Bankers for NetZero

UN environment programme | finance initiative

GFANZ
Glasgow Financial Alliance for Net Zero

B4NZ is the UK country chapter of the NZBA, which is part of UNEP FI and GFANZ

Perseus

Steering Group
05 June 2023

Image: Unsplash @ldbernd

Perseus vision and mission

VISION

Unlock financial support for SMEs to address up to 50% of UK emissions

MISSION

Enable banks and industry to unlock incentives and reduce risks with open standards and assurable data

OUTCOMES

1. Convene and represent actors from across the market that will pilot a UK-wide programme to support SMEs.
2. Build a demonstrator to automate greenhouse gas (GHG) reporting for small and medium enterprises (SMEs) and improve access to environmental, social, and governance (ESG) data, and engage with SMEs to deliver Net Zero outcomes.

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Success criteria for 2023 to deliver the ‘Perseus Framework’

1. Do one thing well: build a demonstrator for COP28

Enable assurable data to flow **automatically**
from the **real** economy (energy companies)
to the **financial** economy (banks)
with the permission of the **customer** (SME)

while improving the **quality** and **impact** of outcomes for stakeholders

2. Go far together: build the process with Advisory Groups (AGs)

AG1 Enable prioritisation of actions that **link disclosure to measurable impact**

AG2, AG3 Address the technical and legal implementation challenges

AG4 Agree on cohesive communications

AG5 Identify potential policy interventions

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Outcomes: design elements towards implementation of a market-wide solution

Automate assurable data supply

Data quality is poor; data provision doesn't scale; burdensome for everyone

Address risk for the banks

Liability sits on loan books; continuity of access to capital is critical

Build an onramp for trusted Net Zero engagement

Trust around net zero initiative, incentives, and data usage are low

Create cohesion of approach across the market

Align banks, analytics providers, auditors, reporting frameworks: everyone is doing things differently; raise the bar on pre-competitive activities

Unlock financial incentives across the economy

SMEs need easy ways to access capital and engage in tangible impact

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High-level roadmap for Steering, Advisory and demonstrator implementation (2023)

To go far we need to go together. To go quickly we must laser-focus on a narrow scope to deliver a minimum viable implementation.

	Q1	Q2	Q3	Q4
Outcomes & outputs	Secure funding Onboarding Stakeholder outreach Scoping and planning Hold first Steering Group meetings	Steering Group leadership Advisory Groups operating Implementation team formed for Demonstrator Communications	Steering Group checkpoints Advisory Groups operating Implementation team building Pilot and roll out planning Communications	Steering Group sign-off Advisory Groups report Demonstrator launch at COP28, Dubai 2024+ planning Communications
Narrative	Initial scope is unlocking access to electricity data and how the 'rails' can be implemented (technical, legal, policy, operational). As relevant to Scope 1 and 2 GHG emissions, aligned with existing reporting standards.	Validation of the core use case and approach through the Advisory Group processes, with endorsement from the Steering Group and Government. Industry engagement and alignment with the programme to 'go far together'.	Detailed engagement in design and implementation of the Perseus framework and its implementation. The Advisory Group process will also identify scope. beyond electricity that represents impact for stakeholders for addition into subsequent years (e.g. impact elements of Scope 1, 2 and 3).	Formal endorsement by stakeholders of the outputs and communications for COP28. Planning for 2024 and beyond based on lessons learned.

