

Identification, Access, and Use of Transition-Relevant Data and Metrics



Table of Contents

Introduction to Transition-Relevant Data and Metrics . . .	3
Background and Context	3
The Role and Impetus for Transition-Relevant Data and Metrics	4
Insight Brief Overview and Objectives	4
RMI’s Role in Advancing Transition-Relevant Data and Metrics	6
Goals and Challenges in Transition-Relevant Data and Metrics	7
Advancements in Transition-Relevant Data and Metrics . .	9
Progress on Identification	9
Progress on Access	12
Progress on Use	14
Conclusions, Recommendations, and Areas for Further Research	16
Appendix 1	18
Appendix 2	19



Introduction to Transition-Relevant Data and Metrics

Background and Context

Article 2.1c of the Paris Climate Agreement emphasizes the need for financial flows to be consistent with a below 2°C world. It is increasingly apparent that finance must play a critical role in facilitating existing and future low-carbon technology and infrastructure to enable the net-zero transition. **However, the data and metrics to support this transition are not yet widely integrated into day-to-day decision-making in financial institutions.**

Financial institutions have taken important steps in recent years to show their commitment to climate action. Financial institutions have set encouraging net-zero goals, started to assess their financed emissions, begun to set interim targets, joined collaborative initiatives, including the Glasgow Financial Alliance for Net-Zero (GFANZ) and the Net-Zero Banking Alliance (NZBA), and are navigating how to best respond to emerging climate-related regulatory requirements. With these important and necessary steps has come added pressure on sustainability teams to not only translate their firm's climate commitments into practice, but to also comply with a wide range of disclosure requirements and evolving expectations from an even wider range of stakeholders, including investors, regulators, peer industry groups, and civil society.

As financial institutions continue their net-zero journeys, it is increasingly important that they move beyond setting financed emissions baselines and targets to intentionally steering portfolios in line with climate goals by supporting the transition of high-emitting companies and financing climate solutions. However, there remains a disconnect between firm-level commitments and targets, and day-to-day financial decision-making. Despite some progress, decisions are still largely driven by business-as-usual financial incentives and backward-looking data and models. **Transition-relevant data could help close this gap by directing financial flows toward the areas of the economy that need the most support to mobilize and accelerate transition solutions.**

RMI'S WORKING DEFINITION OF TRANSITION-RELEVANT DATA AND METRICS:

“Data and metrics that most effectively enable day-to-day decision-making toward the highest impact on the real-economy transition to net zero.”



The Role and Impetus for Transition-Relevant Data and Metrics

Data and metrics are often cited as one of the first and **most persistent challenges** facing financial institutions as they work to implement their climate targets and fulfill their critical role in the net-zero transition. The increasing availability and refinement of climate-related data and metrics, such as through mandatory climate-related disclosures and the continued growth of voluntary reporting initiatives, have been encouraging, **yet most of the climate-related information available today remains noncomprehensive, unstandardized, and reliant on varying methodologies and sources.** This will not change overnight. Waiting for perfect climate-related data risks wasting crucial time in the decisive decade for climate action, increasing exposure to growing physical and transition risks, and missing valuable opportunities to invest in the largest economic transformation in history. As stated in the Center for Climate-Aligned Finance’s **IMPACT+ Principles**, a lack of data is not an excuse for inaction.

“ **It’s important that we don’t let [a lack of data] mean we do nothing. Our aim and ambition is to be directionally correct rather than precisely wrong.** ”

