



# FINANCING OUR FUTURE

Insight in the greenhouse gas emissions of  
NWB Bank loan portfolio (reporting year 2020)

HET **pon** | **telos**

# 1. Introduction



Since the 2015 Paris Climate Conference, the Dutch financial sector has been involved in contributing to the realization of the ambitions of the Paris Agreement. Banks play a crucial role in the realization of these ambitions. 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 (PCAF) was created.<sup>1</sup>

This report shows the greenhouse gas emissions of the NWB Bank loan portfolio. At the beginning of 2019, NWB Bank formally committed themselves to the PCAF initiative.

<sup>1</sup> <https://carbonaccountingfinancials.com/about>

# NWB Bank



As a bank of and for the public sector, NWB Bank's interests and values differ from strictly commercial banks. The bank does not pursue profit maximisation. In addition to ensuring a strong financial position and efficient business operations, NWB Bank expressly focuses on creating long-term social value. It is dedicated to a stable and sustainable financial sector, which in turn contributes to an economy that serves mankind whilst causing the least possible harm to the environment. NWB Bank provides appropriate financing to its clients on the most favourable terms possible. This enables the bank to keep the burden on citizens as low as possible and work towards implementing affordable sustainable practices in the Netherlands. The need to enhance sustainability and the energy transition are key challenges for society and the bank's clients. NWB Bank feels bound to contribute to these goals. The transition to a climate-neutral and circular economy will require major investments in the decades ahead, both worldwide and in the Netherlands. Renewable energy projects generally involve substantial financing needs and a lengthy period during which the investment must be recouped. The bank is perfectly equipped to provide this type of long-term financing. NWB Bank's significant size, efficient business model and excellent creditworthiness means it is able to keep financing costs low for its clients. PCAF plays an important role in enabling the NWB Bank to make the transition to a positive, low-carbon future. By making the GHG emissions transparent, NWB Bank takes a very important step towards eventually aligning the portfolios with the Paris Climate Agreement.



## 2. NWB Bank and PCAF

NWB Bank committed itself to PCAF in January 2019. In 2019, NWB Bank asked Het PON & Telos, official partner of Tilburg University, to measure the GHG emissions associated with the bank's loan portfolio, using the PCAF methodology. At that time the public sector loans methodology was not yet covered by the PCAF approach. Therefore a new methodology for this specific sector had to be developed.

In the first half of 2019 this methodology was developed and the methodology has been discussed with the chairman of the Dutch PCAF group. In line with the open source nature of PCAF, this new methodology has been made publicly available by adding it to the 2019 PCAF Harmonised approach for the financial sectors in the Netherlands.<sup>2</sup>

During the second half of 2019 the necessary data were collected and the calculations were made using the PCAF methodology. At the beginning of 2020<sup>3</sup> the results were presented and were published on the NWB Bank website.

After having incorporated the results of applying the PCAF methodology in the annual reports of 2019 both NWB Bank and BNG Bank have expressed the wish to continue their participation in PCAF. So the 2020 version of the annual reports of both banks contain more accurate calculations of the GHG emissions based on the PCAF methodology. The more accurate calculation is the result of the wish of both banks to investigate if quality improvements of the applied PCAF methodology are possible. Het PON & Telos has been asked to explore these possibilities. The results of this exploration leading to a more accurate calculation, have been presented in a separate methodology

approach report, released in October 2020.<sup>4</sup> The investment in further quality improvements of the methodology can be seen as a next, extended contribution from NWB Bank and BNG Bank to the development of the PCAF methodology.

In this report the Loan Portfolio climate impact of NWB Bank has been (re)calculated based on the adapted PCAF methodology. The approach is in line with the harmonised PCAF approach for the financial sector in the Netherlands 2019.

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<sup>2</sup> PCAF, The Netherlands., (2019). Accounting GHG emissions and taking action: Harmonised approach for the financial sector in the Netherlands. Navigant, 2019. p90-91

<sup>3</sup> See NWB (2020), Annual report 2019, p7 and p9

<sup>4</sup> Mulder, R., Roover, I. van, Dagevos, J., Verhoeven, L., Wentink C. (2020), Loan Portfolio Climate Impact of BNG Bank & NWB Bank, Methodological approach report 2020



### 3. Results for NWB Bank

Available data on GHG emissions, or estimated emissions by using impact data and appropriate emission factors, were used to calculate the impact of different sectors of NWB Bank loan portfolio. The impact data includes direct (scope 1) as well as indirect emissions (scope 2 and 3 if available). Besides the calculation of the GHG emissions, a ratio between outstanding loan portfolio per client and the total balance sheet of the respective client was used for the attribution of NWB Bank loans to the total assets of GHG emitting clients. This results in the attributed GHG emissions for NWB Bank's loans.