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Steering Group

ICAEW

IoD

IB1

British Business Bank

Department for Energy Security & Net Zero

UK FINANCE

Energy UK

fsb

British Chambers of Commerce

INNOVATE FINANCE

WE MEAN BUSINESS COALITION

TheCityUK

SCALEUP INSTITUTE

CBI

UKRI Innovate UK

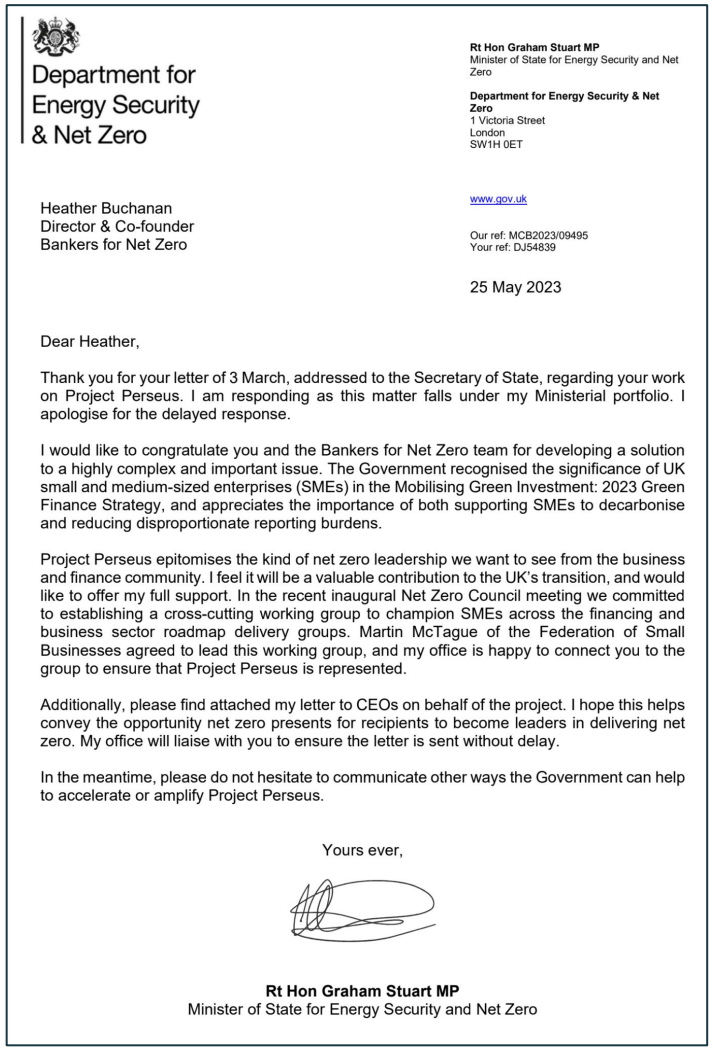
Observers

OECD

WORLD ENERGY COUNCIL

ICC

IIGCC
The Institutional Investors Group on Climate Change



Department for Energy Security & Net Zero

Rt Hon Graham Stuart MP
Minister of State for Energy Security and Net Zero

Department for Energy Security & Net Zero
1 Victoria Street
London
SW1H 0ET

www.gov.uk

Our ref: MCB2023/09495
Your ref: DJ54839

25 May 2023

Heather Buchanan
Director & Co-founder
Bankers for Net Zero

Dear Heather,

Thank you for your letter of 3 March, addressed to the Secretary of State, regarding your work on Project Perseus. I am responding as this matter falls under my Ministerial portfolio. I apologise for the delayed response.

I would like to congratulate you and the Bankers for Net Zero team for developing a solution to a highly complex and important issue. The Government recognised the significance of UK small and medium-sized enterprises (SMEs) in the Mobilising Green Investment: 2023 Green Finance Strategy, and appreciates the importance of both supporting SMEs to decarbonise and reducing disproportionate reporting burdens.

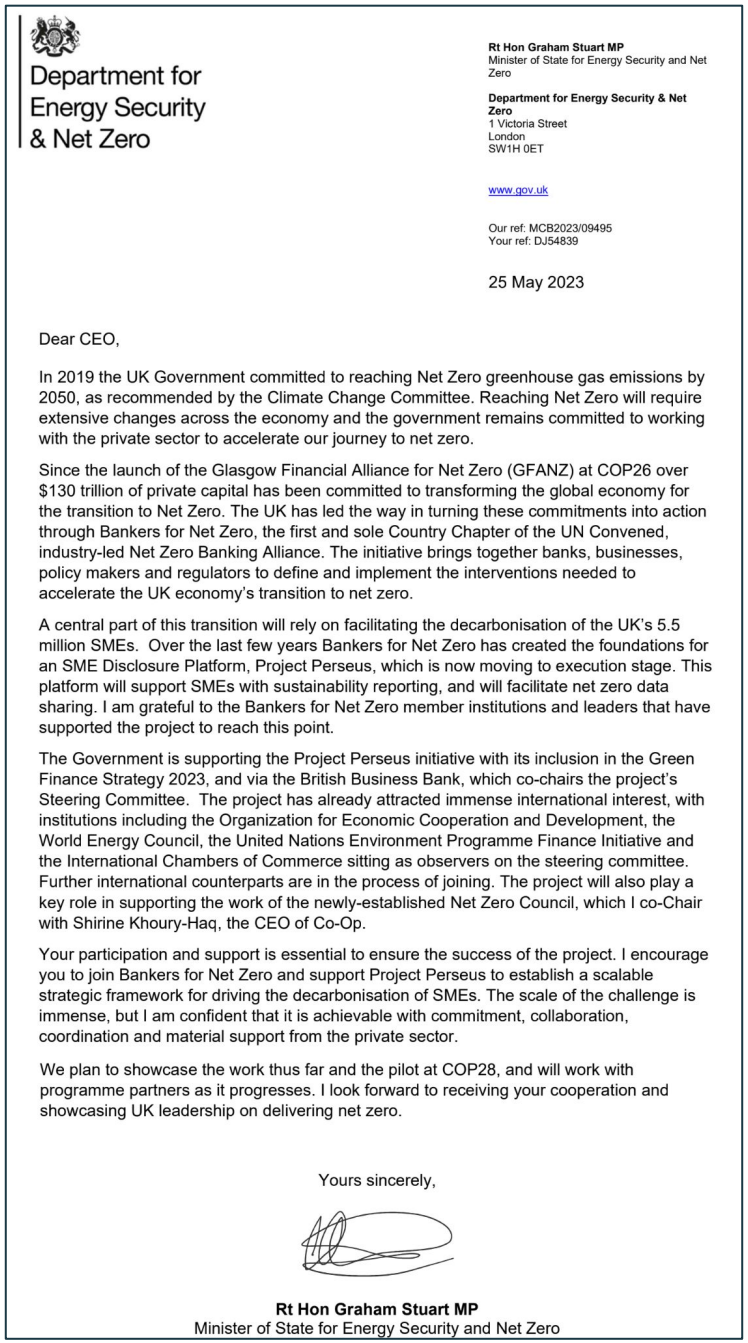
Project Perseus epitomises the kind of net zero leadership we want to see from the business and finance community. I feel it will be a valuable contribution to the UK's transition, and would like to offer my full support. In the recent inaugural Net Zero Council meeting we committed to establishing a cross-cutting working group to champion SMEs across the financing and business sector roadmap delivery groups. Martin McTague of the Federation of Small Businesses agreed to lead this working group, and my office is happy to connect you to the group to ensure that Project Perseus is represented.

