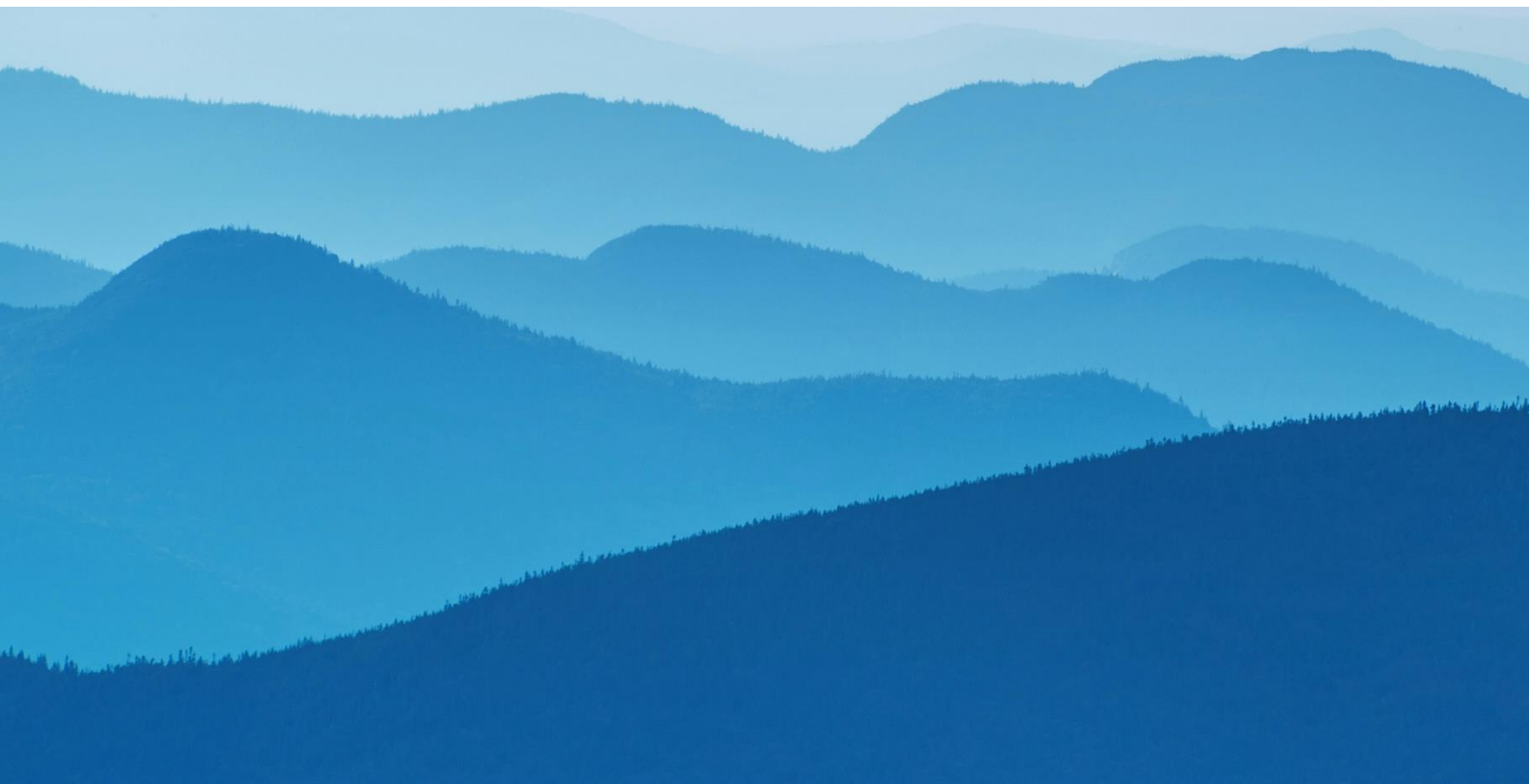


Metrics for Climate Transition and Net-Zero GHG in Finance

Supporting climate policy goals and avoiding greenwashing

WORKSHOP

22 February 2023, 12:30-18:00 CET
18:15-20:00 cocktail (in-person participants)
OECD Paris HQ and on Zoom



Workshop on Metrics for Climate Transition and Net-Zero GHG in Finance

■ The challenge

Article 2.1c of the Paris Agreement calls for “making finance flows consistent with a pathway towards low greenhouse gas (GHG) emissions and climate-resilient development”, thus recognising the critical role played by finance in meeting climate policy goals. Measuring progress towards this goal requires the development of relevant indicators and assessments, for both the financial sector and underlying real economy assets, actors, and investments.

