

Paris, 21 October 2022

Finance For Tomorrow
Palais Brongniart – 28, place de la Bourse
75002 Paris
France

Dear Madam, Dear Sir,

F4T welcomes the [Net-Zero Data Public Utility](#) (NZDPU) initiative, and the subsequent creation of the Climate Data Steering Committee (CDSC), jointly announced by France's Emmanuel Macron and the UN's Special Envoy Michael Bloomberg last June.

We also welcome the opportunity to respond to the public consultation following the CDSC draft recommendations for developing the Net Zero Data Public Utility, although we regret the short time granted to respondents for such an important project.

We strongly believe and hope that the NZDPU will succeed in making sure that its governance and its technical support meet the expectations of most stakeholders, as regards the variety and quality of their expertise, as well as balanced representation of interests from across civil society, the public and the private sectors, with a balanced geographic footprint.

Pursuant to our completion of the survey and our thorough review of the draft report, we would like to share with the CDSC some of our questions and requests in two areas: CDSC governance and the NZDPU data standards.

Governance

From the standpoint of governance, there are three main areas for improvement in which we have identified a need for significant progress:

(i) **Balanced representation of stakeholders**

We regret that governance was not included as part of the consultation.

Insofar as the CDSC is presented as the governance committee of the pilot stage and future UN programme, it seems logical to consider it the most salient topic of the whole project to be agreed upon.

The Climate Data Steering Committee

→ Announced jointly by French President Emmanuel Macron and by UN Special Envoy Michael Bloomberg in June 2022

International organizations	Regulators	Data providers	International initiatives, Standard-setters & NGO
<ul style="list-style-type: none"> - UNFCC - OECD - IMF - IOSCO - FSB - IEA - NGFS 	<ul style="list-style-type: none"> - European Commission - France - Japan (Observer) - Singapore - Switzerland - UK - US Treasury (Observer) 	<ul style="list-style-type: none"> - Bloomberg - LSEG - Moody's - Morningstar - MSCI - S&P Global 	<ul style="list-style-type: none"> - GFANZ - ISSB - EFRAG - CDP

The composition of the CDSC, based on information presented by the French government in public session.

We would recommend stronger representation of the following stakeholders within the Climate Data Steering Committee and Technical Working Group:

- **INTERNATIONAL ORGANISATIONS:** We propose that the FC4S (part of UNDP) serve as the representative of financial centres engaged for sustainable development. They could partner to encourage economic actors all over the world to participate in the initiative.
- **REGULATORS:** The composition should be better balanced between the different jurisdictions and geographies.
- **DATA PROVIDERS:**
 - European and Asian Data Providers should also be part of the initiative. Europe – and France specifically – have a long history of work on this topic and extensive expertise on climate. As it stands, there is clearly an overrepresentation of US-based companies.
 - We suggest that the Data Provider committee be opened to all data providers but restricted to one seat per country for equal representation.
- **NGOs:** We strongly recommend a categorical differentiation between international initiatives & standards; also, private, public and representatives of civil society which should be an independent college. *There is an NGO advisory group identified in the governance note,¹ however, the role of this advisory group is not clear: Their 'advice' should not be consultative: the NGO advisory group should be part of the governance of the CDSC.*
- **INTERNATIONAL INITIATIVES STANDARD-SETTERS**

- Carbon expertise such as the Integrity Council for the Voluntary Carbon Market (ICVCM) or the International Carbon Reduction and Offset Alliance (ICROA) or the Net Zero Initiative (Carbone 4)
- Sector-specific expertise, such as the International Civil Aviation Organisation (ICAO) or the International Maritime Organisation (IMO)
- ADDITIONAL COLLEGE OF CORPORATE AND FINANCIAL INSTITUTIONS: Equal representation drawn from non-financial corporates and institutional investors. This COLLEGE should be organised according to the same principles as the DATA PROVIDER COLLEGE.
- ADDITIONAL COLLEGE COMPRISING A SCIENTIFIC COMMITTEE: This scientific committee consisting of independent members, organised along the same lines as the colleges for data providers and corporate and financial institutions would be responsible for setting the methodological standards for the NZDPU platform. We go into more detail regarding the role of this Scientific Committee in part (iii) our Data Scope, Definition and Selection.

(ii) Transparency in governance functioning

- How are different recommendations from colleges included?
- How are their representatives elected? For how long?
- How are decisions made, and what mechanisms assign which powers to colleges?
- How is this initiative funded?