Additionally, please find attached my letter to CEOs on behalf of the project. I hope this helps convey the opportunity net zero presents for recipients to become leaders in delivering net zero. My office will liaise with you to ensure the letter is sent without delay.

In the meantime, please do not hesitate to communicate other ways the Government can help to accelerate or amplify Project Perseus.

Yours ever,

Rt Hon Graham Stuart MP
Minister of State for Energy Security and Net Zero



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Our ref: MCB2023/09495
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25 May 2023

Dear CEO,

In 2019 the UK Government committed to reaching Net Zero greenhouse gas emissions by 2050, as recommended by the Climate Change Committee. Reaching Net Zero will require extensive changes across the economy and the government remains committed to working with the private sector to accelerate our journey to net zero.

Since the launch of the Glasgow Financial Alliance for Net Zero (GFANZ) at COP26 over $130 trillion of private capital has been committed to transforming the global economy for the transition to Net Zero. The UK has led the way in turning these commitments into action through Bankers for Net Zero, the first and sole Country Chapter of the UN Convened, industry-led Net Zero Banking Alliance. The initiative brings together banks, businesses, policy makers and regulators to define and implement the interventions needed to accelerate the UK economy's transition to net zero.

A central part of this transition will rely on facilitating the decarbonisation of the UK's 5.5 million SMEs. Over the last few years Bankers for Net Zero has created the foundations for an SME Disclosure Platform, Project Perseus, which is now moving to execution stage. This platform will support SMEs with sustainability reporting, and will facilitate net zero data sharing. I am grateful to the Bankers for Net Zero member institutions and leaders that have supported the project to reach this point.

The Government is supporting the Project Perseus initiative with its inclusion in the Green Finance Strategy 2023, and via the British Business Bank, which co-chairs the project's Steering Committee. The project has already attracted immense international interest, with institutions including the Organization for Economic Cooperation and Development, the World Energy Council, the United Nations Environment Programme Finance Initiative and the International Chambers of Commerce sitting as observers on the steering committee. Further international counterparts are in the process of joining. The project will also play a key role in supporting the work of the newly-established Net Zero Council, which I co-Chair with Shirine Khoury-Haq, the CEO of Co-Op.

Your participation and support is essential to ensure the success of the project. I encourage you to join Bankers for Net Zero and support Project Perseus to establish a scalable strategic framework for driving the decarbonisation of SMEs. The scale of the challenge is immense, but I am confident that it is achievable with commitment, collaboration, coordination and material support from the private sector.

We plan to showcase the work thus far and the pilot at COP28, and will work with programme partners as it progresses. I look forward to receiving your cooperation and showcasing UK leadership on delivering net zero.

Yours sincerely,

Rt Hon Graham Stuart MP
Minister of State for Energy Security and Net Zero

"We plan to showcase the work thus far and the pilot at COP28, and will work with programme partners as it progresses. I look forward to receiving your cooperation and showcasing UK leadership on delivering net zero."

