

Mizuho appointed as chair of newly established PCAF Japan coalition

Mizuho Financial Group, Inc. (President & Group CEO: Tatsufumi Sakai) has been appointed chair of the newly established Japan coalition of the Partnership for Carbon Accounting Financials (PCAF). The coalition was launched today by the six Japanese financial institutions participating in the global, industry-led PCAF initiative.

Since the adoption of the Paris Agreement in 2015, climate change initiatives have grown rapidly on a global scale. With the accelerating momentum toward achieving a low-carbon society and carbon neutrality by 2050, financial institutions are increasingly focusing on measuring and reducing greenhouse gas (GHG) emissions within their lending and investment portfolios.

PCAF develops and implements open-source methodologies to measure the GHG emissions of financial institutions' lending and investment portfolios. As of November 2021, over 170 financial institutions globally in 48 countries have joined PCAF, including commercial banks, investment banks, insurance companies, and institutional investors.

The PCAF Japan coalition, with the support of PCAF Global, will promote the sharing of experience, knowledge, and issues among participating financial institutions and the financial sector. The collaboration will promote the adoption and expansion of the measurement and disclosure of GHG emissions from loans and investments by Japanese financial institutions.

In addition to our current measurement and disclosure of GHG emission intensity in relation to project finance for power generation projects, based on the PCAF Global GHG Accounting and Reporting Standard for the Financial Industry released in November 2020, this fiscal year we have started expanding measurement for a wider range of target assets and sectors on a trial-and-error basis, while utilizing PCAF's insights and emission factor database.

In exploring the estimation of GHG emissions and methods for utilizing such data, we have come across several practical challenges. These include interpretation of industry types according to Japanese standards, insufficient GHG emission and other data from financed entities, a need for efficient data collection methods, and duplicated emissions counting at various levels.

To overcome these challenges, it is important that we further strengthen collaboration with our various stakeholders, including collaboration in the financial sector. As a first step, we contributed to the establishment of the PCAF Japan coalition as the first Japanese financial institution to join PCAF. Going forward, in our role as the PCAF Japan coalition chair, we will demonstrate leadership toward expanding the measurement and disclosure of GHG emissions among Japan's financial institutions. This will work toward strengthening collaborations with PCAF signatories around the world, including those in the Asia-Pacific region.

We will proactively fulfil our role as a financial services group in the effort to achieve a low-carbon society and to positively contribute to the development of a climate change resilient society by 2050.

[References]

FAQ about PCAF

The following is an excerpt from the FAQ published on the PCAF web site.

<https://carbonaccountingfinancials.com/contact#faqs>

- What is PCAF?

PCAF stands for the Partnership for Carbon Accounting Financials. It is a global industry-led initiative to measure and disclose the greenhouse gas emissions financed by loans and investments. Ultimately, this is meant to trigger changes in banks' and investors' portfolios which align with the goals of the Paris Agreement.

- Why was PCAF created?

PCAF was created because a group of financial institutions, ranging from banks, insurance to asset owners and managers, realized their role was crucial in accelerating the transition to a decarbonized economy. Banks represent most of the available capital globally and since the Paris Climate Agreement the largest banks have still invested more than \$3.8 trillion into the fossil fuel sector. This is equivalent to more than \$2bn for every day since the end of 2015, with no downward trend and no assessment of the carbon impact of that finance. Given the scale of the climate challenge and the crucial role of the financial sector in facilitating the net zero carbon transition, the Partnership for Carbon Accounting Financials was created.

- What are the objectives of PCAF?

PCAF has set two objectives: (i) develop a global greenhouse gas (GHG) accounting standard making GHG accounting common practice within the financial sector; (ii) attract more than 250 financial institutions globally that assess and disclose the emissions associated with their loans and investments.

- What are the main characteristics of the PCAF Global GHG Accounting and Reporting Standard?

Building on the GHG accounting methodologies developed in the Netherlands and North America, a harmonized global GHG accounting standard for financial institutions was developed. The Standard covers various asset classes (such as mortgages, commercial real estate, business loans, listed equity and corporate bonds, etc.) and is open-source and transparent.

- What are the key benefits of joining PCAF?

PCAF is an open-access, free-of-charge collaboration. As PCAF develops a global harmonized standard for the way financial institutions measure and disclose climate impact, specifically financed emissions as defined under the Greenhouse Gas Protocol, it becomes possible to act to reduce impact and align with global and national policy goals.

The GHG Accounting and Reporting Standard developed by PCAF is a foundation for various other initiatives, making PCAF complementary to existing climate initiatives.

Through GHG accounting, PCAF members become aware of their impact and are triggered to have tangible impact in the real economy.

- How is PCAF different from or complementary to other climate finance initiatives?

PCAF is the only industry-led initiative in the market that enables financial institutions to assess and disclose greenhouse gas emissions of loans and investments through an open-source and transparent approach built on the Greenhouse Gas Protocol.

PCAF complements other climate initiatives addressing the financial sector, such as:

- Task Force on Climate-related Financial Disclosures (TCFD): PCAF provides a framework for financial institutions to disclose their greenhouse gas emissions, which is one of the TCFD recommendations.
- Paris Agreement Capital Transition Assessment (PACTA): PCAF complements PACTA by providing GHG accounting methods for a wider scope of financial assets (i.e. beyond equity and corporate bonds). The data used in PACTA's tool is helpful for the implementation of PCAF's approach for listed equity and corporate bonds.

- Science Based Targets Initiative (SBTi): PCAF has developed GHG accounting methods for relevant asset classes and financial institutions can use them to calculate their current exposure of their portfolio, which is the first step to set SBTs.
- UN Principles on Responsible Investing and Banking (PRI and PRB): PCAF fully aligns with PRI and PRB and helps investors and banks to fulfill the principles on transparency, accountability and disclosure.

- Do financial institutions need to pay a fee to join PCAF?

No. Participation in PCAF, as well as the use of its methodologies, is open-access, free-of-charge, and accessible to financial institutions of all sizes, on all continents, and loans and investments at every scale.

Access to PCAF's web-based emission factor database and corresponding database methodologies is exclusively available to PCAF signatories.

Supporting this diversity of institutions is central to PCAF's efficacy as a contributor to global plans and policies for climate action.

- What does it entail to join PCAF?

Financial institutions that join PCAF commit to assess and disclose the GHG emissions associated with their portfolio of loans and investments within a period of three years using jointly developed accounting methodologies. A commitment letter is available here.
<https://carbonaccountingfinancials.com/join-pcaf>

Furthermore, financial institutions that join PCAF will obtain free technical assistance to start measuring emissions financed by loans and investments. More details on what is included in this free technical assistance are available here.

https://carbonaccountingfinancials.com/files/2020-11/1605888096_20201120-free-technical-assistance-under-the-pcaf-initiative.pdf?82529f01b8