– Anne Richards, CEO Fidelity International

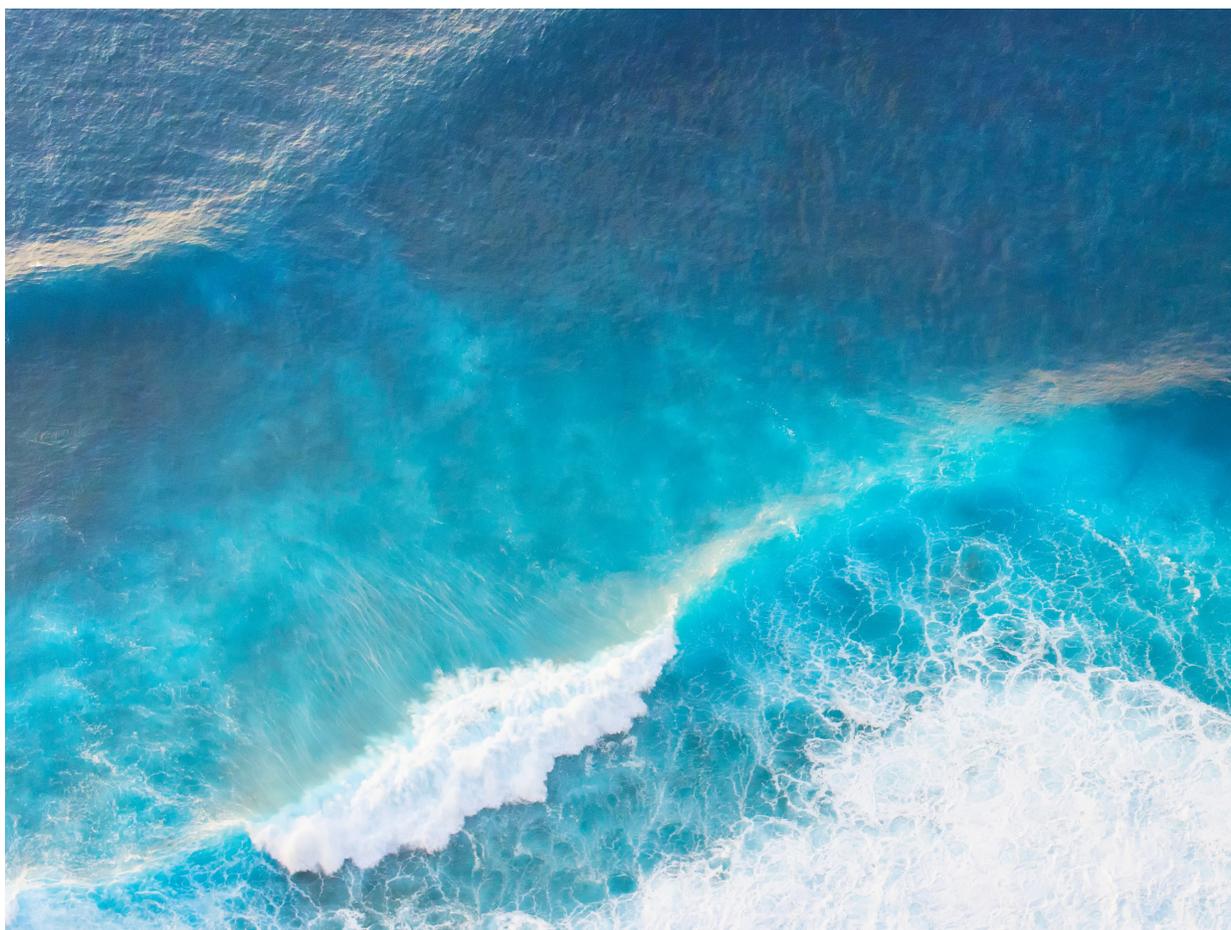
Instead, financial institutions must confront these challenges to translate their commitments into action. Profitably and sustainably accomplishing the transition to net zero will require every company and asset in the real economy to align with an appropriate 1.5°C pathway. As investors and financiers of the real economy, financial institutions (including front-office bankers) must be able to assess both the feasibility and the credibility of a counterparty’s role in the net-zero transition. Further, they will need metrics and tools to actively support decision-making across all relevant financial and nonfinancial activities including lending and investment, engagement and stewardship, and advocacy. In lieu of a “one-size-fits-all” approach to instantly solve the climate data problem, we posit that **the conceptual framework of “transition-relevant data and metrics” can lead to better-informed decisions** about the type and prioritization of data and metrics that allow financial institutions to simultaneously address business opportunities, climate considerations, and client transition needs.

Insight Brief Overview and Objectives

Although transition-relevant data has recently been cited in several guidance documents (for example, **GFANZ Recommendations and Guidance for Financial Institution Net-zero Transition Plans**), little work has been done to define and outline key aspects of this topic. This Insight Brief offers a foundation for further discussion and provides initial insights on the topic from recent RMI-facilitated virtual and in-person convenings. It serves as a primer and outlines the goals, barriers, and ongoing efforts related to **identification, access, and use** of transition-relevant data and metrics as well as providing key recommendations for various stakeholders and areas for further research.



This briefing is based on a series of five workshops on the topic of transition-relevant data and metrics facilitated by RMI's Center for Climate-Aligned Finance (the Center). Held throughout the first half of 2022, this series was the first iteration of the Center's newly launched "Alignment Forum," and convened 15 leading North American and European financial institutions. The highlight of this Alignment Forum series was an in-person all-day workshop held in June in New York City, with 12 participants from 10 of the largest banks, representing a total of over \$19 trillion in assets under management. Attendees provided a range of relevant perspectives from both front-office and sustainability-related roles across these banks. Since these meetings took place under Chatham House rules, the findings and insights in this brief have been anonymized and generalized. This brief presents RMI's assessment and summary of the opinions of workshop participants, alongside additional research. It also does not necessarily indicate complete consensus among participants, and we have striven to provide nuance where opinions differed. While these insights are broadly applicable across the financial sector, our primary focus is on banks due to the composition of the Alignment Forum participants.





RMI's Role in Advancing Transition-Relevant Data and Metrics

RMI's Center for Climate-Aligned Finance first articulated the need for financial institutions to adopt transition-relevant data in support of impact-oriented climate alignment in its IMPACT+ Principle 4:

“Adopt transition-relevant data and metrics to guide decision-making, without using a lack of data as an excuse for inaction.”

In February 2022, the Center published the IMPACT+ Principles to provide guidance to private-sector financial institutions on how to focus their alignment efforts on what matters most to deliver progress on real-economy decarbonization.

To help financial institutions implement those principles, the Center launched the Alignment Forum as a community of practice for financial professionals seeking to share experiences, identify best practices, and address common challenges and solutions on the road to net zero.

Our first Alignment Forum workshop series has focused on the topic of transition-relevant data. This briefing summarizes our findings to date on the best practices and remaining challenges related to putting Principle 4 into action.