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To go far, we go together — Steering & Advisory Groups

Icebreaking assembles Advisory Groups under a Steering Group to address the foundations of data governance

Steering Group

ROLES: Provide governance, strategic and tactical leadership, and oversee market-wide communications. Appoint and direct Advisory Groups. Discuss, review and ratify plans.

AG1 User Needs, Materiality, Impact

Explore, prioritise and work through **use cases** (identifying users, their needs, mapping the data value chain).

Agree data needs that represent **materiality** of the challenge area that can be linked to **market impact**.

Develop the **business, value and impact cases** for the programme and its impact on policy targets, businesses and financial instruments. Where relevant, identify relevant net zero **reporting** standards and frameworks.

AG2 Technical infrastructure (technical standards & systems)

Agree **technical** data and metadata standards for publishing data, including machine-readable standards and data access (e.g. APIs).

Operational **technical systems** that enable data sharing (trust framework) and processing (e.g. calculation).

AG3 Data Licensing & Legal (legal definitions & contracts)

Develop standard **legal** data licences that allow restricted data to flow securely across the market, with consent, in alignment with Data Sensitivity Classes.

This includes key policies, such as conditions for participation, roles and responsibilities.

Outputs of this group address the necessary licences and requirements for a functioning access control.

AG4 Engagement & Communications

Convene and bring people together to ensure common understanding of what is being done, why and how.

Address the user experience (whether business or consumer), signposting and addressing how to inspire behavioural change.

Create **awareness**, **engagement** and **impact** with stakeholders.

AG5 Policy

Address potential **policy** interventions.

From a business perspective, this may include potential for corporate policy or changes in procurement.

From a government perspective, this may include policy, regulatory or code-based interventions.

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Advisory Group 1 (AG1) — Users, Needs, Reporting, Impact

Questions addressed by AG1

Does this:

a. help unlock access to net zero finance for SMEs?
b. reduce risks for users?
c. bring efficiency to users?
d. help users to identify opportunities for energy efficiency?

For each of these questions, we aim to address

a. If not, why not?
b. If so, why and at what scale?
c. What are blockers, incentives, opportunities (e.g. benchmarking)?

"I personally found the session really effective, focussed and mission-led.

We have an enormous opportunity to create a powerful impact in the fight against climate change if we get it right.

The challenge of the task at hand and the importance of achieving a net zero economy makes it a very exciting endeavour."

Leon Jayasinghe,
Partnerships Manager, Tide

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AG1 — Users, Needs, Reporting, Impact (DRAFT)

USERS

Users are defined as:

- Banks
- SMEs
- Asset managers
- Third parties (e.g. accountants, accountancy software firms, carbon accountants, auditors, consultants and advisors)
- Primary data providers (e.g. energy companies, utilities, smart meter providers, national grid, asset managers)
- Government and regulators (DESNeZ, Ofgem)
- Standards bodies (e.g. PCAF, ISSB)
- Reporting bodies and users of outputs (e.g. CDP, LSEG, Bloomberg)

DATA NEEDS

For *electricity* we want to know, for each user, what specific data is needed, at what level of resolution.
For example:

- Spend
- kWh
- kgCO2e (including methodology, supplier, time-resolution)
- Time resolution (e.g. annual, quarterly, monthly, 30-minute, bill-based, smart meter) and aligned with reporting needs vs impact incentives and recommendations
- Source (e.g. retailer, landlord, smart meter, aggregator, third party, reserve capacity, power factor, national grid, tariffs)
- Asset resolution (e.g. company, primary asset, sublet)

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AG1 — Users, Needs, Reporting, Impact (DRAFT)

REPORTING NEEDS

Identify what the reporting needs are for each user, related (as a starting point) to electricity.

For example:

- Which reporting framework is being used? (e.g. PCAF, TCFD, ESOS)
- Which emission reporting models / methodologies are being used? (e.g. GHG protocol)
- What emissions factors / algorithms are being used (e.g. national grid, supplier-source, Defra, DESNeZ)

IMPACT NEEDS

- What impact or influence does assurable electricity data make to the risk profile of reporting on lending (Scope3 cat 15)?
- What impact or influence does continuous access to these data have on the risk profile of lending and other financial products and incentives (e.g. tax incentives)?
- What impact or influence does access to assurable data have on reporting and standards? (e.g. PCAF, TCFD, ISSB)
- What impact or influence does access to assurable data have on regulation and policy? (e.g. DESNeZ)
- What impact or influence does access to assurable data have on users of reporting data? (e.g. CDP, LSEG)
- And, combined, what is the impact of these and/or influences on SMEs?

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AG2 — Data and Smart DCC

Smart DCC and RECCo can provide access to all data points needed to secure the highest scores under the PCAF accounting framework.

