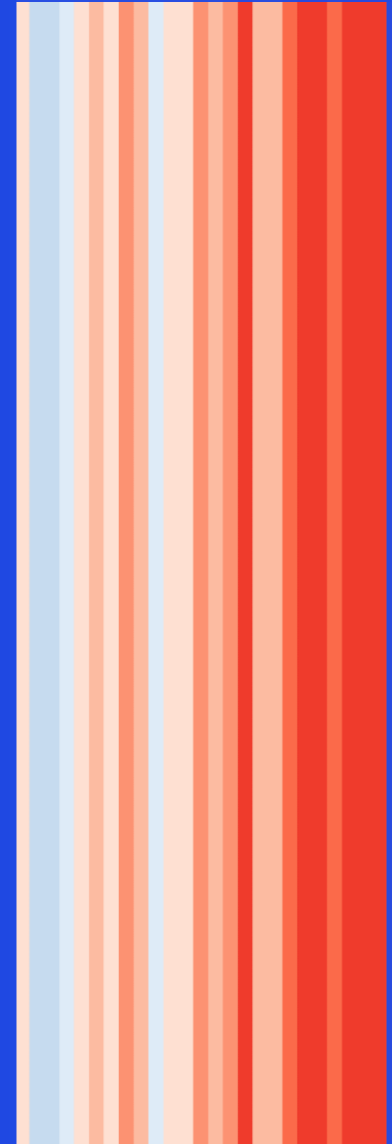
The Climate Commitment of the Dutch Financial Sector



Progress report 2024

Financial Sector Climate Commitment Committee

January 2025

Introduction to the Climate Commitment

49

financial institutions have signed the Climate Commitment and committed to:

make efforts to participate in financing the energy transition

measure and report the carbon emission content of their portfolio

develop an action plan containing carbon emission reduction targets

The Climate Agreement and the role of the financial sector

The Paris Agreement calls on all parties in the economy to play their part in reducing greenhouse gas emissions. The Dutch government, which adopted the Climate Act (*Klimaatwet*) in 2019 with the goal of reducing CO_2e levels by 95% by 2050 compared to 1990 (with an interim goal of a 55% reduction by 2030 compared to 1990), requires intensive involvement from financial institutions. Financial institutions can contribute to the transition to a sustainable economy by directing their financing towards this goal. Additionally, they can use their influence to encourage companies to operate more sustainably and reduce their CO_2e levels.

The Dutch financial sector, in line with national legislation and international agreements, has voluntarily established the Climate Commitment and commits to contributing to climate goals. The signatories of the Climate Commitment have developed action plans that demonstrate their efforts to reduce emissions within their portfolios (financed emissions). Institutions are increasingly focusing on financing emission reductions in the real economy. These efforts can complement each other. After all, a decrease in financed emissions in the portfolio does not necessarily mean an emission reduction in the real economy.

The purpose of this report

This is the fourth time the financial sector has jointly reported on the progress of the Climate Commitment. The report maps out how these institutions measure and report CO_2e levels in their investment and credit portfolios, what measures have been taken, and the challenges they face. Additionally, this report addresses for the first time the efforts institutions are making to finance the energy transition (the first agreement from the Climate Commitment).

The contribution of institutions to financing emission reductions in the real economy is still difficult to make transparent but is receiving increasing attention. This development has been taken into account in the analysis in this report, particularly in the qualitative interpretation. For the quantitative chapter, however, it is necessary that the figures are provided by all participating institutions and are comparable. Financed emissions are still the best indicator for this. Therefore, the second chapter of this report focuses on these figures. The first and third chapters discuss the initiatives taken by institutions and the tools they use, either to achieve a reduction in financed emissions or to make an impact in the real economy. Information on the development of international standards regarding the climate impact of financial institutions can be found in Appendix 3.

To provide a comprehensive picture of all agreements from the Climate Commitment and to explain the developments, the report includes both quantitative (particularly financed emissions and emission intensity) and qualitative information.

Finally, the current report reflects the progress in fiscal year 2023 and builds on previous insights and observed changes compared to fiscal year 2022. The data is directly sourced from the institutions themselves. The individually reported information has been aggregated by KPMG to form a sector-wide picture.

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Executive summary (1/2)

Conclusion 1: Institutions strive to make financing of the energy transition an integral part of their Climate Policy

This report covers, for the first time, the obligation to finance the energy transition. Since there is no sector-wide definition of the term 'energy transition' and indicators for measuring the contribution per institution vary, it is not yet possible to capture the extent of financing in one or a few figures. Institutions have reported a total of €56 billion in solar and wind energy projects, €72 billion in sustainable mortgages, and €23 billion in sustainable infrastructure[1]. The total financing in fossil energy amounts to €54 billion. Additionally, institutions are undertaking a wide range of efforts to contribute to the energy transition, with the most mentioned being the phasing out of fossil financing, investing in green bonds (€92.5 billion), greening mortgages, and efforts related to managing and measuring impact. These efforts are generally not exclusively focused on the energy transition but form an integral part of their climate policy.