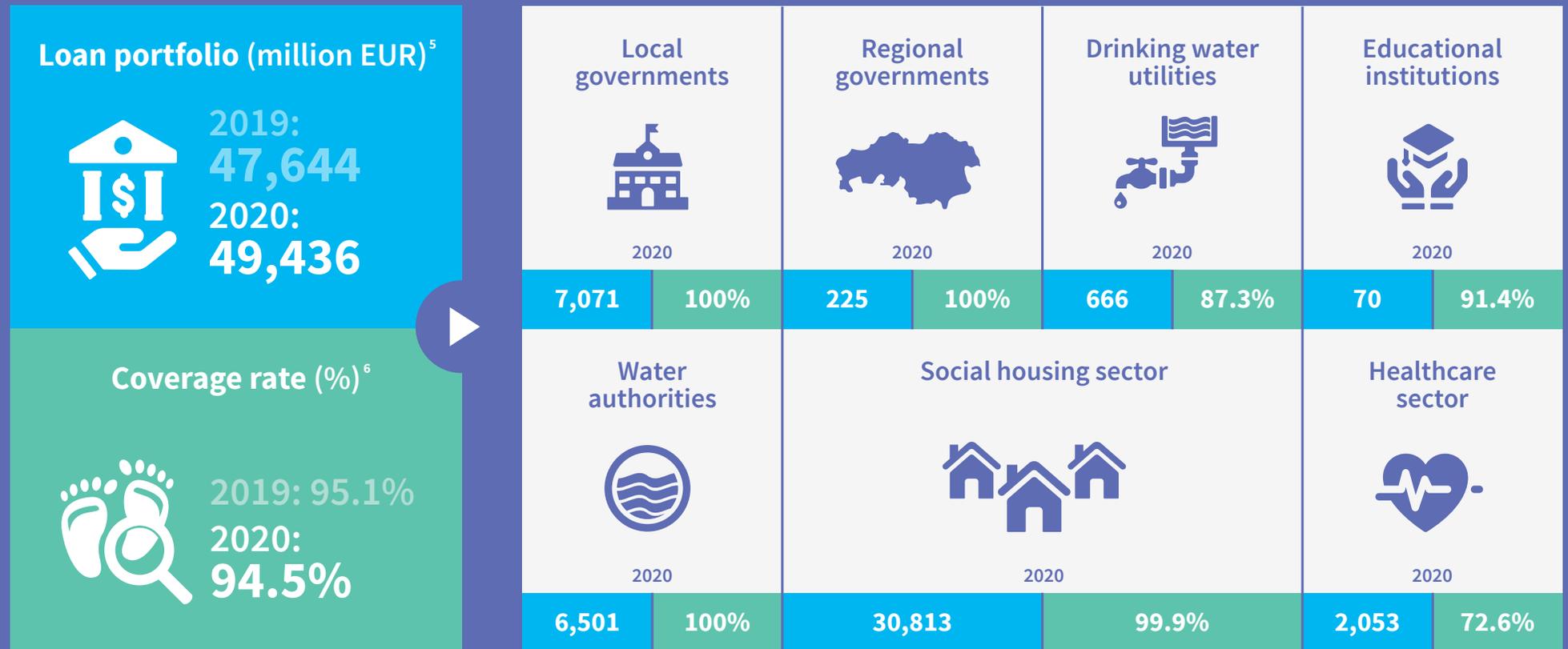
Current report contains the GHG emissions of two time periods: the reporting year 2019 and 2020. That makes it possible for the bank to monitor the progress of the carbon footprint over time.

Currently, it is practically impossible for banks to cover the whole loan portfolio with GHG emissions for all activities, due to a lack of sufficient data. For NWB Bank it has been possible, because of its unique position in the market, to cover 94.5% of its loan portfolio in this GHG emission reporting. An overview of total GHG emissions for the loan portfolio of NWB Bank of reporting year 2019 and 2020 is given in the infographic.

The NWB Bank loan portfolio of the reporting year 2020 has a total of 1,595 kiloton GHG emissions. This is 135 kiloton less than the total GHG emissions of reporting year 2019.