In this context, an increasing number of initiatives are supporting the alignment of finance with the Paris Agreement and net-zero goals by, among others, encouraging action, designing alignment frameworks and assessment methodologies, developing metrics, and promoting improved reporting and data availability. The emergence and diversity of such initiatives implies a need for further co-ordination and improved common understanding on the range of potential metrics and indicators. This workshop will contribute to this process, with a focus on if and how such metrics and indicators contribute to assessing progress towards climate mitigation policy goals. As such, the event places a strong focus on the issue of climate integrity and impacts in terms of GHG emission reductions in the real economy.

■ The workshop

To foster knowledge sharing and dialogue, the event will gather technical experts and practitioners within the following communities: climate policy makers, financial regulators and supervisors, investors and financial institutions, researchers, data and assessment methodology providers.

The workshop is being hosted by the OECD Research Collaborative on Tracking Finance for Climate Action, based on funding provided by a range of OECD member countries.¹ It is part of a series of Research Collaborative workshops related to assessing progress towards Article 2.1c of the Paris Agreement. This workshop also contributes to a series of three OECD workshops on “Climate Science, Policy, Regulation and Practice” funded by ADEME and Institut de la Finance Durable in the context of the Finance ClimAct initiative, supported by a grant from the LIFE program.²

Contact

To register: researchcollaborative@oecd.org and Jane.Kynaston@oecd.org

For content-related questions: Raphael.Jachnik@oecd.org and Jolien.Noels@oecd.org

¹ Research Collaborative events and substantive work to assess the consistency and alignment of finance with climate policy goals benefits from funding from Austria, Canada, the European Union, Italy, Norway, Switzerland, the United Kingdom, and the United States of America.

² See [Workshop on Climate Transition Scenarios: Integrating models into risk assessment under uncertainty and the cost of delayed action](#) and [Workshop on Climate Change: Assumptions, Uncertainties and Surprises](#)

Agenda

CHAIR **Raphaël Jachnik**, Team Lead, Finance for Climate Action, OECD Environment Directorate

OPENING SESSION: Importance of environmental integrity in climate mitigation-related assessments of finance

The opening session will highlight the need to avoid greenwashing and ensure environmental integrity in tracking the financial sector's climate mitigation performance and in assessing its alignment with the Paris Agreement temperature goal. The session will take stock of the latest climate science as well as the challenges and integrity issues faced by finance and investment net-zero initiatives and commitments.

12:30 – 12:40 CET

Welcoming remarks

SPEAKER **Jo Tyndall**, Director, OECD Environment Directorate

12:40 – 13:00 CET

Keynote: Climate change and limitations of net zero targets in finance

DESCRIPTION While net zero initiatives in finance should continue to be supported and developed, targets, plans and performance metrics are not always fit for purpose. Building on the latest climate science, the presentation will highlight the environmental integrity concerns central to current net zero emissions initiatives, including in the financial sector, as well as a need to track and measure progress accurately to deliver real economy impacts.

PRESENTER **Joeri Rogelj**, Director of Research, Grantham Institute/Imperial College London

SESSION 1: Metrics and indicators supporting net zero for different financial assets

The session will cover the range of existing and potential indicators to track and assess climate mitigation performance at the level of individual financial assets and asset classes. The session will allow to discuss strengths and limitations of existing indicators, as well as consider potential ways forward for compiling series of complementary indicators towards comprehensive and credible tracking and assessments. In doing so, the session will further highlight both commonalities and differences across asset classes.

13:00 – 14:00 CET

Item A: Corporate equity and debt

DESCRIPTION Acknowledging that most current tracking efforts of financial climate performance focus on corporate related assets, this item will zoom in on the range of climate performance indicators for corporate equity and debt. It will discuss the types of existing indicators, and the integrity and data challenges they face, including in the context of corporate transition plans.

