International Financial Institution Framework for a Harmonised Approach to Greenhouse Gas Accounting

November 2015[1]

A number of international financial institutions[2] (IFIs) has been working together to agree on a harmonised approach to project-level greenhouse gas (GHG) accounting. The rationale for this work is to harmonize GHG accounting during project appraisal. The purpose is to establish minimum requirements in undertaking this work, all of which each IFI can optionally exceed with additional considerations and reporting.

The IFIs recognise that approaches to GHG accounting should be harmonised as far as possible, recognising the differing mandates and geographical coverage of each institution. A harmonised approach will improve consistency and comparability across IFIs, provide increased reliability for other users of the data, set a good-practice standard for other international financial institutions, and facilitate the sharing of experience and lessons learnt.

This note sets out the agreed principles for GHG accounting.

Policy Commitment

- Each IFI is committed to accounting for the GHG emissions of direct investment projects that it finances.
- Each IFI will state this commitment publicly in relevant policies and strategy documents.

Screening

- IFIs shall screen each proposed direct investment project for likely significant GHG emissions.

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[1] This document was first prepared in 2012. Apart from adding the names of more IFIs that have endorsed it, the framework document was revised in 2022 to reflect technical lessons learned in the intervening years and in particular to align with the *International Financial Institutions Guideline for a Harmonised Approach to Greenhouse Gas Accounting*, available at https://unfccc.int/climate-action/sectoral-engagement/ifis-harmonization-of-standards-for-ghg-accounting/ifi-twg-list-of-methodologies.

[2] The IFIs included in this initiative are the African Development Bank (AfDB), the Agence Française de Développement (AfD), the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), the Global Environment Facility (GEF), the Inter- American Development Bank (IDB), KFW Development Bank, the Nordic Development Fund (NDF), the Nordic Environment Finance Corporation (NEFCO), the Nordic Investment Bank (NIB), the UK Green Investment Bank, and the World Bank Group (WBG).

- IFIs may establish *de minimis* criteria for GHG screening. IFIs will undertake GHG accounting for all direct investments consistent with the screening criteria.
- Where a sector or investment class is excluded from GHG accounting, such exclusion will be stated in the IFI's relevant policy and procedures.

Methodology

- IFIs shall undertake the GHG accounting of a project based on established methodologies for **ex-ante** GHG accounting including the GHG emission calculation approaches as per, inter alia, the GHG Protocol, the Clean Development Mechanism methodology, Verified Carbon Standard, Gold Standard and the EU Emissions Trading Scheme, ISO 14064 (Part 1 and 2), or other international standards.
- Definitions, assumptions and methodologies shall be recorded and made available to decision makers within the IFI and to external stakeholders as appropriate.
- The results of the GHG accounting shall be expressed in tonnes of carbon dioxide equivalent, using the global warming potential of GHGs as defined by the United Nations Framework Convention on Climate Change.

GHG Emissions Accounting

During project appraisal, GHG emissions of a project will be accounted for at appraisal as follows:

- Each IFI will estimate the ***absolute (or gross) GHG emissions*** that a project is expected to produce on an annualised basis.
- The assessment boundary for accounting absolute GHG emissions should include all activities, facilities or infrastructure that the IFI is financing.
- Absolute emissions from construction may be included in the assessment of annual emissions using reasonable assumptions about the project lifetime.
- GHG accounting will include scope 1 and scope 2 emissions (as defined in the GHG Accounting Protocol).[3] Each IFI may choose to include scope 3 emissions attributable to a project, but this should be clearly stated in relevant policies, procedures, and results.
- Absolute emissions are to be estimated for brownfield and greenfield projects.

[3] https://ghgprotocol.org/.

In order to capture the development and mitigation contribution of projects, ***relative (or net) GHG emissions*** against a ***baseline*** will be assessed as follows:

- Each IFI will estimate the relative GHG emissions of the project compared to the baseline scenario on an annualised basis.
- The baseline scenario is one that reasonably represents emissions by sources of GHGs that would occur in the absence of the project. The baseline scenario may be either a “without-project” scenario or an “alternative scenario” that reflects the most likely alternative means of achieving the same project outcomes or level of service.[4]
- The assessment boundaries for computing relative emissions should include significant sources and the sources significantly affected directly or indirectly as a consequence of the project as well as significant sources in the baseline scenario.[5]
- As relative GHG emissions may be a subcomponent of a larger project, the boundary of the relative GHG accounting can be limited to the single activity, facility, or infrastructure resulting in relative GHG emissions.
- Project emissions for the purpose of estimating relative emissions should include all scope 1 and scope 2, as well as scope 3 and other consequential emissions where applicable.

Reporting

- At a minimum, each IFI shall report annually on the aggregate relative GHG emissions for screened-in mitigation projects, estimated to arise from the previous year’s approved or signed investments.[6,7]
- In addition, IFIs may choose to undertake additional reporting on baselines, absolute emissions, portfolio-wide relative emissions, lifetime GHG emissions, and any other metric.
- IFIs may choose to further disaggregate GHG data by sector, country or project.

[4] More details are provided in paragraph 18 of the *International Financial Institutions Guideline for a Harmonised Approach to Greenhouse Gas Accounting.*

[5] See paragraph 4 of the *International Financial Institutions Guideline for a Harmonised Approach to Greenhouse Gas Accounting* for a more detailed explanation.

[6] GHG emissions will be reported only for the year of approval/contract signature, and not again in subsequent years.

[7] Multilateral development banks (MDBs) will report on mitigation activities in accordance with the typology of the Joint MDB Report on Mitigation Finance.

Further Cooperation

- This document will be subject to periodic review as appropriate.
- The IFIs are committed to further cooperation and shared learning in the area of GHG accounting and will continue to work together on important issues in the future, including consideration of different approaches to GHG accounting of other types of projects.
- The IFIs will work to establish a mechanism for data sharing and peer review of their GHG accounting.
- Where IFIs are co-financing a project, they will work together to agree as far as possible on a common estimate of the GHG emissions.
- Taking account of regulatory and voluntary practice, the IFIs will contribute to the development of robust accounting standards and monitoring, verifying and reporting procedures.