Consultation on draft guidance for how to measure and report your greenhouse gas emissions

Carbon Accountability Programme

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Introduction

The Carbon Accountability Programme (CAP) aims to enhance business and personal confidence in low-carbon products and markets by improving accountability for related environmental claims. The CAP is seed funded by the Joseph Rowntree Charitable Trust and hosted by Friends of the Earth Scotland.

We warmly welcome this guidance and fully support the goal "to help UK organisations of every size to measure and reduce greenhouse gas emissions".

We have focussed this response on the financial sector whose potential for influencing emission reductions in the economy is not captured or capitalised in this draft guidance.

For other aspects of the guidance we support the Aldersgate Group response and direct the Government to that document.

Specific comments

Q2. Do you agree with all the recommendations? It would be helpful if you could comment on any recommendations with which you disagree (Guidance: page 76).

The Carbon Accountability Programme (CAP) believes greater consideration should be given to key organisations with significant *influence* on the UK's GHG emissions and organisations with significant Scope 3 emissions.

We believe that standard practice for the financial industry should include the reporting of emissions from key industry sectors in the organisation's finance or investment portfolio.

These key sectors should be defined by their importance to the transition to a low carbon economy or where investment would lock the UK into a high carbon future. We suggest the key sectors must include fossil fuel extraction, the power sector and transport infrastructure.

Financial sector organisations have very modest Scope 1 and 2 emissions relative to their influence on the economy's emissions in the medium and long-term. Their Scope 3 emissions, associated with the financing of high carbon activities, are significant – in terms of scale and public environmental risk. Despite the potential financial risk to the organisation, as legislation targeted at private institutions to reduce GHG emissions is introduced (e.g. EU ETS), current company law rules are not delivering adequate reporting. The inclusion of guidance for institutional investors to publicly report their portfolio emissions from key sectors will capitalise on the influence investors have on a company's activities and policies to achieve emission reductions.

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The Carbon Accountability Programme is hosted by Friends of the Earth Scotland

Our opinion is based on the following arguments:

- Investments made today in the production of fossil fuels will determine the carbon-intensity of the future economy.
- Financed emissions qualify as scope 3 emissions according to the criteria listed in the guidelines.
- **Scale:** Financed emissions are by far the largest portion of emissions associated with the core activities of the financial sector.
- **Importance to business:** Significant and currently underappreciated financial risk to the financial industry. Standard Chartered state, *"We recognise that as a financial institution, the biggest impact we have on society and the environment is through the financing we provide to our clients*."[1]
- **Potential for reductions:** Financial organisations and investors manage trillions of pounds; their potential to influence emission reductions is extremely significant.
- The financial sector is extremely **concentrated**, the most representative companies in the sector already report scope 1 and 2 emissions under CDP and it would not be significantly difficult to adapt to complying with new guidelines.
- **Data gathering:** Compiling a full lifecycle analysis for every activity or product may be onerous. However the appropriate calculation of financed emissions for the suggested sub-set of key sectors important to the transition to a low carbon economy or where investment would lock the UK into a high carbon future, is fully achievable for large organisations.

Aside from the quantitative data, it would be useful to recommend that the financial sector reported policies that reflect the inclusion of climate change into internal policies regarding namely risk and portfolio management. A robust list of question on these matters is provided in the report *Banking & climate change: opportunities and risks. An analysis of climate strategies in more than 100 banks worldwide*.[2]

Please feel free to get in touch if you have further questions.

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[1] Standard Chartered (2008) Sustainability Review [Internet]. Available from: http://www.standardchartered.com/_documents/2007-sustainability-review/sc_2007_sustainabilityReview.pdf [Accessed 24 July 2009], p. 3.

[2] Furrer, B., Hoffmann, V. Swoboda, M. (2007) Banking & climate change: opportunities and risks. An analysis of climate strategies in more than 100 banks worldwide [Internet]. Available from: <http://wwwsam-group.com/downloads/publications/sam_study_banking_e.pdf> [Accessed 01 July 2009].