

The consultation draft fails to give any precise recommendations for tangible and mandatory guardrails against the tendency to use assumptions which result in high estimates of avoided emissions. It states that "avoided emissions numbers shall be based on a credible methodology and using a credible and conservative counterfactual scenario (including emissions reductions that will naturally occur without the avoided emissions activity in place)". But it does not define what a "credible and conservative counterfactual scenario" is, so this definition will be left to the Financial Institution that comes up with the scenario.
The consultation draft states that "Financial Institutions shall disclose a clear and robust calculation methodology, including underlying assumptions and preferably built on country or regional data". Obviously, the underlying assumptions should be disclosed, but in reality, it is unlikely that all assumptions will be disclosed and adequately justified given the huge number of assumptions that go into any emissions scenario and the tendency of Financial Institutions to only include in voluntary disclosures what they want to disclose. Furthermore, it is unlikely that many, if any, stakeholders will have the capacity to go into the disclosures and rerun the calculations using alternative assumptions. And in any case, because of the counterfactual nature of the methodology, the assumptions can never be proven to be "wrong" even if different observers might have different ideas of what might be likely.

78. Should avoided emissions be restricted to outside the value chain?

- (selected) Yes, in all cases
- No, in all cases
- For general corporate instruments only (currently reflected in the guidance)
- For instruments with specified use of proceeds only

79. Should FIs be allowed to estimate avoided emissions in the cases where a counterparty has not calculated and disclosed them?

No, FIs should not be allowed to estimate avoided emissions.

80. What do you think are the limitations of this method?

An inherent problem with avoided emissions, which is recognized in the consultation draft, is that they are based on counterfactual scenarios which can never be proved or disproved. While emitted emissions can be measured with at least some degree of accuracy, avoided emissions are necessarily based on a story of what might have been, and the storytellers inside Financial Institutions will always have an incentive to build their story using assumptions which will tend to favor high estimates of avoided emissions.
The concept of avoided emissions at the general corporate level ("avoided emissions resulting from the reporting companies' operations but occurring outside the value chain of the company" or "expected absolute company emissions reduction") seems even more questionable than at the project/product/service level, as the elaboration of a counterfactual scenario will contain many more subjective assumptions.
The opportunities for greenwashing are thus vastly increased by PCAF broadening the scope of financed avoided emissions reporting. There is a significant risk that it will encourage Financial Institutions to claim in public statements that "emitted emissions" are partly or wholly neutralized by their avoided emissions.

81. Should FIs be required to report avoided emissions from generic instruments separately from those with specified use of proceeds?

Yes, FIs should be required to report avoided emissions from generic instruments separately from those with specified use of proceeds.

82. Does your financial institution currently disclose or plan to disclose avoided emissions?

Entrez votre réponse

83. If applicable, could you provide a use case for how this method could be applied within your institution?

Entrez votre réponse

Forward-Looking Metrics

84. What is your overall impression of the method?

- ○ Very positive
- ○ Positive
- ○ Neutral
- ○ Negative
- ◉ Very negative

85. What do you like most about it?

Entrez votre réponse

86. What would have to change for you to have a better impression of the method?

Similarly to avoided emissions, the method mainly involves applying PCAF A financed emissions principles to the forward-looking avoided emissions metrics, mostly building on (and therefore giving credibility to) GFANZ's proposed EER metric. However, it does not fill in the methodological gap or provide concrete guidance for the effective calculation of these forward-looking metrics. The method even seems to leave the door open for Financial Institutions to disclose their "own forward-looking metrics".

87. How satisfied are you with the method? Please rate the following:

	Very satisfied	Satisfied	Neutral	Dissatisfied	Very dissatisfied
Ease of understanding: the method is clear and without ambiguity	○	○	○	●	○
Completeness: the method is of sufficient breadth, depth, and scope	○	○	○	○	●
Applicability: the method is applicable in your regional context	○	○	○	○	●
Consistency: the method is consistent with the carbon accounting principles derived from the GHG Protocol	○	○	○	●	○

88. Would you make change to the method to make it easier to understand / to be more complete / applicable / consistent? If yes, what changes would you make?