	Data Point	*Source*	*Notes*
1	**Smart meter data**	**DCC Other User role**	No use of network charges for DCC Other Users.
2	**“Dumb” meter data**	**DCC/REC Service – under development**	To be available following upcoming industry code change (REC Mod R118). This will provide all supplier IDs relevant for reporting periods (e.g. capturing consumer switches). Proxies for home archetypes can be used now (e.g. Elexon Profile Classes 1-4) and grid average carbon intensity for electricity.
3	**Supplier ID (and historic switches)**		
4	**Tariff**	**DCC Other User role**	Directly accessible by DCC Other Users.
5	**Carbon intensity (electricity)**	**Publicly Available**	Published by all energy suppliers on line as required by Ofgem (Fuel Mix Disclosure Regulations).
6	Other in home data (e.g. temperature)	DCC Other User role	CAD & other sensors can be installed and commissioned by DCC Other Users/Other User partners

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APPENDIX

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Overview of the steps in development

Step 1 (2023)

Work out the **business case**(s) to **unlock financial incentives** and **reduce risk** for GHG reporting (AG1).

Lay foundations for **automating** assurable, primary data flow to reflect energy usage on a geographic and temporal basis.

Step 2 (2023)

Address the **legal**, **policy** and **technical** challenges (AG2, AG3, AG5) to enable the process to scale to the whole economy.

Test market **engagement** and incentives through clear, cohesive **communication** around a demonstrator (AG4)

Step 3 (2024)

Based on the needs identified:

1) increase the **scope** of data to other impact categories (e.g. water, transport) as defined by users.

2) improve **related** data (e.g. reporting, risk, temporal, sector and geographic issues) as defined by users.

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Overview roadmap for Steering Group in 2023

23 Jan

Convening

Socialising

Governance structure documented

Communications

27 March

Progress report

Approve 2023 roadmap

- Success criteria
- AG structure
- Outreach approach

Stakeholder engagement

5 Jun (draft)

Progress report
- Engagement
- Advisory Groups

Approve 2023 progress

- Criteria validation
- AG direction
- Outreach

Stakeholder engagement

11 Sept (draft)

Progress report
- Engagement
- Advisory Groups
- Implementation

Approve 2023 progress

- Criteria validation
- AG direction
- Comms plan for COP

Stakeholder engagement

Q4 (draft)

Progress report
- Engagement
- Advisory Groups
- Implementation

Approve 2024 scope

- Success criteria
- AG structure
- Outreach approach

Stakeholder engagement

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Values — we enable

Openness

1. share our views and plans, and share knowledge as widely as possible;
2. solicit and listen to views from end users and stakeholders;
3. make our outputs available under an open licence (e.g. CC-BY, OGL).

Expertise

1. bring our expertise to the discussion as individuals;
2. use our expertise to synthesise the views of others in constructive and forward-thinking proposals;
3. use good judgement to respect privacy and confidentiality.

Collaboration

1. support each other in discussion, in decisions, and in delivery;
2. constructively hold each other to account on our commitments;
3. ensure all voices are heard and considered carefully.

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Roles: a strong coalition to deliver commercial and public impact

A coalition of government, non-profit and commercial members can deliver this ambitious programme

Group	B4NZ	Icebreaker One	Steering Group	Members & Sponsors
Role(s)	Leadership and direction Political engagement High-level convening and engagement Liaison with GFANZ, UN, and international liaison Communications	Co-chairs Steering Group Runs Advisory Group process Operates Secretariat Runs implementation team and delivery with Members Resources delivery (research, reports, implementation) Manages contracts	Leadership Governance Convening Communication Ratification of plans	Bring their use-cases that can benefit from collaboration Provide domain expertise to Advisory Groups Engage in implementation (where appropriate) Contribute to programme funding as a Member or Sponsor in cash and in-kind
Narrative	B4NZ has been created as the catalyst for the Net Zero Banking Alliance, as part of the GFANZ alliance, to implement the UN Principles for Responsible Banking and the Collective Commitment to Climate Action	Icebreaker One is an independent, neutral non-profit organisation dedicated to unlocking finance for the net zero economy and making data work harder to deliver our net zero future. It works at the intersection of government and industry to bridge the gaps between theory and implementation.	The Steering Groups represents stakeholders from across the value chain including the banks, SMEs, financial and professional services, accounting, national and international policy.	Members co-design, co-develop and co-fund development of the solutions within the scope of this programme, and implement resultant standards and processes in their own organisations.