This is a great accomplishment, because the total loan portfolio has grown from 45 to 47 billion Euro. The emission intensity (ton CO<sub>2</sub>-eq/million EUR) has decreased from 38.2 to 34.1 ton per million euro.

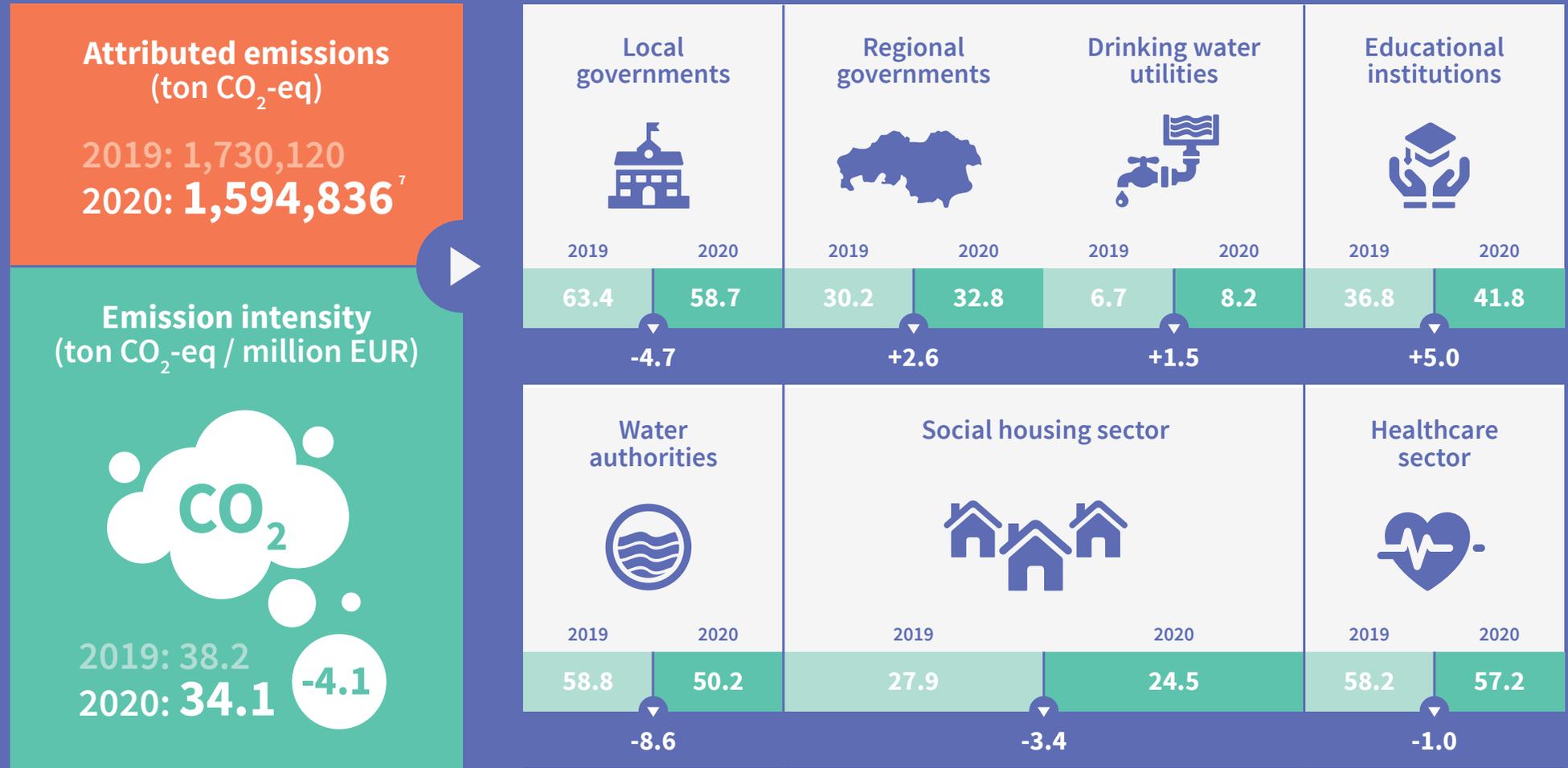
Total outstanding loans of NWB Bank and coverage rate in the GHG assessment of reporting year 2019 and 2020



<sup>5</sup> Loan portfolio of 31-12-2018 for reporting year 2019 and loan portfolio of 31-12-2019 for reporting year 2020.