Entrez votre réponse

89. Can you describe one or two issues that you foresee in implementing the method and which the method description didn't provide help in a sufficient way?

The same general comment can be made regarding forward-looking metrics as for avoided emissions. Indeed, they present the same flaws:
- Absence of a precise and well-established conceptual and methodological framework,
- Fatal flaw linked to the subjective construction of an unverifiable counterfactual scenario,
- Lack of guardrails concerning the disclosure and potential gaming of these metrics for greenwashing purposes.

90. What is your impression of the guardrails listed for forward-looking emissions metrics? Would you change anything in this section, and if yes, what?

The list of "potential guardrails" for forward-looking metrics is even briefer than that for avoided emissions. Data quality assurance policies and third-party verification do not seem sufficient to ensure the sincerity of projections. As mentioned before, it is unlikely that all assumptions will be duly and transparently disclosed and adequately justified given the huge number of assumptions that go into any emissions scenario and the tendency of Financial Institutions to only include in voluntary disclosures what they want to disclose.
A requirement for forward-looking metrics to be linked to an actual transition plan with transparent capex projections may be the most relevant guardrail, as this would provide some degree of verifiability.

91. Which EER options presented are you supportive of?

- ( ) Option 1: EER as 'expected absolute emissions' only
- ( ) Option 2: EER as 'expected avoided emissions' only
- ( ) Both options
- (x) Neither options

92. Please explain your thinking on the EER options you are or are not supportive of.

Both expected emission reduction (EER) options suffer from the fatal design flaw of being linked to the construction of a single counterfactual scenario and the absence of any prescriptive guidance on strong guardrails for constructing such a scenario.
The construction of an estimate of the evolution of a company's future GHG emissions is based on even more uncertain assumptions for Option 1, be it in terms of allocation factors for general corporate instruments or corporate emissions reduction pathways. The requirement to disclose "achieved emissions reductions (AER)" and "achieved expected emission reductions% (%AER)" in the subsequent years over the life of the investment is a potential countermeasure against the overstatement of EER but does not help to prevent greenwashing as the latter is reported first in the year of contracting and in any case it will be difficult for analysts to accurately assess the veracity of reported AER numbers.
Regarding Option 2 (EER as "total expected avoided emissions"), the method gives the choice between reporting on an annualized or cumulative basis. However, because it will result in a much higher number it seems highly likely that Financial Institutions will choose the cumulative, multi-year option. This presents an obvious asymmetry with the accounting of financed emissions which is done on an annualized basis, amortized with repayment for loans, or counted only once for capital market activities. Option 2 does not present any safeguards and can lead to more overestimation.

93. What do you think are the limitations of this method?

The limitations of this method have already been largely described above. They can be summed up as the absence of concrete and prescriptive guidance for the definition and calculation of forward-looking metrics, and the risk of greenwashing resulting from the reporting of subjective counterfactuals.
Overall, avoided emissions ("backward-looking") and EER ("forward-looking") must remain: (i) voluntary disclosures, (ii) separate from all other GHG emissions disclosures. If publicly divulgated, these metrics should be reported as a range of scenarios with a clear explanation of all key variables used in their calculation (including data quality scores). Disclosures should include underlying hypotheses, especially those behind counterfactual scenarios, which should be fully justified and preferably based on counterparties' own forward-looking plans (e.g. capex projections/investment and transition plans).
The record of Financial Institutions' voluntary disclosures of climate metrics, is one of a lack of transparency and; this is for instance the case for banks' decarbonization targets, for which underlying formulas and hypotheses are usually inadequately substantiated. Disclosing these metrics without proper transparency can be seen as deceiving/misleading communication and thus a form of greenwashing. As such, they should rather only be used as an internal decision-making tool.