MODERATOR **Jolien Noels**, Policy Analyst, Finance for Climate Action, OECD Environment Directorate

PRESENTERS **Nico Fettes**, Head of Product Development Capital Markets, CDP
George Harris, Senior Associate, PACTA, Rocky Mountain Institute

PANELLISTS **Sylvain Vanston**, Executive Director, Climate Investment Research, MSCI
Charlotte Gardes-Landolfini, Climate Change, Energy and Financial Stability Expert, IMF

DISCUSSION QUESTIONS What GHG and non-GHG based metrics and indicators can credibly measure the climate performance of corporate-related financial assets, incentivise emissions reductions, and assess corporate transition plans?

What are methodological and data challenges, as well as potential solutions, to tracking the climate mitigation performance of corporate-related financial assets?

14:00 – 15:00 CET

Item B. Sovereign bonds and real estate

DESCRIPTION	A sole focus on corporate-related financial assets results in a partial coverage of financial assets and underlying real economy actors and activities. In turn, it can undermine the relevance and environmental integrity of efforts to track the consistency of finance with climate mitigation policy goals. This item will consider indicators available to track and assess the climate mitigation performance of other asset classes, by zooming in on real estate and sovereign bonds. It will highlight current metrics in use, ongoing developments, remaining technical and conceptual challenges as well as, in this context, commonalities and differences across asset classes.
MODERATOR	Walid Oueslati , Head of the Environment, Transition and Resilience Division, OECD Environment Directorate
PRESENTERS	Claire Fyson , Team Leader Mitigation Pathway Analysis, Climate Analytics / Climate Action Tracker Julia Wein , Associate, Institute for Real Estate Economics / Carbon Risk Real Estate Monitor
PANELLISTS	Nicolas Lancesseur , Head of Climate Research, Beyond Ratings/London Stock Exchange Group Justin Travlos , Global Head of Responsible Investment, AXA Investment Managers Real Assets
DISCUSSION QUESTIONS	For which financial asset classes are further tracking and assessment efforts, data and methodological developments most urgently needed to strengthen the integrity and impact of net-zero assessments in finance? What are the commonalities and differences in terms of scope, methodology and greenwashing risks between tracking the climate mitigation performance of corporate-related and other financial asset classes?

15:00 – 15:15 CET

Break

SESSION 2: Aggregate and complementary metrics at the level of financial portfolios and financial centres

This session will reflect on indicators relevant to track and assess climate mitigation performance at the level of financial portfolios, institutions, and centres. It will discuss the types and range of possible indicators, their relevance to avoid greenwashing and reflect actual changes in the real economy, as well as the incentives they set for financial institutions and investors. This session will also consider the practical challenges relating to sourcing the necessary data and constructing aggregate-level indicators.

15:15 – 16:45 CET

MODERATOR	Rob Patalano , Senior Counsellor, OECD Directorate for Financial and Enterprise Affairs
PRESENTERS	Gabriela Blatter , Principal Policy Advisor, Swiss Federal Office for the Environment Raphaël Lebel , Head of Sustainable Finance Observatory, Institut de la Finance Durable
PANELLISTS	Nate Aden , Sector Manager Finance, Science Based Target initiative, WRI Anja Ludzuweit , Executive Director of Portfolio Alignment Measurement, GFANZ Laura Santa , Sustainable Finance Hub, Superintendencia Financiera de Colombia Kevin Adams , Lead Climate Finance Negotiator, US State Department
DISCUSSION QUESTIONS	What are the data and methodological challenges involved in aggregating GHG performance metrics across assets and asset classes to assess the climate performance of financial institutions, portfolios and centres? What types of environmental integrity issues and greenwashing risks result from this? What non-GHG based metrics and indicators can contribute to broader tracking and assessment of net-zero and climate alignment strategies, actions, and impacts by investors and financial centres?

SESSION 3: Frameworks and coordination to strengthen the credibility and integrity of net zero tracking and climate alignment initiatives

This final session will broaden the perspective by considering the standards, frameworks and processes that can further support the credibility and environmental integrity of net zero and climate alignment tracking initiatives, while ensuring equity as well as coherence with other environmental and social policy objectives.