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Programme development roadmap — Advisory Groups & Implementation

Advisory Groups	Q1 (Feb, Mar)	Q2	Q3	Q4
AG1: User Needs, Materiality, Impact	Stakeholder outreach and recruitment for AGs Identify organisations, capabilities; onboard. Customer journey defined Demonstrator detailed planning Convene Advisory Groups	Detailed requirements mapped across AGs Detailed legal, technical, ux, comms and operational design Linked collaboration requirements and dependencies across AGs resolved (e.g. data needs & licensing; materiality & communications) "Beyond Demonstrator" scope captured for future planning Demonstrator detailed design signed off	Detailed legal, technical, ux, comms and operational implementation Identification of test communities and test processes Roll out to test users Scoping of next steps beyond energy.	COP28, Dubai Launch Demonstrator results Communications outputs published Recommendations and plan for next steps
AG2: Data Publishing				
AG3: Data Licensing				
AG4: Engagement & Communications				
AG5: Policy				

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Recap — creating value across the economy

For the UK

1. Lead the world in unlocking open markets for net zero innovation and implementation in the race to zero
2. Help catalyse the financial sector deliver incentives aimed at addressing up to 50% of UK business emissions
3. Create the underlying data infrastructure that enables cross-industry, assurable data sharing while maintaining security and user control
4. Align with Skidmore Net Zero Review and Penrose Competition Review

For UK SMEs

1. Help unlock access to capital that will reduce SME emissions
2. Make it easy to engage (by automating GHG reporting at market-wide scale)
3. Simplify the process of engaging in, and financing, a net zero future
4. Maintain control over their data (aligned with Open Banking)
5. Create strong reputational value with their customers

For banks, the financial sector, asset managers and beyond

1. Better manage climate risk and audit on their loan books
2. Build better relationships with, and incentives (e.g. lending requirements) for, their customers on the race to zero
3. Improve reporting and data quality (by automating delivery of assurable data from their customers) across all three scopes
4. Deliver savings by driving standardisation of approaches, addressing comparability, market cohesion and maintaining customer agency
5. Create strong reputational value with their customers

For energy companies, low carbon technology solutions, carbon accounting applications and auditors

1. Automate access to assurable data at market-scale
2. Enable predictive modelling and analysis at regional, sectoral and granular levels
3. Match financial incentives and low carbon technologies with those who need them
4. Create strong reputational value with their customers

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Data flow that represents materiality