94. Are there additional transition-finance-related metrics that PCAF should consider in future guidance?

Entrez votre réponse

95. Does your financial institution currently disclose or plan to disclose transition finance metrics?

Entrez votre réponse

96. If applicable, could you provide a use case for how this method could be applied within your institution?

Entrez votre réponse

Option to disaggregate according to portfolio characteristics

97. What is your overall impression of the method?

- ○ Very positive
- ◉ Positive
- ○ Neutral
- ○ Negative
- ○ Very negative

98. What do you like most about it?

Entrez votre réponse

99. What would have to change for you to have a better impression of the method?

The last paragraph "Part A: Option to disaggregate according to portfolio characteristics" does not relate clearly to the topic of avoided emissions, but seems like a positive addition, which should be transformed into a requirement, as disaggregation of metrics is always welcomed, although proposed categories (esp. "transition-related") need to be clearly defined and not left to Financial Institutions' own interpretation as is proposed.

100. How satisfied are you with the method? Please rate the following:

	Very satisfied	Satisfied	Neutral	Dissatisfied	Very dissatisfied
Ease of understanding: the method is clear and without ambiguity	○	◉	○	○	○
Completeness: the method is of sufficient breadth, depth, and scope	○	○	○	◉	○
Applicability: the method is applicable in your regional context	○	○	◉	○	○
Consistency: the method is consistent with the carbon accounting principles derived from the GHG Protocol	○	○	◉	○	○

101. Would you make change to the method to make it easier to understand / to be more complete / applicable / consistent? If yes, what changes would you make?

The method is based on the positive idea that Financial Institutions should disclose more disaggregated emission data. However, it fails to give a precise characterization of characteristics, only giving a few examples. These may need to be circumscribed and transformed into requirements, as some "characteristics" may be improper, e.g. based on vague criteria that are not adequately substantiated and thus vulnerable to greenwashing.

102. Can you describe one or two issues that you foresee in implementing the recommendation?

Entrez votre réponse

103. If you have any further feedback on the content of this Consultation Draft that is not addressed by the questions above, please provide it here.

Entrez votre réponse

Inventory Fluctuations

104. Would you like to provide feedback on this method? *

- (selected) Yes
- No

Denominator

105. Choice of metric in denominator: Do you agree that EVIC remains the most credible measure?

The use of attribution formulas that use EVIC or other corporate value metrics can usefully attribute responsibility to Financial Institutions for counterparty emissions for the purposes of comparison between Financial Institutions at any specific point in time. However, they are not useful for target setting or reporting progress over time at meeting targets for transactions such as loans, bonds, capital markets activities, or insurance contracts. Target setting requires metrics that reflect only counterparty performances (e.g. "real-world" changes in absolute emissions and/or physical emissions intensities) and changing Financial Institution strategies (e.g. portfolio allocation strategies), without unnecessary influence from external factors. The consultation draft admits in several places the serious weaknesses of corporate value-based attribution:

• "Financed emissions are sensitive to several variables, and volatility in these variables can cause large changes in the financed emissions metric over time, which may not reflect changes in activity or the decarbonization actions of FIs or their clients"
• "The diversity of potential underlying causes for fluctuations poses a challenge for stakeholders to understand the actual real-world emission impact"
• "Volatility in the company value measured by EVIC is of particular interest here since this could link to factors outside of real-world changes in emissions and actions by FIs"
• "Long-term trend is a consistent downward decline in financed emissions across all choices [alternative metrics for denominator]"

106. Based on the analysis in this report, and/or any internal analysis that you may have conducted, do you have a preferred approach for dampening (reducing) the volatility (year-on-year differences) in the denominator for financed emissions disclosures, and if so, what is it?

Entrez votre réponse

107. Do you think that applying a 3-year moving average of EVIC is meaningful, practical, and would increase transparency of financed emissions disclosures?