In addition to this convening series, RMI has several ongoing initiatives designed to support the availability and standardization of transition-relevant data for financial institutions. For example:

- The Center facilitated a working group of five financial institutions to design the **Sustainable STEEL Principles** (SSP), a climate-aligned finance agreement for the steel industry whereby participating banks commit to measure and disclose the climate alignment of their steel lending portfolio. Under the SSP, a climate alignment score is generated for each steel producer, which tells lenders how aligned each client is with two net-zero pathways, critical to supporting client engagement efforts. The methodology weighs emissions based on the company's metallic input mix and applies a fixed boundary for emissions accounting, both of which ensure that lenders can compare their clients more accurately and equitably. The Center is building on this work to develop other sector-specific methodologies to efficiently use data in other hard-to-abate sectors.
- RMI has also recently taken ownership of **PACTA**, a free, open-source methodology and tool that provides forward-looking metrics for financial institutions to help assess their portfolio alignment against transition technology pathways to make climate-aligned financing decisions.
- RMI's Climate Intelligence Program (CIP) has launched **Horizon Zero** to develop and deploy product-level greenhouse gas (GHG) accounting frameworks and a technical architecture for tracking supply chain emissions. CIP also launched and co-leads **COMET**, an initiative aiming to develop a harmonized emissions accounting methodology and attribution protocol.



Goals and Challenges in Transition-Relevant Data and Metrics

In order to incorporate transition-relevant data considerations into banks' steering strategies and transition plans, they must overcome several challenges related to:

- **Identification** of the most critical, decision-useful, transition-relevant data and metrics that adequately enable banks to meet their needs of assessing transition and prioritizing actions as well as disclosing progress;
- **Access** to data, generally done either directly or through a third party, in a way that is efficient, cost-effective, and avoids placing an unnecessary burden on bilateral client relationships; and
- **Use** of the data across the organization's financial decision-making, client engagement, and operational processes to effectively drive real-economy decarbonization and transition.

Exhibit 1 (next page) outlines key goals and practical challenges that Alignment Forum participants highlighted in identifying, accessing, and using transition-relevant data and metrics. We note that the barriers and opportunities relating to transition-relevant data and metrics will vary among firms and evolve as firms progress on their journey toward net zero.

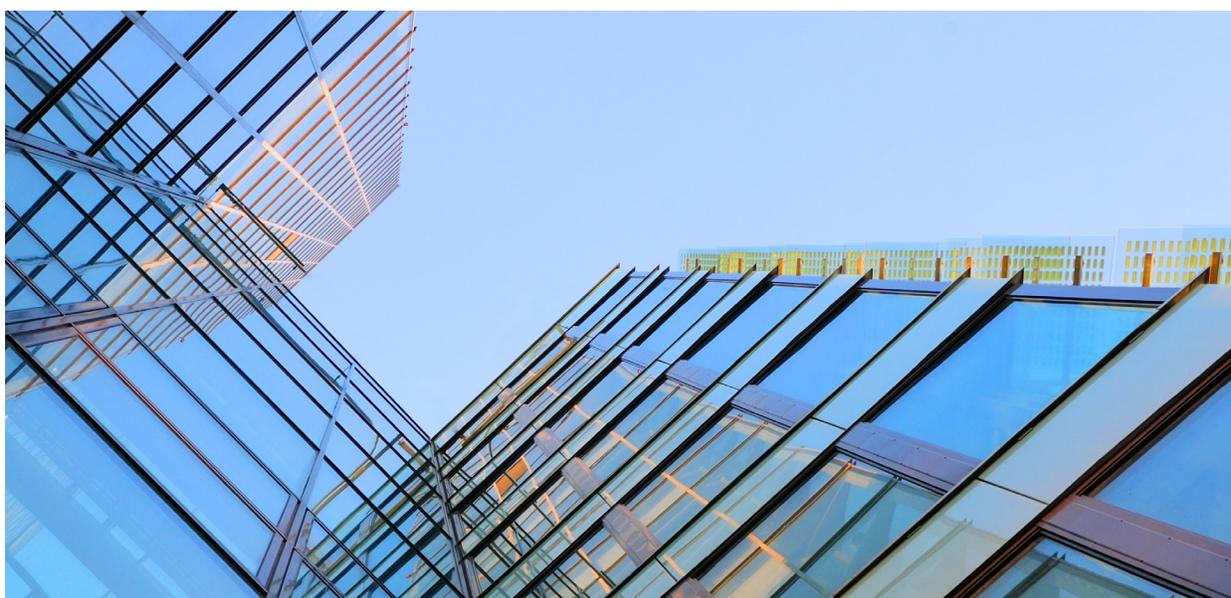


Exhibit 1

Key Goals and Challenges to Identifying, Accessing, and Using Transition-Relevant Data and Metrics



Identify transition-relevant data that:

- Help to assess and compare transition readiness and prioritize transition activities across counterparties, sectors, and portfolios.
- Apply to multiple use cases including disclosing transition-relevant activities.

But challenges remain:

- Difficult to prioritize transition-relevant data among an array of disclosure requirements, data, and metrics (where there is an outsized focus on GHG emissions).
- Limitations of portfolio alignment metrics to assess, incentivize, and prioritize real-economy impact.
- Unclear distinction of transition-relevant data from climate and environmental, social, and governance (ESG) data for other purposes (e.g., reporting or risk management).
- Lack of consensus on what transition-relevant data and metrics are needed across portfolios, sectors, and counterparties.
- Difficult to implement robust forward-looking metrics due to lack of data and consensus on proper benchmarks and appropriate timelines.