Climate science

Policy & regulation

Making

Carbon accounting

Reporting

Ratings

Distribution

GREENHOUSE GAS PROTOCOL

Markets

Resources

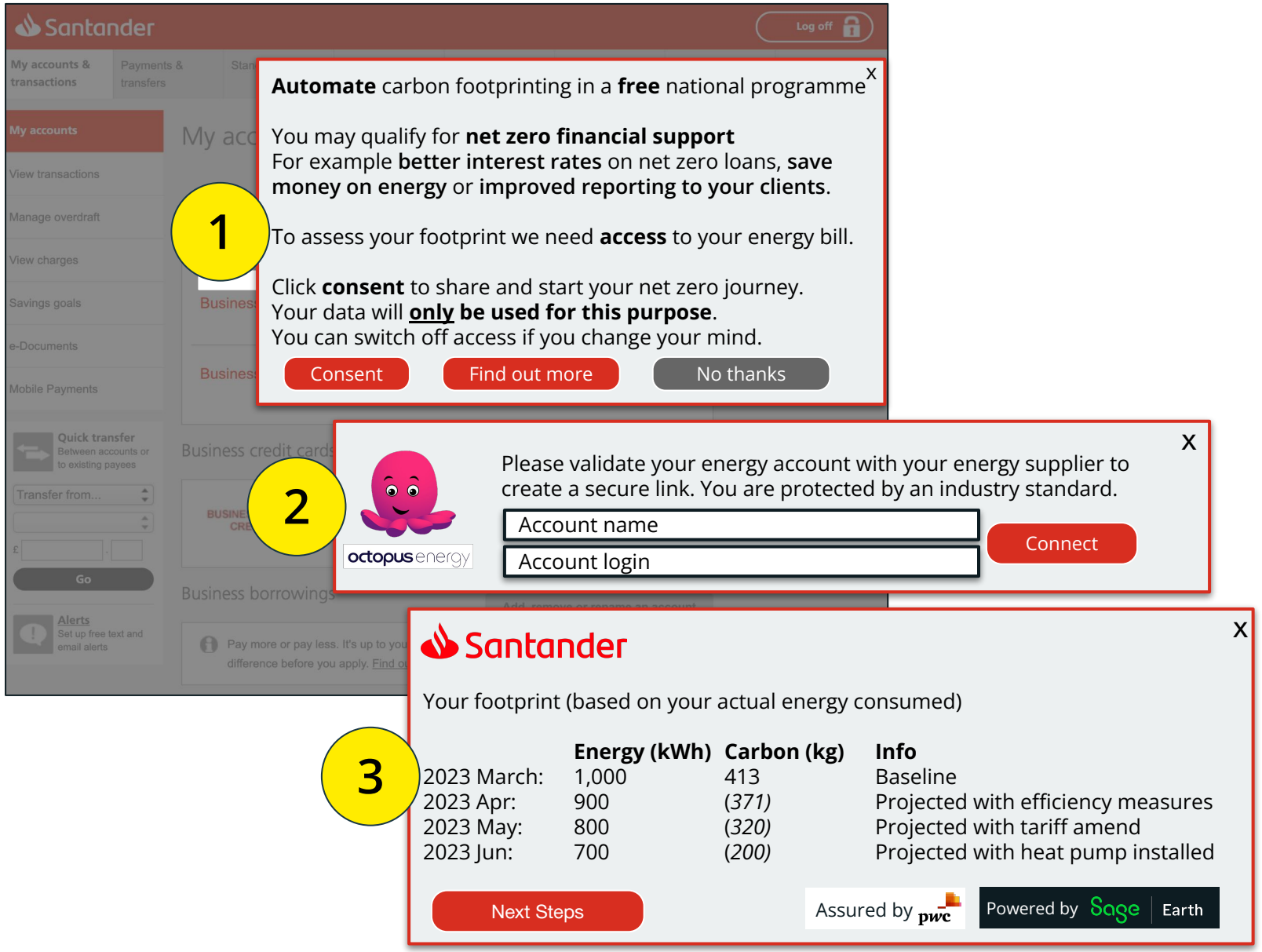
Models

Audit

Investors
Asset managers,
Banks, Funds, Insurers

Real economy | *Financial economy*

Perseus — Implementation Example — what might this look like for a user?



In this example, a bank (e.g. Santander), energy retailer (e.g. Octopus) and carbon accounting solution (e.g. Sage Earth) are all part of a **Trust Framework**. The process has been co-designed by all parties, and assured by an auditor (e.g. PWC). **Any company** can join the same framework.

1

The SME user should be able to quickly assess:

1. the potential value to them of getting involved
2. how this might benefit them directly
3. how it might benefit everyone
4. that it will be very low effort for them to start
5. that they are in control

2

This is a replica of the **consent management** process used in Open Banking to connect bank accounts.

Instead this is connecting an energy company account to the bank (or the bank's carbon accounting solution, acting on behalf of the bank).

The user is protected by **Trust Framework** rules that all participants (including government) have co-developed.

3

Using existing accounting systems (e.g. Sage Earth) the bank can begin the customer journey to relevant financial incentives. Other third parties can assure or audit the process to build trust in the whole system.

The **Trust Framework** only unlocks the data **flow**, not what happens next (e.g. analysis). That's up to the market.

NB: all brands used here are for illustrative purposes only v2023-03-31

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Trust Framework for data sharing between EnergyCo. & Bank

Trust Framework for data sharing delivers **consent management** between organisations

IB1 Open Energy

Registered and verified organisations

Energy company (EC)

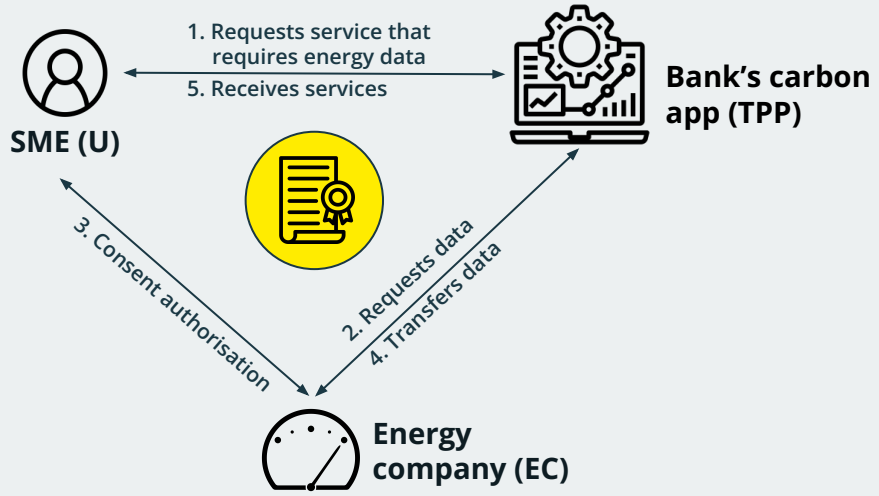
Bank app (TPP)

Organisations agree to common **terms & conditions**.

At the point of use, the **SME <u>consents</u>** to data sharing.

Data flows directly from **Energy Company** to their **Bank** solution/app.