These questions should ideally have been addressed in consultation, and we would recommend that such a visible international Committee showcase its own integrity by formulating, publishing, and reporting on its own corporate governance charter and functioning.

We welcome the ‘CDSC High-Level Principles’.ⁱⁱ However, for reasons related to the forementioned matters of governance, we recommend that the launch of this very important project not be rushed. Instead, a general call to participate in defining the governance of the CDSC should remain open for at least six weeks.

(iii) Data: Scope, Definition and Selection

To be meaningful, the scope of data and methodologies must be scientifically defined. We think this tremendous responsibility ought to be addressed by a committee of scientists reporting to the CDSC. From phase one, this scientific committee would constitute a third committee alongside ‘Public policy Members’ and ‘Service provider members’.

The members of the committee would also have to determine which data and which sources should be given priority. Our understanding from current CDSC communications is that only one data source may be selected for each data point. This clearly calls for a very transparent decision-making process as the choice of source will affect all corporates and investment community behaviour. We strongly believe that this one data source approach, which could eventually turn into a black box of different data sources, isn’t the best approach for a public data utility portal. We recommend proposing *n* data sources by entity, flagged as ‘emissions reported by the entity’; ‘audited by X’; ‘from data provider y’; ‘validated by the CDSC expert committee’.

Such an approach would create a robust database where we could see and understand different calculations. For instance, users would be free to choose whether to use the data from regulators or that from the CDSC.

Lastly, if the unique source of data approach were validated, (how would the governance decide this?) the only acceptable way to avoid a black box would be a standard established by the expert committee, based on international recognised standards, with public disclosure.

- What exactly is the role of data providers in this initiative? Will they freely provide open-source data for commercial use across scope 1,2 and 3 data? How is this compatible with their current business model (For instance: CDP's choice of forbidding use of the data collected for a commercial use without a fee)?
- We strongly recommend having only a company's reported emissions alongside the split of emissions according to the GHG Protocol. This will allow a clear view on the emissions of the company and reveal which emissions sources are correctly reported or lacking. Conversely, having multiple data sources from external data providers would confuse the calculation of scopes 1,2 and 3.
- Are all actors authorised to use all available data (reported or shared by the data provider) for commercial use without paying additional fees?
- We all agree that the scope 3 of financial actors is 'essential to enhance net-zero transition planning by financial institutions', given that it represents '97% of financial institutions' total emissions'.¹ Within this scope 3, it is also important to carefully consider the scope 3 of the underlying corporates, as recommended by EU regulations, the SFDR, and GFANZ coalitions. The GHG Protocol referenced in the NZDPU recommendation doesn't require that scope 3 apply to a financial institution's clients. We would suggest following GFANZ recommendation on this matter, to ensure coverage of scope 3 emissions, and request full and detailed reporting to facilitate analysis.
- For corporates: we advise reporting on the 3 scopes separately, with scope detailed downstream / upstream, and including the coverage of reporting.
- For financial services: the 3 scopes should be reported separately; for scope 3, the detailed scopes 1 /2 /3 of emissions financed should be included, as well as the coverage of reporting.

¹ New Climate Institute (2020), Unpacking the Financial Sector's Climate-related Investment Commitments

Technical aspects

The following points present the main concerns/questions/recommendations we have from a technical standpoint:

(i) Quality

Even in the case of a standardised approach, like the GHG protocol, we currently observe a dearth of quality in scope 1,2,3 emissions reporting. How will the quality challenge be addressed by this initiative?

- How will this data be presented and coexist alongside reported and modelled data? Is it not less misleading to provide only data reported by the company?
- What mechanisms for ensuring transparency will be applied to the underlying methodologies for data reported and modelled by the data provider?
- Who will be collecting and verifying the quality of data?