Access transition-relevant data that:

- Is open-source/verifiable, readily available, and from cost-effective channels that avoid or reduce transaction costs and friction on deals with counterparties.
- Uses transparent methodologies that are consistent with real-economy sources and comparable across counterparties.

But challenges remain:

- While client-sourced data is widely used, accessing it on a large scale can be time-consuming, the data is not always comparable, and the process can add friction to client relationships and transactions.
- Difficult to choose among crowded space of metrics, methodologies, and data that measure similar factors differently.
- Difficult to select third-party data sources, with wide variations in cost, credibility, methodology, and coverage.



Use transition-relevant data that:

- Verifies credibility and feasibility of counterparty/sector transition plans.
- Embeds transition factors into front-office decision-making processes.
- Supports client engagement that drives real-economy decarbonization.

But challenges remain:

- Lack of standards and capabilities to assess the impact of transition activities.
- Lack of processes and incentives to embed transition assessment into decision-making and alignment activities.
- Uncertainty around how to compare and weigh potential for impact, materiality, and risk exposure.
- Uncertainty on how to effectively engage clients to assure transition plans are credible and high impact.

Source: Center for Climate-Aligned Finance, 2022



Advancements in Transition-Relevant Data and Metrics

Progress on Identification

As we work to co-create solutions and move the discussion forward on how to identify transition-relevant data, the Center has focused on 1) developing a definition of transition-relevant data and 2) identifying key characteristics and examples of transition-relevant data.

Defining transition-relevant data and metrics

During the Alignment Forum, the Center proposed a working definition of transition-relevant data: “Data and metrics that most effectively enable day-to-day decision-making toward the highest impact on the real-economy transition to net zero.” This definition focuses on data that enables financial institutions to identify impact-oriented alignment opportunities, including transition finance. Such opportunities can and should include supporting the transition of economic activities that are critical to meeting climate goals, such as hard-to-abate sectors, and enabling front-office staff to compare and assess the transition readiness of companies and assets.

This definition is distinct from a broader set of climate-related data and metrics – which might include, for example, water usage risks or assessment of exposure to extreme weather events. Further, a focus on real-economy outcomes differentiates it from a purely financed emissions approach, which could include a firm’s portfolio emissions reductions without necessarily leading to actual net emission reductions. However, this assumes that banks acknowledge and prioritize their role in accelerating the real-economy transition, beyond financed emissions – a responsibility that may take some time for banks to grow comfortable with and adopt, but nevertheless underpins many commitments to net-zero targets and initiatives.¹

This definition is purposefully broad, as we acknowledge that **what might be considered transition relevant for one counterparty, sector, or portfolio may not be transition relevant for others**. Further, transition relevance is unlikely to be simplified to one data point or metric. Just as the vast majority of an iceberg can be found below the water’s surface, we posit that to properly assess and facilitate transition, financial institutions need to look beyond high-level alignment or climate scores to ask the right questions that identify and assess both financial and nonfinancial transition-relevant data and metrics. For a visualization of this, see *Appendix 1*, which outlines illustrative examples of transition-relevant data and metrics across portfolios, sectors, and counterparties identified during the Alignment Forum workshops. The section below further addresses the need to grapple with numerous data points to identify and prioritize key transition-relevant indicators, allowing for targeted, optimal usability in a fast-paced commercial environment.

¹ For example, signatories to the [Net-Zero Banking Alliance](#) commit to “facilitating the necessary transition in the real economy through prioritising client engagement, and offering products and services to support clients’ transition” (*emphasis added*).



Key characteristics of transition-relevant data and metrics

Building from the above definition, an important way to think about transition-relevant data and metrics is to understand the key actions that are needed to achieve decarbonization and transition on a particular scale, and track the data and metrics that can measure those activities. Evidence of this transition-relevant data approach is already emerging in the use of sectoral roadmaps to identify transition needs at the sector level, with financial institutions then tracking the relevant levers and technologies via a composite client alignment score.

As an example, in the aluminum sector, transition will primarily require clean electricity inputs, inert anodes, and increased recycling. Tracking exposure and contribution to those factors among aluminum firms (including in their forward-looking strategy and capex plans) can help evaluate transition readiness and alignment to transition pathways. This information can therefore inform financing decisions as well as engagement discussions with clients and counterparties. Action-oriented, and actionable, data and metrics will be key to assessing and enabling transition.

Exhibit 2 highlights the findings from an exercise during the Center’s in-person workshop in June 2022 to identify the key characteristics of transition-relevant data. Participants from leading North American and European banks most frequently mentioned comparability as a must-have characteristic alongside other attributes including being decision-useful, granular, accurate, timely, forward-looking, and consistent.

Exhibit 2 Word Cloud of Key Characteristics of Transition-Relevant Data and Metrics



Source: Center for Climate-Aligned Finance, 2022



Comparability was noted as being particularly important in facilitating the apples-to-apples assessment of companies within a sector to inform financing decisions. While robust financial information is often available through a standard set of data and metrics and regulated reporting structures, the same cannot be said for transition-relevant data and metrics. Yet, for banks to credibly build portfolios, undertake client engagement in support of transition, and meet their climate goals, they need to be able to compare and contrast transition plans and other key transition-relevant data among their existing and potential clients. In addition to comparability, and although not as prominent in the word cloud exercise, credibility and actionability of the data and metrics were widely discussed throughout the Alignment Forum series, highlighting the need for bankers to be able to rely on these data and metrics for decision-making that will help move the needle on meeting climate targets at the company, sector, and portfolio levels.