<sup>6</sup> In the PCAF report 2019 the coverage rate was 93%. In current report the coverage rate is higher due to developments in the methodology in comparison to the PCAF report 2019.

Emission intensity as CO<sub>2</sub> equivalent per million EUR of the reporting years 2019 and 2020



<sup>7</sup> For reporting year 2020 the loan portfolio of 31-12-2019 was used and the most recent available data was used for the GHG emission calculations. For reporting year 2019 the loan portfolio of 31-12-2018 was used and for the GHG emission calculations data is used from a year earlier than for reporting year 2020.

## Conclusions for NWB Bank



- ✓ Although the loan portfolio increased with 2 billion euro, the total absolute CO<sub>2</sub> equivalent emissions reduced with 135 kiloton CO<sub>2</sub> equivalent in 1 year
- ✓ The emission intensity decreased with 4.1 ton CO<sub>2</sub> equivalent per million euro
- ✓ The largest decrease in emission intensity was seen for the water authorities, local governments, and the social housing sector
- ✓ The water authorities invested in sustainable energy projects in the Netherlands
- ✓ The social housing sector improved the energy labels of the rental homes

## 4. From CO<sub>2</sub> equivalent footprint to action



Measuring and disclosing the GHG emissions associated with the lending and investment activities of financial institutions is the foundation to create transparency **and** accountability. But PCAF is not only about measuring the GHG emissions of a financial institutions portfolio.

The aim is also to identify and set carbon footprint reduction targets, and take actions. Charting the climate impact of its lending is an important step towards developing objectives for how NWB Bank can contribute to achieving the Paris climate targets. Based on this insight, the bank would also like to have a positive impact on the (sustainability) policy of its clients. In 2021 the bank will develop an action plan.





## 5. How does it work?

The GHG Protocol is the basis for carbon accounting. In line with PCAF and the GHG Protocol, the methodology used in this report is respecting basic accounting principles of Completeness, Consistency, Transparency, Prudence, Balance and Accuracy. The GHG protocol defines three different scopes all entities may report about separately (see page 11). In the present report these scopes are defined from the perspective of the reporting financial institution i.c. NWB Bank and focusses on all the direct and indirect greenhouse gas emissions NWB Bank is responsible for outside of its own walls by financing different type of organizations. In the PCAF methodology scope 1, 2, and 3 refer to the scopes from the viewpoint of the investee, project, company, or government.

According to the GHG Protocol Corporate Value Chain Accounting and Reporting Standard, the carbon footprint of any financial institution should include:

- **Scope 1:** All direct GHG emissions, such as natural gas use, and fuel for company vehicles of the investee, project, company, or government.
- **Scope 2:** Indirect emissions from the consumption of purchased electricity, heat or steam of the investee, project, company, or government.
- **Scope 3:** Covers other indirect emissions such as the extraction and production of purchased materials and fuels, outsourced activities, business travel, waste disposal, etc of the investee, project, company, or government.

Disclosure of total generated emissions data is mandatory for scope 1 and 2. Disclosure of emissions expressed as ton CO<sub>2</sub> equivalent per million Euro for scope 1 and 2 is voluntary. For scope 3 disclosure of total generated emissions data is mandatory when relevant and data is available (i.e., recommended by the methodology). Disclosure of scope 3 emissions expressed as ton CO<sub>2</sub> equivalent per million Euro is voluntary. Institutions should explain why they are not able to provide this information.