Data is **<u>not stored centrally</u>**.



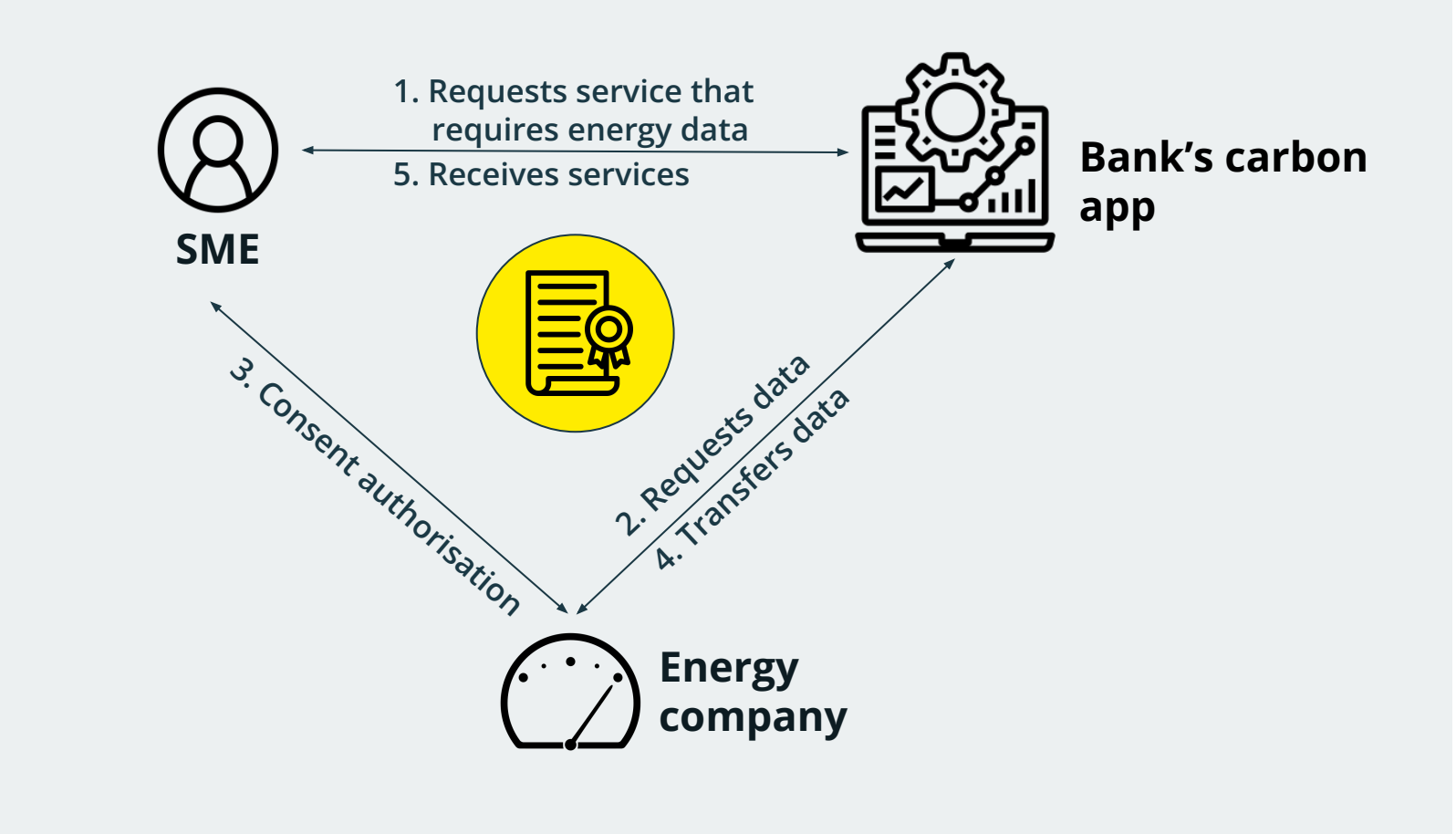
1 **Commercial User (U)** requests service from **Third Party Provider** (TPP) [in this case, the Carbon accounting application for their bank] This requires the data from **Energy Company** (EC)

2 **TPP** requests user data from **Energy Company** (EC)

3 **TPP** asks user for **consent authorisation**

4 **Energy company** (EC) transfers user data directly to **TPP**

5 **Corporate User** receives service from **TPP**

Open Energy is a non-profit **Trust Framework** that has been co-funded and developed by UK government and the energy sector, to deliver an equivalent "implementation entity" to the Open Banking Implementation Entity (which is FCA regulated)

Data is never stored centrally. The customer (SME) is always in control of their data.