The testing methodology used is too limited as it only relies on one hypothetical (equities-only) portfolio and a short-term analysis, which is insufficient to draw any definitive conclusions with respect to the most adequate denominator. A more detailed (algorithmic) analysis with a broader diversity of portfolio compositions should have been performed. However, if more testing proves that a 3-year rolling average of EVIC dampens volatility in financed emissions reporting, then it should be required as an additional complementary disclosure. "Practical challenges" (in particular consistency and comparability) do not seem unsurmountable and should be further addressed by PCAF. However it should be noted that "volatility" in itself is not the key issue that needs to be addressed in financed emissions calculations.

108. Have you evaluated options to consider multi-year rolling averages as the denominator for calculating attribution factors?

Entrez votre réponse

109. Are there implementation and data challenges that could be potential blockers for such an adoption?

Entrez votre réponse

110. Is there a requirement for additional methodology clarifications to avoid any incorrect interpretation of this approach?

Entrez votre réponse

111. The Working Group analysis was based on a globally homogenous equities-only portfolio. Do participants foresee any specific implementation challenges of this recommendation for concentrated portfolios?

Entrez votre réponse

112. As an alternative, would your organization prefer not to adjust and provide an emissions attribution analysis be useful to better understand and communicate the drivers of emission developments? Would participants prefer to make such an attribution analysis disclosure mandatory or optional for FIs?

Attribution studies seem to be a beneficial and necessary exercise for any reporting on progress toward meeting climate-related targets and policies. They can provide insights with respect to the contribution of different factors to the evolution of these metrics, and strategies to enable meeting targets. As such they should be a requirement and standard practice for all climate-related metrics.

Treating temporal misalignment of data

113. Are there any additional significant data lag issues that should be addressed?

Entrez votre réponse

114. Should PCAF recommend an option and if so, what should it be?

With regard to the question of temporal misalignment, Financial Institutions should be required to disclose all available data (both for reporting year and historical data, emissions, and financial data) and present several calculations options for financed emissions (e.g. both Option 2 and Option 4), so as to be as transparent as possible (transparency should always be prioritized over a potential reduction in readability).

Economic emission factor adjustments

115. Do you support a price adjustment of emission factor?

We understand the case for price adjustments, but do not support leaving it up to Financial Institutions to decide which adjustments to make.

116. Is this guidance meaningful and sufficient?

The guidance does not seem sufficient, as it is much too vague, and lacks requirement with respect to the disclosure of assumptions underlying these adjustments. The consultation draft clearly states that: "additional work is recommended by the PCAF Climate Data Working Group to investigate the large variances between reported and estimated emissions".

117. Should this guidance be added to the PCAF Standard? Once it has been added, it will also be incorporated into the datasets in the PCAF Database.

In its current form, no.

Reporting recommendations

118. Does your institution run an attribution analysis and report them externally?

Entrez votre réponse

119. Have you faced any implementation challenges in running such attribution analyses. If so, please expand in the comments.

Entrez votre réponse

120. Do you agree with the current recommendation to make such a disclosure as optional, or do you feel there is a case to make it mandatory?

Overall, the language proposed by the consultation draft regarding disclosure requirements should be strengthened, both regarding the way in which Financial Institutions must address temporal misalignments and the realization of attribution analyses to explain the drivers of changes in financed emissions. These disclosure elements are critical in understanding the evolution of emissions and should be made mandatory.

121. Should PCAF create a separate working group to develop a consistent approach to conduct attribution analyses?

Yes. With financial components, attribution analyses can prove to be a quite complex exercise (especially "two-layer" approaches with interaction effects). Without any firm requirement and uniform guidance, it's very unlikely that this language has any effect at all.

General

122. If you have any further feedback on the content of this Consultation Draft that is not addressed by the questions above, please provide it here.

Entrez votre réponse

Undrawn Loan Commitments

123. Would you like to provide feedback on this method? *

- ○ Yes
- ◉ No