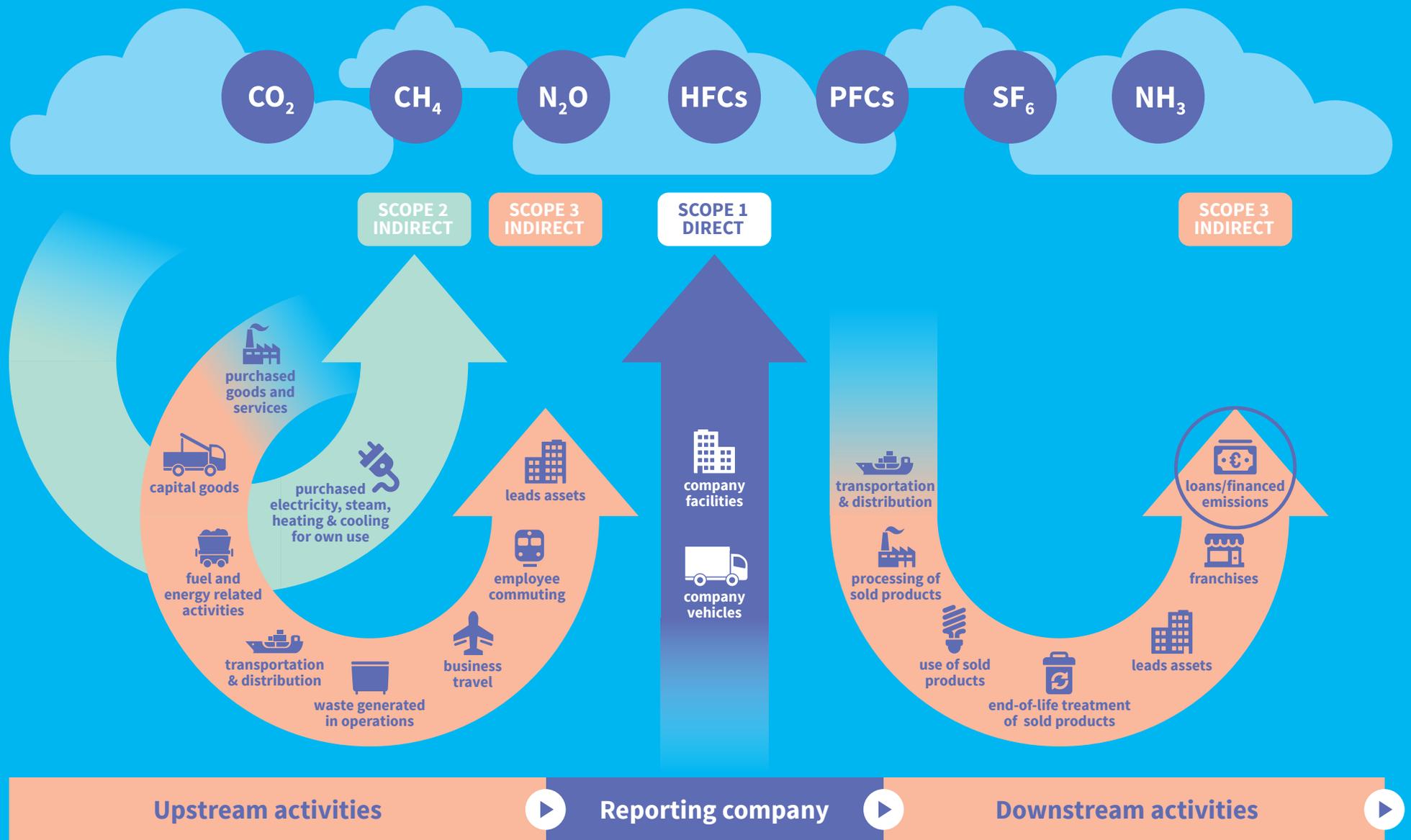


Image based on GHG protocol

## 6. A Partnership for Carbon Accounting Financials: PCAF

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 (PCAF) was created. In 2015, the Dutch Carbon Pledge (PCAF) was started with eleven institutions under the leadership of ASN bank. The financial institutions wanted to take responsibility and come with new and meaningful steps to keep global warming under safe levels. The financial institutions that committed to PCAF started with measuring and disclosing the Greenhouse Gas Emissions (GHG) emissions of their loans and investments.

Since then, more financial institutions from the Netherlands have joined forces under PCAF to develop and implement open-source methodologies to measure the GHG emissions of all asset classes within their loan and investment portfolios. At the beginning of 2019, NWB Bank formally committed themselves to the PCAF initiative.



At the end of 2020, 95 institutions are partners within PCAF with over 19 trillion dollars in assets. More than half of it concentrated in Europe and 40% in North-America.<sup>8</sup>