We recommend disclosing the following data:

- A methodology for the estimation of emissions (for corporates and the data provider)
- Source of data
- Norm applied (for example, GHG Protocol, Bilan Carbone™, PCAF, etc.)
- Confidence levels
- Verification standards
- Coverage of entity assessed to identify potential omissions

Focus on Emissions Estimates / Uses of common methodology:

- The lack of data, especially data to calculate scope 3.15 investment has been identified as *a major impediment to orienting direct capital to low- or zero-carbon investments and must be addressed to increase confidence in target-setting and hold actors to their net-zero commitments.*
- We believe that the lack of a common methodology is even more important. There are many examples where the use of different methodologies for reporting affects the result more significantly than the lack of data, depending on how (and whether) we substitute missing data with a proxy.
- For this reason, we would recommend a reporting framework incorporating the greatest possible detail and separate reporting between scopes, real calculations and estimates, carbon credits, coverage etc...: with the aim of producing a clear database.
- Real emissions calculations should be reported per the latest regulation standards.
- Estimated emissions should be calculated according to a shared methodology. The NZDPU, thanks to its Technical Working Group and/or an Expertise Committee, should provide guidelines to complement standard regulations and ensure all estimates are accurate and comparable between actors. The NZDPU could develop an emission CO₂e proxy table, detailed by activity sector and compiled from data collected on the platform to serve as a common reference replacing missing data for all players.

(ii) Interoperability

Corporates want to have a single reporting tool and do not want to avoid additional reporting for the NZPDU. The automation of data between different initiatives, like the upcoming data under CSRD and the proposed European Single Access Point (ESAP) must be highly integrated in this project.

(iii) Emissions

We recommend adding for induced/avoided/financed emissions:

- Emissions reported in scope 3 by financial institutions covering scopes 1, 2 and 3 of the companies they finance.
- The data presented must be broken down according to scope for better comparability. The data must be also broken down by country, sector and subsidiary
- We insist on the need for separately reporting avoided emissions, which are critical to measuring the contribution of a corporate.

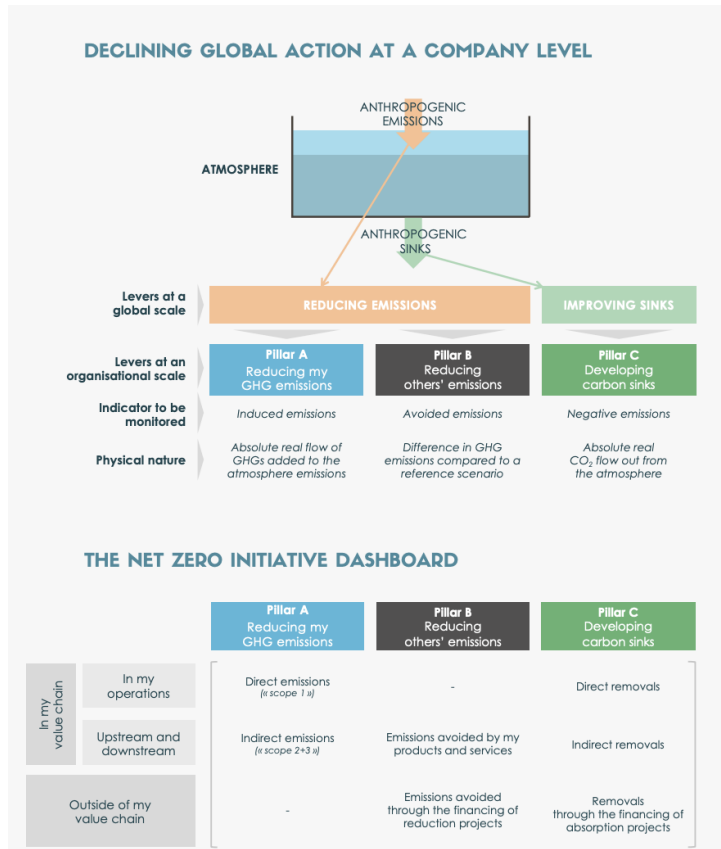
(iv) Carbon-credit disclosures

We are opposed to any compensatory scheme involving induced and avoided emissions (through products and services or using carbon credits). Furthermore, the concept of carbon neutrality is only valid at the planet level. “Offsetting” should only be accepted for GHG emission sources that do not have viable reduction alternatives due to technological or financial constraints. Companies might use offsets as a contribution to their objectives, but those offsets should only be used to compensate residual emissions that companies cannot reduce by implementing their best efforts. This key point is not explicitly mentioned in the recommendation on carbon credits.

Other specialist actors, such as International Carbon Reduction Offset Alliance (ICROA) or the Social Carbon Standard, must be included to set the minimum standard of quality, based on a shared understanding.

