



Commodity Futures Trading Commission
Climate-Related Market Risk Subcommittee
Three Lafayette Center
1155 21st Street, NW
Washington, DC 20581

May 13, 2020
Ivan Frishberg
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Dear Chairman Litterman and members of the CFTC Climate-Related Market Risk Subcommittee:

On behalf of PCAF and its member financial institutions, I am writing to provide information with respect to our work on the global methodology for measuring financed emissions, which we believe provide important data that contributes to assessing climate-related financial and market risk. The [Partnership for Carbon Accounting Financials](#) (PCAF) is the first global initiative created by the financial industry to harmonize the measurement of greenhouse gas (GHG) emissions financed by loans and investments. By quantifying these emissions, financial institutions are able to assess exposure to climate-related risks in their portfolios.

The PCAF standard provides a first-ever globally harmonized and robust GHG emission accounting methodology covering asset classes relevant to banks and investors. It is being developed by the industry, via a collaborative and inclusive process. Committed to measure and disclose emissions of their portfolios, our partnership is rapidly expanding in North America, Latin America, Europe, Africa and Asia-Pacific with nearly 60 participating financial institutions worldwide. Outside of our formal membership the methodology is being used by Development Banks, Asset Owners and other financial players as an important component of understanding exposure and risk in portfolios.

PCAF provides straightforward, transparent, granular and harmonized methodologies to account for the GHG emissions financed by loans and investments. This directly supports the topics the CFTC's Market Risk Advisory Committee is exploring:

- Evaluating and managing climate-related financial and market risks – *PCAF provides a methodology to link loans and investments with their GHG emissions impact*
- Improved integration of climate related scenario analysis, stress testing, governance initiatives, and disclosures into financial and market risk assessments and reporting – *PCAF is the only globally consistent approach to measure financed emissions and requires members to report on their emissions. Measuring financed emissions is a cornerstone for scenario analysis and stress testing.*
- Identifying policy initiatives and best practices for risk management and disclosure of financial and market risks related to climate change that support financial stability – *Quantifying risk based on financed emissions is a necessary first step to managing risk*
- Identifying appropriate methods by which market participants' data and analyses can enhance and contribute to the assessment of climate-related financial and market risks – *PCAF provides an emission factor database that its participating financial institutions use to calculate their portfolio emissions, which is a measure of exposure to climate-related risk. This data is open to all members at no cost and in turn helps drive more climate-related data and disclosure from the finance sector.*

We are grateful for the CFTC's work on this subcommittee and hope that our experience with the measurement of financed emissions and the use of this data across the fields of risk, target setting, and management, can be of use to the Climate-Related Market Risk Subcommittee. Our goal is that our work will provide financial institutions with a straightforward, transparent, granular and harmonized approach to take action. This will in turn lead to consistent assessments of the financial industry's

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contributions to climate change and trigger their risk management, and provide policymakers with the necessary information to create effective regulation.

Thank you for considering this information as you continue your work, and we are happy to provide more information on the methodology.

Sincerely,

A handwritten signature in black ink, appearing to read 'Ivan' followed by a stylized surname.

Ivan Frishberg,
PCAF North America Chair and Global Steering Committee Member, PCAF

Annex: Additional information on PCAF

The Partnership for Carbon Accounting Financials (PCAF) was founded by fourteen Dutch financial institutions, under the leadership of ASN Bank, in the Netherlands in 2015. Since then, more financial institutions from the Netherlands have joined to develop and implement open-source methodologies to measure and disclose the GHG emissions of all asset classes within their loans and investments portfolios. Over the past 4 years, the Dutch PCAF participants have developed carbon accounting methods for 10 asset classes which have been applied to over 1 trillion Euro of assets under management. The Dutch PCAF methods can be found [here](#).

Building on this proven value, PCAF expanded to North America in 2018. Led by Amalgamated Bank, 12 financial institutions have adapted the PCAF carbon accounting methodologies to the North American context. The methods developed by this group can be found [here](#).

Triggered by the global commitment of 30 banks part of the Global Alliance for Banking on Values (GABV), PCAF went global on 23rd of September, aiming to create the first-ever global carbon accounting standard for the financial sector built on the work of the Dutch and North America groups.

Now, with 60 financial institutions globally, we see tremendous momentum as more financial institutions join and commit to measure and disclose the GHG emissions of their loans & investments. We aim to have 100 financial institutions join by the end of 2020 and more than 250 by 2022 through PCAF's global recruitment strategy. Our five regional teams cover the EU and North America, where most of our current participants are focused, plus Latin America, Asia Pacific and Africa. Most recently we have welcomed CIBAFI (General Council for Islamic Banks and Financial Institutions with over 130 members from more than 34 jurisdictions around the world) as partner to expand our coverage into the Middle East and Northern Africa. In the long term, we also envision having local PCAF representation at a national level, which is already in place in the Netherlands and the US.

We are currently developing the PCAF Global Carbon Accounting Standard, which we will launch by the end of this year. The methodology is being developed by front-running financial institutions and is in line with the requirements of the GHG Protocol. Before its launch we will conduct an extensive public consultation process, which will include all relevant stakeholders such as:

- the EU TEG on Sustainable Finance, with which our method for listed equity and bonds aligns and with which we are in discussion to align and strengthen each other's initiatives;
- TCFD, with which we are in close contact to align on disclosure requirements;
- World Resources Institute (WRI)/GHG Protocol, with which we are in discussions to receive the "Built on GHG Protocol" mark;
- CDP Financial Services, which has embraced PCAF as the method for carbon accounting for all financials; and
- Accountancy firms, with which we are already in contact globally and have been audited carbon accounting reports incorporated in annual reports of PCAF participants.
- Local regulators and central banks from all regions of the world, who are providing feedback.

The PCAF Global Carbon Accounting Standard is developed based on the GHG Protocol accounting standards and will offer very specific accounting rules and guidance for financial institutions. For instance, the PCAF standard provides specific accounting methodologies for six asset classes (residential mortgages, commercial real estate, business loans, listed equities and bonds, project finance, motor vehicle loans), giving granular guidance on how to measure financed emissions in line with the GHG Protocol. This will help ensure accuracy of and consistency in emission reporting of financial institutions. The PCAF standard will also be accompanied by an emissions factor database and a tailored data quality score card per asset class. These will enable financial institutions to start measuring emissions, perform scenario analysis and stress test on their portfolio.