**PCAFA**

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**Financial institutions**



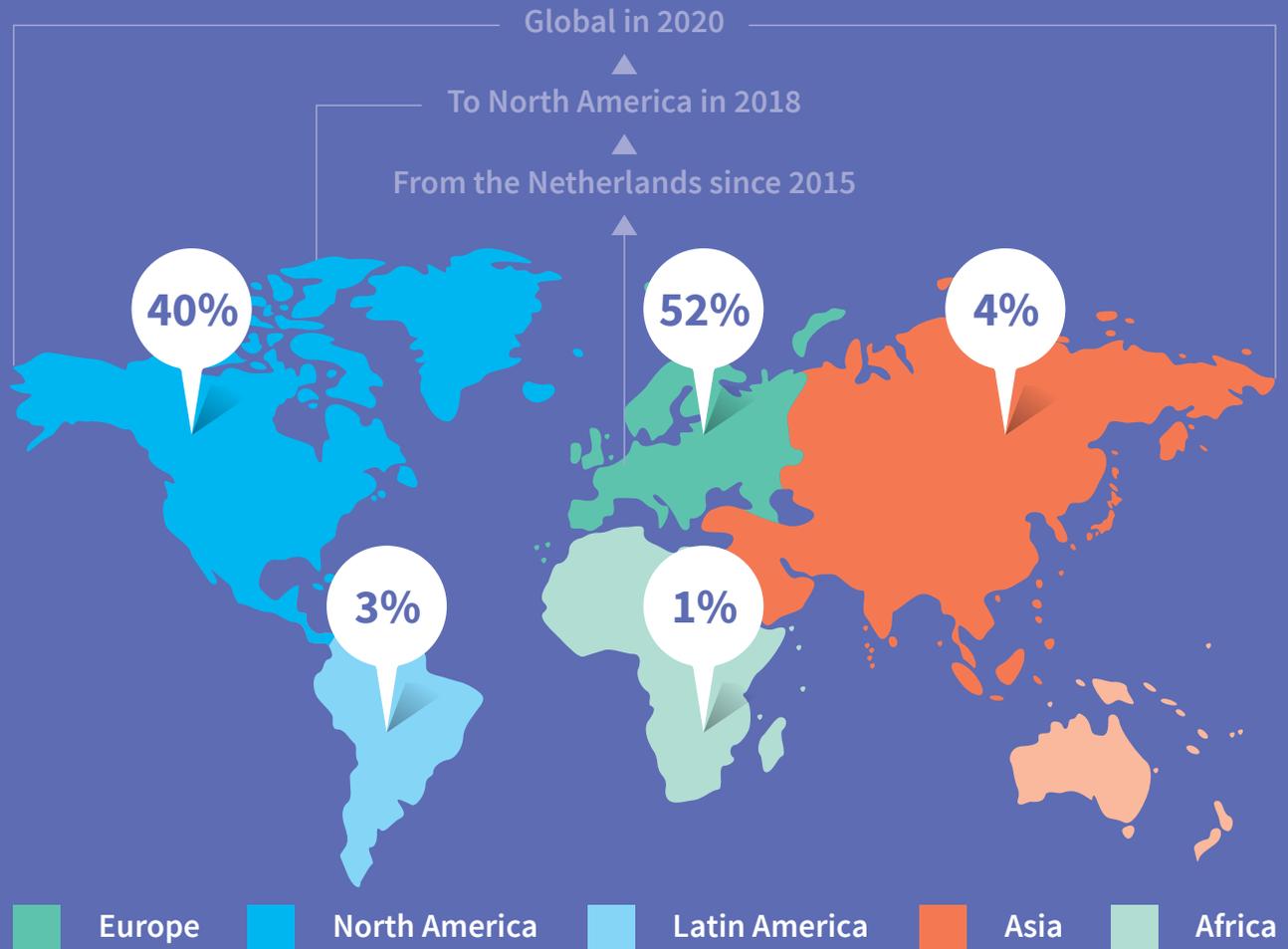
**95**

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**Trillion dollars in assets**



**19.7**



<sup>8</sup> 24-1-2021 / See <https://carbonaccountingfinancials.com/financial-institutions-taking-action#overview-of-institutions> for an overview of all the following financial institutions that have committed and disclosed the greenhouse gas emissions associated with their portfolio of loans and investments.

# Improving social decision-making

Het PON & Telos is a social knowledge organisation at the heart of society. We consider it our mission to improve social decision-making. We do this by linking scientific knowledge to practical knowledge. In this process every voice counts. We collect, investigate, analyse, and interpret opinions and facts using stimulating approaches and innovative methods. In doing so, we are always focused on sustainable development: the harmonious connection between social, environmental and economic objectives. In this way we contribute to the quality of society at large, now and in the future.

With a multidisciplinary and creative team of nearly 30 research consultants, we work mainly for local and regional authorities in the Netherlands, but also for corporate bodies, banks, care and welfare institutions, funds, and social organisations. We work closely with civic organisations and other knowledge institutions and are an official partner of Tilburg University. We use our knowledge and insights to advise initiators, policy-makers and managers. This enables them to make informed choices and give a positive impulse to the society of tomorrow.

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