These findings emphasize the need for collaboration within the financial system to ensure that future developments in this space harmonize toward a standardized and robust set of key data and metrics that can help financial institutions support transition.

Insights to support prioritization of key data and metrics

Given 1) the increasing proliferation of data and metrics (the majority of financial institutions lack the capacity to analyze and assess every data point), and 2) the different transition-related investment approaches being pursued (for example, some data and metrics are more relevant for engagement-led vs. product-led approaches), banks are in need of a way to prioritize data categories and efforts. However, little work to date has focused on how this could be achieved.

While this briefing does not propose a prioritization framework, stakeholder input through our recent meetings have identified three initial takeaways that could help move toward a streamlined approach to transition-relevant data and metrics:

- 1. Financial metrics remain a top priority.** During the in-person workshop, participants were surveyed on the data and metrics required for climate alignment and impact at the counterparty, sector, and portfolio levels, and asked to rank their importance. In the results of this exercise, financial metrics frequently received higher scores than climate-related metrics – particularly at the portfolio level. This demonstrates the continued focus by banks on the fundamental financial implications of the transition. Examples of such data at the counterparty level included revenue composition and R&D spending, and at the portfolio level included expected investment returns and cost of capital.
- 2. Forward-looking metrics are crucial but challenging.** The importance of forward-looking metrics was clear, with capital expenditure being the most commonly cited metric during our workshops. This demonstrates the need for forward-looking data that can be used to assess both financial commitment and likely technology pathways toward a credible transition at both the counterparty and sector levels. Other forward-looking transition-relevant data and metrics mentioned included transition plans, asset retirement schedules, revenue forecasts, technology cost curves, and sectoral and technology pathways. While there was consensus on the need for forward-looking information, knowing which information most credibly demonstrates a counterparty's trajectory, and how to assess it, remains a challenge. For example, the relevance of capital expenditure-related metrics will likely vary among sectors, depending on the existence of suitable investable transition solutions.
- 3. Emissions data must underpin transition approaches, but has limitations.** Given their net-zero goals, financial institutions have been prioritizing emissions data such as counterparty- and portfolio-level financed emissions, sectoral emissions hot



spots, etc. Banks are dedicating significant resources to accessing and assessing emissions data. However, emissions data can lack comparability. One solution to improve comparability of emissions data across sectors is to use a fixed-boundary approach, which is being applied to certain climate-aligned finance frameworks designed by the Center. However, financed emissions alone does not tell the whole story, and reduction in short-term portfolio emissions will not necessarily support the transition to a net-zero economy. Given the need to finance the transition of high-emitting sectors, banks may need to retain high-emitting companies on their books to encourage transition and managed phaseout. This requires a more nuanced discussion of managed phaseout, financed emissions, and transition-relevant data and metrics.

Additional Resources:

- Both the Taskforce for Climate-Related Financial Disclosures (TCFD) and the Network for Greening the Financial System (NGFS) have begun categorizing the types of climate-related financing data and metrics and different use cases. This should help banks identify the different types of data and metrics they can adopt to guide their decision-making. See *Appendix 2* for a summary of the key overlaps among the different categories as outlined by TCFD and NGFS.
- Other initiatives looking to identify ideal characteristics and improve the quality of transition-relevant data include: [GFANZ](#) workstreams and publications on [real economy transition plans](#) and [portfolio alignment measurement](#), as well as [Oxford's Sectoral Data Quality and Integrity Project \(SDQI\)](#).

Progress on Access

The processes used by financial institutions to access data are diverse but can be generally characterized as either sourcing directly from counterparties through published reports or engagement and/or relying on third-party providers. Given challenges involved in both approaches (noted above in Exhibit 1, page 8), public- and private-sector initiatives are stepping in to fill some of the gaps. Throughout our workshops, participants shared examples of stakeholders and initiatives they are working with to enhance access to data and metrics. Three key areas of innovation were noted as particularly promising:

1. **Open Access Data:** [GFANZ and One Planet](#) recently announced a collaboration to create an open-data public platform. This joint initiative will begin by creating a Climate Data Steering Committee and work with global organizations, regulators, policymakers, and private sector leaders (including GFANZ members) with the ultimate goal of collecting and standardizing types of public net-zero climate transition data. Data sets that could be featured on the platform are still being decided, but may include: GHG emissions, net-zero targets, and net-zero transition plan metrics across financial institutions, corporations, and governments.



- 2. National and International Policy and Regulation:** Regulators across major financial markets are moving to clarify or require climate-related financial disclosures in line with TCFD. In addition, international regulations and voluntary standard setters, such as the **European Single Access Point (EASP)** and **International Sustainability Standards Board (ISSB)**, that request the disclosure of certain categories of data more broadly will make that data easier to access. In particular, reporting regulation is seen as potentially helping to close the comparability and availability gaps that have persistently hindered climate-related financial decision-making.
- 3. Technology-Based Solutions:** Several participants noted that satellite imaging, machine learning, and other technologies are being developed to support corporate, sectoral, and geographic data collection and processing. RMI-led initiatives that exemplify this trend include:
 - **Horizon Zero**, which focuses on making GHG emissions more visible by using blockchain to trace product-level carbon emissions and intensities throughout entire supply chains. This initiative is designed to improve understanding and comparability of GHG footprints of individual products and enable companies to decarbonize their supply chains through traceable purchases and investments.
 - **PACTA** (Paris Agreement Capital Transition Assessment), which examines what needs to happen in climate-relevant sectors to minimize global temperature rise and compares that with financial institutions' exposure to companies in these sectors. The algorithm employs a dynamic, forward-looking approach for assessing portfolio alignment, allowing financial institutions and supervisors to minimize their data needs by matching portfolios to external databases based on the five-year production plans of companies to which a portfolio is exposed, thereby bypassing the need to collect data directly from clients.