The reported data must:

- Clearly separate the 3 pillars described below



- We recommend including:
 - the type of solution (nature-based, technology-based)
 - the category (e.g., forest land use, renewable energy, energy efficiency, agriculture, waste, etc. renewables, energy efficiency, agriculture, waste, etc.)
 - the reference standard
 - the third-party verification

(v) **Emissions reduction targets**

We recommend including:

- Reference methodology used to set the goal, such as ACA, SDA, CSO
- Reference standard, if applicable, such as SBTi. Or internal objective
- Reference scenario used to set the ambition: for example, IEA NZE 2050 etc
- MRV process, internal or verified by a third party.
- Entity GHG coverage, to identify potential omissions.

(vi) **Other technical points**

- Identifier:

The identifier chosen for the legal entity is the LEI code. This international code is necessary to carry out transactions on the financial markets. However, access to this code is not free and the subscription must be renewed every year. This is the reason why non-listed companies (in particular

for SMEs and MSCs) do not ask for it. In addition to this code, we recommend collecting the official local identifier (ex: SIREN in France) and the ISIN. We further recommend adding general information, such as the type of entity (listed/non-listed), the size of the entity, the location of its assets and headquarters and the number of employees.

- Classification:

Sector classification is one of the great difficulties of any reporting and aggregation, because sector classifications differ according to region (Europe, UK, US) and the mapping is complicated because it is not one-to-one (one code in a classification may correspond to several in another and vice versa). The creation of a new classification is a serious decision (justifications for which have not convinced us at this stage), which presupposes that the mapping rules are clearly explained (and at the most granular level) to avoid any bias.

- Other data that can help to model transition risk, physical risk or biodiversity impact:
 - Exposure (stock) and new financing (flows) to fossil fuels and the most emissions-intensive sectors.
 - Capex transition plan
 - Additional objectives
 - Mapping of company assets to enable assessment of the physical and biodiversity risk and impact

(vii) Limitations of the entity-based approach.

The common objective is to address climate change. This means transitioning to a low-carbon economy reaching neutral GHG emissions by 2050. This Net Zero target is a global objective, and we need to make sure that each entity which aligns its activities to Net Zero does so with a real impact on the economy and on GHG emissions. For example, selling an emissions-intensive asset will align a portfolio without global impact. That is why we need to use shared methodologies to evaluate each transition plan of individual companies and the shift in global emissions. In the medium term we would propose the creation of another data analysis taking a top-down rather than bottom-up approach, but applying methodologies validated by the CDSC, used in common by all financial actors participating in the initiative to obtain global indicators such as portfolio alignment, and a global prospective analysis of financials players' contribution to reaching Net Zero.

Final Remarks

This technical analysis is only the emerged portion of the iceberg of technical expertise we could bring to bear, one that is needed to build a strong platform, and we have focused only on the short-term data planned, which are the emissions and transition plan. Nonetheless we strongly believe such a platform should provide other data (exposure, investment in emissive activities...) to help analyse the impact of financial players and corporates on climate change.

As governance evolves, we will be confident in devoting more expertise and time to the project. Finance for Tomorrow members will be happy to participate as a collective, and as corporates or individual experts in this ambitious and essential project.

We look forward to further engage with the CDSC on such critical project.

ⁱ [The CDSC will convene an NGO Advisory Group to help advise on the development of the NZDPU.](https://assets.bbhub.io/company/sites/71/2022/09/climate-data-steering-committee-governance-principles-2022.pdf)

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ⁱⁱ CDSC High-Level Principles. The CDSC will operate under the following principles: • Collaboration: Working in an inclusive, transparent and collaborative manner, including through broad outreach to those seeking to make progress on climate data, and by consulting on key features of the design and future development of the Utility. • Open access: Acknowledging the importance of 'open data' to ensure access and minimal restrictions on use, recognising that core climate data is foundational for both public and private sectors. • Reporting: Fostering acceleration in reporting by real economy firms and private financial institutions in line with emerging common standards and best practices. • Quality: Prioritising quality of data delivered by the Utility, with reference to relevant common standards and best practice definitions where appropriate, but also recognising that climate data is nascent and will be improved and scaled through time. • Transparency: Ensuring sufficient transparency around the way in which data is calculated and making sure that data users can reach their own informed decisions about its quality. • Interoperability: Encouraging interoperability consistent with other relevant climate initiatives and that the Utility's data can be used by a wide set of public and private parties to meet their priorities. <https://assets.bbhub.io/company/sites/71/2022/09/climate-data-steering-committee-governance-principles-2022.pdf>