Carbon Accounting for PIDG portfolio - Outline of methodology

In January 2020, PIDG became a supporter of the Taskforce on Climate-related Financial Disclosures (TCFD). In advance of our first Disclosure (planned for Spring 2021), we outline here the steps we have taken to date to calculate the carbon footprint of our investments and further work that we will be undertaking over the course of 2020 to refine our approach. We acknowledge also the importance of looking at the footprint of our operations and this is something we are also undertaking in 2020.

In line with the recommendations of the TCFD, PIDG has decided to report on the absolute emissions[1] of the investments it makes. This approach is also consistent with the need to quantify actual emissions emitted and sequestered to assess whether the global community is moving in the direction needed to reach net zero by 2050 and meet Paris Agreement goals.

Our approach intends to cover all stages of the investment cycle:

1. For all new potential investments, an ex-ante estimation of annual emissions during typical operation is made early on in the appraisal process in order that the carbon intensity of the investment can be compared with benchmarks and best practice.
2. When a project reaches financial close, the ex ante estimation is checked and confirmed based on any changes in project design. The estimated annual emissions are included in the overall PIDG investment footprint, with emissions attributed to the year of financial close
3. Once a project is operational and where PIDG still has an interest (e.g. through loan, guarantee or equity stake), we aim to collect data to calculate actual emissions where we have estimated these to be significant (>25000tCO2e each year)

The numbers presented currently (June 2020) are for projects at stage 2 in the diagram above from 4 PIDG companies, namely EAIF, GuarantCo, Infraco Africa and Infraco Asia. We will look to including results from other stages in the future, as well as estimates for lifetime emissions associated with an investment.

Making ex ante estimates of greenhouse gas emissions of PIDG investments is a challenge considering the variety of sectors, countries and investment types that PIDG is involved in. In 2019, we commissioned consultants Navigant to help us in this task and to develop methodology guidelines for carbon accounting for PIDG investments. These are based on internationally recognised carbon accounting methodologies, namely the Greenhouse Gas Protocol (GHG Protocol), the Platform Carbon Accounting Financials (PCAF), and the International Financial Institution Framework for a Harmonised Approach to Greenhouse Gas Accounting.

[1] i.e. the actual emissions emitted or sequestered by a project. We do not plan to report on avoided emissions (emissions expected to be avoided by a project compared to a baseline).

PIDG has used these guidelines as a starting point for calculations, further refining the principles developed to take account of best practice and limitations in data availability but upholding the following key principles:

- We cover all the 7 greenhouse gases listed in the Kyoto Protocol, namely carbon dioxide (CO_2); methane (CH_4); nitrous oxide (N_2O); hydrofluorocarbons (HFCs); perfluorocarbons (PFCs); sulphur hexafluoride (SF_6); and nitrogen trifluoride (NF_3)
- In general, PIDG focuses on scope 1 and 2 emissions of an investment but includes scope 3 emissions where these are likely to be significant (e.g. transport sector investments)[2]
- We only consider the emissions of the project in which PIDG is involved (e.g. where a project is a capacity expansion, we only consider the emissions from the expanded part of the project not the entire project)
- We report on financed emissions i.e. we attribute a percentage of emissions to PIDG based on the percentage of the overall project that PIDG funds (we recognise that this attribution factor will change over time e.g. as debt is repaid; this is something we will consider in later reporting)
- According to established methodologies, guarantees have no attribution until they are called and turned into a loan. However, we want to acknowledge the emissions associated with guarantees issued by PIDG therefore we treat guarantees the same as a direct investment.
- We use a variety of approaches to collect the data needed to make ex ante estimations, including emissions data as disclosed by the entity itself; estimations of greenhouse gas emissions included in Environmental and Social Impact Assessments; and emissions calculations we have made ourselves on the basis of predicted activity data (e.g. expected annual power generation) using recognised methodologies.

We welcome feedback on our approach and methodology and look to refine our calculations over the course of 2020.

Provisional data disclosed in June 2020

Description	Provisional Estimate
Estimated PIDG carbon footprint: GHG attributed to PIDG, based on PIDG investment share, for all PIDG portfolio investments that reached financial close - in a typical year of operation (Million Tonnes – Mt CO2 equivalent)	1.6 Mt CO2e
Carbon intensity of PIDG investment – all years of investment (tCO2/$m invested)	1,018 tCO2e/$m invested
Carbon intensity of PIDG investment (2015-19) – projects financially closed in 2015-19 (tCO2/$m invested)	753 tCO2e/$m invested

[2] As defined by the Greenhouse Gas Protocol where Scope 1 emissions are direct emissions from e.g. burning fossil fuel; Scope 2 emissions are indirect emissions from energy consumed by the project (e.g. grid electricity) and Scope 3 emissions are other Indirect emissions that occur as a result of the project (e.g. for a new road, this would be emissions from the vehicles that use the road)