Additional Resources:

- The Center has launched the **Climate AIR Toolbox**, which helps financial institutions identify and access different types of tools, frameworks, and platforms available to measure and report their climate-related alignment, impact, and/or risk (AIR). This online toolbox includes a filter to search for forward-looking data and metrics.
- Additional initiatives seeking to improve access to climate data, including but not limited to transition-relevant data, are **CDP**, **Climate Arc**, and **OS-Climate**, among others.



Progress on Use

Once banks have identified and accessed transition-relevant data, they must make good use of it by embedding it into their decision-making and incentive processes. Best practices of how to do so are emerging, but many banks are still grappling with this part of the journey.

Broadly, financial institutions are using transition-relevant data for two main purposes: communication and decision-making. For example, communication uses include disclosure of progress to external stakeholders and engagement with clients and counterparties, whereas decision-making use cases include strategy development, investment research, capital allocation, and portfolio construction.

For financial institutions, the same transition-relevant data and metrics can be used to facilitate diverse insights and to inform multiple different strategies and goals. Conversely, multiple types of data and metrics may be relevant for the same strategy or goal. For example, **GFANZ** has categorized four types of metrics that can help financial institutions to assess and report their portfolio alignment:

- **Binary metrics** determine the percentage of a financial institution's portfolio companies that have net-zero-aligned emissions reduction targets.
- **Benchmark divergence metrics** calculate a company's alignment with benchmark emissions pathways developed using forward-looking climate scenarios.
- **Implied Temperature Rise (ITR) metrics** convert a company's and/or portfolio's (mis)alignment with benchmark emissions pathways into a temperature score that describes the likely climate outcome should the global economy replicate the same behavior as the company/portfolio in question.
- **Maturity scale alignment metrics** grade a company on the extent to which it is aligned with net zero using qualitative and quantitative factors. These can include their climate targets, past emissions reduction performance, climate-related disclosure practices, and governance.

This demonstrates not only the proliferation but also the divergence and diversity of metrics that financial institutions can use to inform their reporting, decision-making, and client engagement. As such, categorizing the data types and mapping them to use cases can serve as an opportunity to help banks focus on transition relevance. However, the fact that no two financial institutions and no two real-economy sectors are the same means that data and metrics need to be dynamic and malleable enough to be applied differently based on specific contexts, characteristics, and considerations. Determining how transition-relevant data will be used can help firms identify and access the most relevant data and metrics.



ING Case Study: Using Alignment Scores in Client Engagement

ING is increasingly using transition-relevant data in client engagement, such as in the steel sector where transition-relevant data are becoming more relevant despite challenges in sourcing and using such data. For example, current reporting practices for CO₂ emissions in the steel sector make it very hard to compare one company's emissions against others. The alignment scores created by the Sustainable STEEL Principles solve this problem by allowing for the objective benchmarking of clients versus each other and two different climate trajectories, while also correcting for differences in production processes such as scrap use.

These comparisons can form the basis of engagement with ING's clients. Once ING's bankers know where their clients' alignment scores are, relative to both peers and climate targets, they have a much better sense of which questions should be asked. Generally, ING's experience with these engagements has focused on: (1) benchmarking where a client's alignment currently is versus where they need to go to achieve climate targets, and from there exploring (2) how the client wants to achieve alignment and (3) how the bank can help.

By asking these questions, ING can demonstrate its understanding of its clients' businesses and the bank's desire to support them in their transition strategies.

Source: ING, 2022

In order to integrate data for different use cases, internal capacity needs to be built up throughout the bank, with required resources, expertise, and training to ensure that available data can be analyzed and integrated appropriately. While banks are hiring more climate professionals to their sustainability teams and using transition-relevant data for reporting and strategy discussions, front-office staff are often the ones who need to use transition-relevant data to carry out engagements and financing decisions. As such, increased training and capacity building for different teams on how and why to use transition-relevant data for their specific business functions will be crucial for its ultimate adoption in line with IMPACT+ Principle 4.



Conclusions, Recommendations, and Areas for Further Research

Financial institutions are understandably struggling with mounting pressure to do “everything, everywhere, all at once” regarding climate. Financial institutions need to prioritize efforts, actions, and finite resources to most effectively facilitate their alignment journey toward net zero. Adopting transition-relevant data and metrics to guide decision-making (IMPACT+ Principle 4) is a critical piece of this puzzle. The field of transition-relevant data is still nascent, but gaining momentum through both internal and external forces. There is increasing demand within financial institutions to come up with agreed definitions and understanding of what transition-relevant data is, how it can be accessed, and how it can be used to drive real-economy transition.