16:45 – 17:45 CET

- MODERATOR **Mathilde Mesnard**, Deputy Director, OECD Environment Directorate
- PRESENTERS **Nicole Pinko**, Senior Analyst, Climate Policy Initiative
Allan Jørgensen, Head of the Centre for Responsible Business Conduct, OECD Directorate for Financial and Enterprise Affairs
- PANELLISTS **Mahesh Roy**, Programme Director Investor Practices, IIGCC
Padraig Oliver, Programme Officer Climate Finance Unit, UNFCCC
- DISCUSSION QUESTIONS What are current gaps in indicators and processes promoted by existing voluntary frameworks, and how can they support or undermine achieving real-economy impacts?
Which existing frameworks and standards can help strengthen the credibility and integrity of financial sector net-zero, climate transition and alignment initiatives?

CLOSING

17:45 – 18:00 CET

Closing remarks and wrap up

- SPEAKER **Mathieu Garnero**, Finance ClimAct Project Director, ADEME - French Environment and Energy Management Agency
Joeri Rogelj, Director of Research, Grantham Institute/Imperial College London
Mathilde Mesnard, Deputy Director, OECD Environment Directorate

18:15 – 20:00 CET

Cocktail

Related OECD publications

Noels, J. and R. Jachnik (2022), **Assessing the climate consistency of finance: Taking stock of methodologies and their links to climate mitigation policy objectives**, OECD Environment Working Papers, No. 200, OECD Publishing, Paris, <https://doi.org/10.1787/d12005e7-en>.

OECD (2022), **OECD Guidance on Transition Finance: Ensuring Credibility of Corporate Climate Transition Plans**, Green Finance and Investment, OECD Publishing, Paris, <https://doi.org/10.1787/7c68a1ee-en>.

OECD (2022), **Policy guidance on market practices to strengthen ESG investing and finance a climate transition**, OECD Business and Finance Policy Papers, No. 13, OECD Publishing, Paris, <https://doi.org/10.1787/2c5b535c-en>.

OECD (2022), **ESG ratings and climate transition: An assessment of the alignment of E pillar scores and metrics**, OECD Business and Finance Policy Papers, No. 06, OECD Publishing, Paris, <https://dx.doi.org/10.1787/2fa21143-en>.

OECD (2018), **OECD Due Diligence Guidance for Responsible Business Conduct**, <http://mneguidelines.oecd.org/OECD-Due-Diligence-Guidance-for-Responsible-BusinessConduct.pdf>.

About the OECD Research Collaborative on Tracking Finance for Climate Action

The Research Collaborative on Tracking finance for Climate Action is an OECD-led research platform to advance and facilitate knowledge sharing, notably in the context of assessing progress towards **Article 2.1c of the Paris Agreement**, which calls for “*making finance flows consistent with a pathway towards low greenhouse gas (GHG) emissions and climate-resilient development*”. The Research Collaborative is grounded in **technical research on data, approaches and methods**, with the aim to contribute to policy-relevant implementation of climate-related finance tracking and assessment.

Previous work consists of both conceptual framing analyses and country-sector pilot studies, which notably allowed a first exploration of existing data, reference points and potential proxies.³ Further research provided an in-depth analysis of current practices, policy relevance, and remaining challenges faced by methodologies to assess the climate alignment of financial assets and portfolios.⁴ In this context, and to the extent made possible by data availability, foreseen Research Collaborative work seeks to address the mitigation- and resilience-related provision of Article 2.1c of the Paris Agreement, financial flows and stocks, real-economy investments and the financial system, as well as the interlinkages between those. In the short term, ongoing work consists of a pilot study for assessing the consistency of finance with **climate resilience** policy goals, a deep dive on **climate scenarios**⁵ use for assessments by and in the financial sector, and an assessment of the **range of possible indicators** to track and assess the climate alignment of finance at the level of financial institutions, across asset classes.

³ See for instance Jachnik, R. and A. Dobrinevski (2021), “Measuring the alignment of real economy investments with climate mitigation objectives: The United Kingdom’s buildings sector”, *OECD Environment Working Papers*, No. 172, OECD Publishing, Paris, <https://doi.org/10.1787/8eccb72a-en>.

⁴ Noels, J. and R. Jachnik (2022), “Assessing the climate consistency of finance: Taking stock of methodologies and their links to climate mitigation policy objectives”, *OECD Environment Working Papers*, No. 200, OECD Publishing, Paris, <https://doi.org/10.1787/d12005e7-en>.

oe.cd/rc-workshop-metrics-netzero-fin