Conclusion 2: *Institutions focus on collaboration and innovative financing structures to further promote the financing of the energy transition, and they need consistent government policy*

The financial sector is making various efforts to finance the energy transition but also faces significant challenges. Institutions indicate that a lack of financeable projects with the right risk-return profile, inconsistent government policies, an uneven playing field between sustainable and fossil energy, and limited data quality and transparency are the biggest obstacles. Additionally, some institutions, particularly banks, mention that internal organizational structures hinder effective collaboration between departments. However, institutions also see clear solutions. They advocate for innovative financing structures, such as *pooled funds* and *blended finance*, to mitigate risks and for strengthening collaboration between the public and private sectors. Better data and more transparent reporting standards are deemed crucial for making sound investment decisions. Finally, institutions see consistent and long-term government policy as essential to accelerate the energy transition.

Conclusion 3: *A decrease in both scope 1 and 2 emissions and emission intensity is reported*

The absolute emissions for scope 1 and 2 have decreased from 218 Mt CO_2e in 2022 to 206 Mt CO_2e in 2023 (excluding sovereign bonds). Additionally, the economic emission intensity, the number of absolute CO_2e emissions per euro lent or invested, has decreased in each of the four subsectors. These decreases can partly be explained by the measures institutions have implemented to achieve emission reductions, such as divesting from fossil energy investments or building a portfolio in low-carbon companies. As in previous years, other factors also play a role, such as data quality, market fluctuations, or changes in measurement methods. It is not possible to determine whether emissions in the real economy have also decreased. The reporting of scope 3 emissions has significantly increased, particularly among banks and pension funds. The quality and availability of data and measurement methods are key factors in this. To draw a conclusion about a possible trend in reported emissions, it is therefore important to monitor data over multiple years and achieve consistency in measurement methods.

56 BILLION

euros is the amount institutions have lent to and invested in solar and wind energy (2022: not reported)

Over **83%**

of the total portfolio (in euros), the reported financed emissions were reported in 2023 (in 2022: 68%)

5.6%

is the reduction in reported absolute scope 1 and 2 CO_2e emissions in 2023 compared to 2022 (excl. sovereign bonds)

[1] The amounts are based on the institutions that have these themes in their portfolios and have measured and reported them separately; therefore, this does not provide a complete picture of the financing of these categories. Due to differences in definitions and the scope of this report, figures may differ from other reports on similar themes. See page 9 and Appendix 1 for additional clarification of terms.

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Executive summary (2/2)

Conclusion 4: *Sovereign bonds are a significant category in both portfolio size and reported emissions this year*

Both credit lenders and investors effectively apply the prioritization of emissions measurements from the Guideline: emissions across 98% of the portfolio in priority sectors (credit lenders) and 87% of priority asset classes have been measured. However, it is noticeable for credit lenders that the majority of both assets and scope 1 and 2 emissions are not in the priority sectors. This would likely change if scope 3 emissions were also considered. This highlights the importance of continuous improvements in measurement methodologies (e.g., concerning scope 3) and further specification to target climate objectives. For both credit lenders and investors, it is also notable that the measurements on sovereign bonds have increased significantly due to the new PCAF measurement methodology, both in absolute numbers and for emission intensity. For investors, these amount to 58% of total scope 1 and 2 emissions in the investment portfolio. However, institutions report limited control over sovereign bonds, which makes reducing these emissions challenging.

Conclusion 5: *35 of the 49 institutions report being on track with their reduction goals; 9 institutions are partially on track*

All institutions have published an action plan, and 47 of the 49 institutions have also formulated interim reduction goals. 15 institutions have adjusted their action plans compared to fiscal year 2022. They have, among other things, tightened their policies, implemented stricter guidelines or new engagement programs, or restructured their portfolios towards more low-carbon companies. 19 institutions monitor annually whether they are on track with their goals; 28 institutions do this more frequently. Compared to fiscal year 2022, the number of institutions reporting being on track with their goals has remained almost the same (35/49). Additionally, 9 institutions report being on track for some sectors/investment categories. 4 banks indicate that results in the real estate sector, including mortgages, often lag behind. The number of institutions that do not know whether they are on track has significantly decreased compared to last year, from 16 to 6. More institutions have thus gained insight into their progress.

Conclusion 6: *Institutions implement a wide range of measures to reduce their financed emissions; carbon offsets are hardly used*

The actions institutions take to achieve their set goals are consistent with last year: Engagement remains the most used instrument, despite its effectiveness being difficult to measure. Of the 44 institutions that apply engagement, 23 measure the emission reductions of these companies. Exclusion and phasing out of companies are also used by many institutions, but only if other measures do not yield sufficient results. Portfolio tilting, or restructuring the portfolio towards lower-carbon investments, is mentioned by investors for the first time this year. In addition to the measures institutions take to reduce emissions in their portfolios, they also use (policy) instruments to effectively steer the action plans and goals, such as integrating sustainability criteria into remuneration or risk policies. The use of carbon offsets, mapped for the first time this year, was used by only one institution in 2023 to compensate for financed emissions. Almost all institutions focus on reducing financed emissions without using carbon offsets.

40/49

Institutions reported scope 3 emissions in 2023
(in 2022: 33/52 institutions)

For **88%**

of the total portfolio in priority sectors or -categories (in euros), emissions were reported in 2023 (2022: 87% based on 2022 Guideline categorisation)

35

of the 49 institutions indicate that the progress made is in line with the set reduction path (2022: 35/52 institutions)

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