This briefing, based on research along with insights from financial professionals participating across five online and in-person workshops on transition-relevant data and metrics, has focused primarily on setting the scene by highlighting key concepts, challenges and progress. In particular, we have proposed a definition for transition-relevant data, outlined core characteristics of the data and metrics, highlighted industry-preferred data points and metrics, identified common barriers, and pointed toward some possible solutions and ongoing initiatives.

However, this is only the beginning of examining how to identify, access, and use transition-relevant data in the banking industry. Here are some ideas for further work and research:

- **Identification:** Developing a robust prioritization framework focused on what data is essential for assessing and facilitating the real-economy transition. This will allow financial institutions to optimize their finite resources and facilitate decarbonization more efficiently. This prioritization framework could build on our work to identify ideal characteristics of transition-relevant data and the focus on financial and forward-looking metrics, including metrics beyond GHG emissions. However, we recognize that the market will need to continue to allow for some flexibility in data approaches, to enable various financial institutions to define what is relevant to them and reflect differences among sectors.
- **Access:** Navigating all the different public- and private-sector initiatives designed to increase the quality and quantity of transition-relevant data can be difficult. Further work to map this evolving landscape would be beneficial. In particular we recommend convening different groups to drive coordination and convergence in the transition-relevant data market.
- **Use:** Workshop participants noted the persistent challenges in scaling up integration of transition-relevant data and metrics across their firms. Further knowledge sharing of best practices could therefore be beneficial, alongside increased internal capacity building to develop the required awareness and analytical systems. As firms continue to grapple with whether and how they can drive real-economy transition, further academic and nongovernmental organization (NGO) research on this topic could also help fast-track internal efforts to integrate transition-relevant data and metrics.



To facilitate this further work, below are some key recommendations for different stakeholder groups with the power to shape the future of transition-relevant data:

Exhibit 3 Recommendations for Advancing Transition-Relevant Data and Metrics

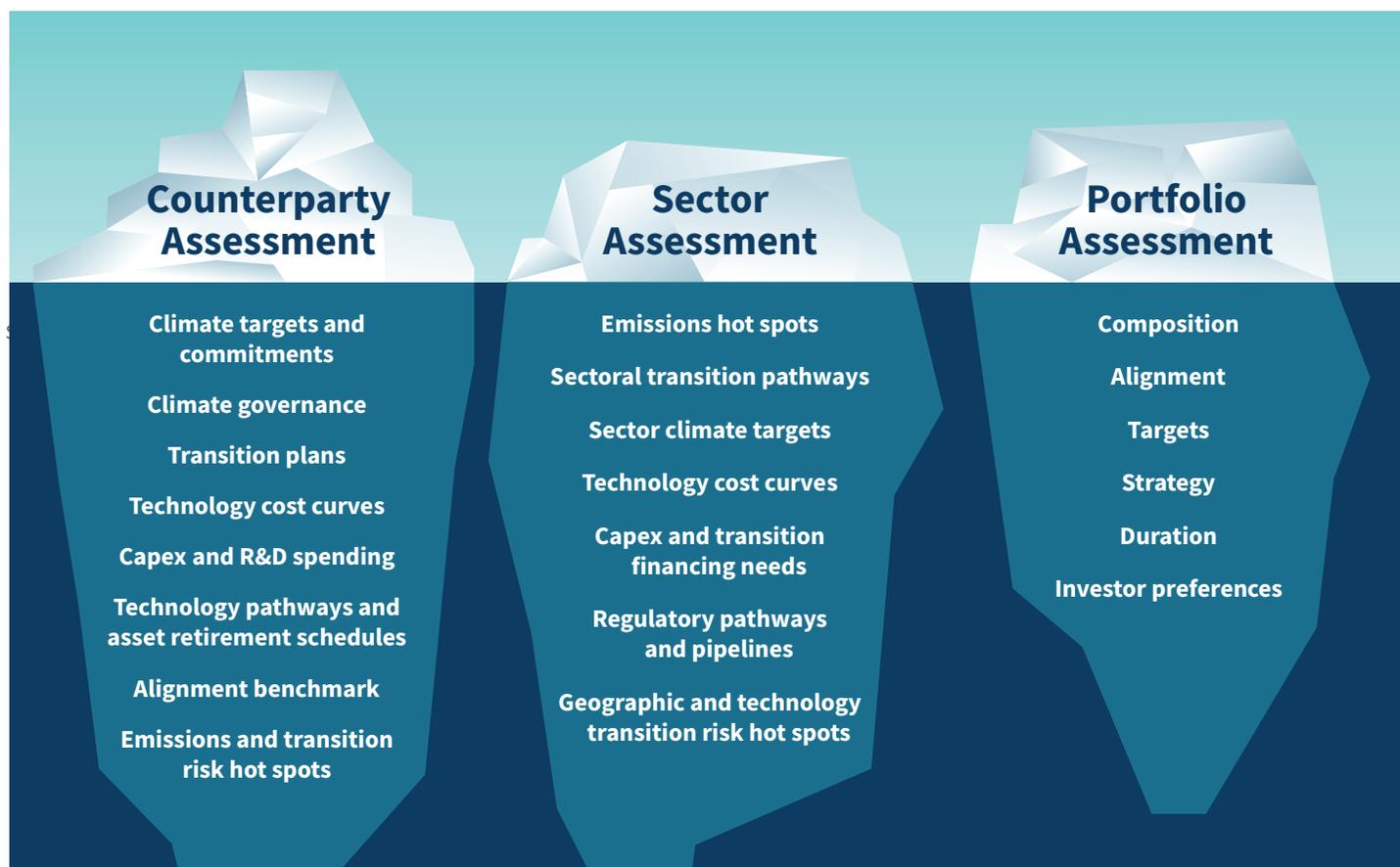
Stakeholder	Role in Transition-Relevant Data and Metrics	Recommended Next Steps
Banks and other financial institutions	Users of transition-relevant data and metrics	<ul style="list-style-type: none"> Plug into new and existing standard-setting consultation and collaboration opportunities to improve access to transition-relevant data, and include front-office data users in such consultation processes Build up internal climate expertise and capacity to understand and use transition-relevant data Publicly share best practices on transition-relevant data Incorporate forward-looking data and metrics into investment frameworks and methodologies Use transition-relevant data and metrics to inform client engagements
Counterparties	Providers of transition-relevant data	<ul style="list-style-type: none"> Develop, communicate, and demonstrate progress against credible transition plans Publish transition-relevant data, such as revenue segmentation, capex plans, asset-level production capacity, R&D, in annual reporting to increase access to such data Engage with banking partners over expected risks and opportunities in the transition Understand how business strategies may change in the context of expected technology and transition pathways associated with relevant sectors
NGOs and standard setters	Thought leaders and advocates of transition-relevant data and metrics	<ul style="list-style-type: none"> Convene different groups to drive coordination and convergence in the transition-relevant data market Encourage and enable conversations and convergence around transition-relevant data using the identification, access, and use framework Support analysis and dissemination of best practices relating to transition-relevant data to accelerate innovation and uptake among financial institutions globally (for example, climate alignment scores that can assess client emissions intensity relative to a sectoral benchmark)
Data providers	Providers of transition-relevant data and metrics	<ul style="list-style-type: none"> Develop transition-relevant data products and services to enable the identification, accessing, and use of such data and metrics Work with banking clients to encourage uptake of transition-relevant data and metrics Work with counterparties to streamline access to such data
Policy makers and regulators	Enablers of transition-relevant data disclosure and integration	<ul style="list-style-type: none"> Incorporate the most decision-useful and forward-looking elements of existing voluntary frameworks into financial disclosure regulations and policies

