



Ministerie van Financiën

NL climate agreement and role for financial sector

Financial stability department
Dutch ministry of finance

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1. The Dutch climate agreement

- In 2018 NL started public-private initiative to reduce CO2 emissions by 49% in 2030 and 100% by 2050.
- 5 tables with representatives from 5 sectors of the economy (housing, industry, agriculture, electricity, mobility) and responsible ministries.
- Each table has received a reduction target in megatons of CO2 by the ministry of the environment. Last May, these tables proposed hundreds of measures to attain the reduction targets.
- Financial sector has own separate table to discuss how to finance such measures



2. Specific measures by the financial sector

- Financial sector (banks, insurers, pension funds, and asset managers) table deals with question how to finance different projects. Ministry of finance present at that table.
- Moreover, as part of the agreement, the financial sector has committed to measure, report and reduce the carbon footprint of their portfolio.
- This basically means that they will align their portfolio with the Paris goals and be transparent.



3. How to measure and report carbon footprint

> Agreement:

- As of 2020 each financial institution will report the footprint of relevant parts of its balance sheet.
- Before 2022 each financial institution will present an action plan on how to reduce the footprint in line with Paris goals.
- Financial sector and relevant ministries have agreed to extensively share knowledge and experience in coming years to identify bottlenecks.

> Current challenges:

- Lack of data on climate impact of underlying investments.
- Methods for accounting for GHG emissions and reporting are in development.



4. Example of accounting and reporting standard

- > Dutch financial sector is developing GHG accounting and reporting standards : for example the platform carbon accounting financials (PCAF) and Terra (2 degrees)
- > For each asset class a metric to measure CO2 impact is developed. Mortgages, corporate finance, equity, gov't bonds etc.
- > Example:
 - PCAF provides a method to estimate, on the basis of energy labels, the emissions of an underlying mortgage portfolio
 - This allows the bank to determine what is needed to get on track to reach Paris goals
 - Banks can take actions accordingly, such as promoting energy efficiency investments
 - This also decreases the climate-related risks



5. Why is this relevant for ministries of finance?

1. Climate change and the transition to a sustainable economy pose a risk for financial institutions.
2. The transition requires billions of investments that need to come from private sector as well.
3. Measuring, reporting and aligning portfolios with Paris goals allows financial institutions to mitigate risks and contribute to the transition. Also, it helps consumers to identify the 'greenest' financial institution.
4. Ministries of finance can promote transparency, help to develop methods, metrics and scenarios, and encourage knowledge-sharing.



6. What role do we see for the coalition?

- › Do members see a role in mapping existing GHG-metrics and methods and identify best practices?
- › Could this be part of the roadmap under principle 5?



Questions?

Feel free to contact our
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