Source: Center for Climate-Aligned Finance, 2022

Appendix 1

Types of data and metrics that could support transition assessment

During the in-person workshop with banks, we undertook an exercise to identify transition-relevant data and metrics that could underpin transition assessment at the counterparty, sector, and portfolio levels, and compared this to how much of an iceberg lies beneath the surface. The images below are illustrative and not comprehensive, but demonstrate the variety of both financial and nonfinancial data and metrics that can help financial institutions assess and facilitate transition at each level.



Source: Center for Climate-Aligned Finance, 2022

Appendix 2

Types of climate data and metrics as identified in TCFD and NGFS reports and key overlap

Both the [Taskforce for Climate-Related Financial Disclosures \(TCFD\)](#) and the [Network for Greening the Financial System \(NGFS\)](#) have begun categorizing the types of climate-related financing data and metrics. This should support the identification of relevant data and metrics for different use cases. Below we have summarized the different categories identified by each initiative and highlighted where there are commonalities between them by drawing arrows between overlapping categories.

TCFD		NGFS
GHG emissions	→	Footprints
Transition risks	→	Transition sensitivity
Physical risks	→	Physical vulnerability
Climate-related opportunities		Alignment
Capital deployment	→	Mobilization
Internal carbon price		Combined metrics (ESG)
Remuneration		

Source: Center for Climate-Aligned Finance, 2022

About the Center

The Center for Climate-Aligned Finance was established by RMI to help the financial sector transition the global economy toward a zero-carbon, 1.5°C future. With deep partnerships in finance, industry, government, and civil society, the Center works to develop decarbonization agreements within high-emitting sectors, build global frameworks for climate alignment, and support financial institutions in decarbonizing their lending and investing portfolios. Launched in 2020, the Center builds on RMI's 40 years of experience developing market-based solutions to accelerate the energy transition.

You can find more information about us on our website: www.climatealignment.org

If you have questions or would like to get involved in our Alignment Forum, email: alignmentforum@rmi.org

Authors

Kaitlin Crouch-Hess, Elizabeth Harnett, Lila Holzman, Eero Kekki, and Alex Murray

Acknowledgements

The authors would like to thank all who participated in our Alignment Forum series on transition-relevant data and metrics for their role in co-creating these insights.

Kaitlin Crouch-Hess, Elizabeth Harnett, Lila Holzman, Eero Kekki, and Alex Murray, *Identification, Access, and Use of Transition-Relevant Data and Metrics*, RMI, 2022, <https://rmi.org/insight/transition-relevant-data-and-metrics/>.

RMI values collaboration and aims to accelerate the energy transition through sharing knowledge and insights. We therefore allow interested parties to reference, share, and cite our work through the Creative Commons CC BY-SA 4.0 license. <https://creativecommons.org/licenses/by-sa/4.0/>.



All images are iStock unless otherwise noted.

RMI Innovation Center

22830 Two Rivers Road
Basalt, CO 81621

www.rmi.org

© September 2022, RMI. All rights reserved.
Rocky Mountain Institute® and RMI® are registered trademarks.