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Accounting for Financed and Investment Emissions: Understanding Scale, Complexity and Importance

The Problem

Emissions from investment-related activities can represent a major driver of a company's carbon footprint, particularly for financial institutions, asset managers and private equity firms. Through their investment decisions, these organizations effectively finance activities that often far exceed the direct operational emissions of the investors themselves, making financed emissions a critical — *but complex* — component of their overall emissions profiles.

What's At Stake?

Accurate and comprehensive greenhouse gas (“GHG”) inventories for financed and investment activities are essential for companies seeking to report compliant, credible and transparent carbon footprints. At the same time, increasing regulatory scrutiny and rising investor expectations are intensifying the demand for detailed and reliable emissions data linked to investment activities.

Accurate measurement of these emissions is no longer optional for all companies, and is increasingly required for building credible ESG programs and complying with many regulations, such as California's Senate Bill 253 and the European Union's Corporate Sustainability Reporting Directive.

Accurate calculation typically requires detailed information on investee emissions, ownership stakes, attribution methods and investment size. Collecting complete and reliable data on these factors can be particularly challenging for companies with large or diverse investment portfolios. Data limitations, gaps, inconsistent reporting practices or a lack of understanding of reporting requirements can result in companies misreporting these emissions, potentially skewing corporate carbon footprints and providing an incomplete picture of financed emissions.

The Emissions Reporting Landscape

Investment-related emissions are considered an indirect source, occurring outside the immediate control of the investing company and downstream of operational activities. Therefore, appropriately quantifying these emissions can be quite complex due to methodological challenges and variability in data quality and availability.

Two standards are commonly used to account for financed and investment-related emissions. The World Resources Institute Greenhouse Gas Protocol (“GHG Protocol”) includes guidance for calculating emissions for Scope 3, Category 15 (Investments), and the Partnership for Carbon Accounting Financials (“PCAF”) builds on the GHG Protocol guidance by providing additional rule for calculating financed, facilitated and insurance-associated emissions.^{1,2}

While the emissions calculated using these standards are both generally reported under a company's Scope 3, Category 15, they vary in the level of calculation complexity and asset coverage. The GHG Protocol establishes baseline methodologies for calculating certain categories of financed emissions. PCAF refines these approaches by providing greater clarity for calculations based on data typically available to financial institutions and expanding coverage to include additional emission sources relevant to the sector.

The GHG Protocol and PCAF frameworks are complementary but not interchangeable. Selecting the best framework depends on a company's reporting obligations and sustainability objectives. Organizations must navigate these frameworks and determine which is most appropriate for their portfolios, stakeholder interests and sustainability goals.

Method Selection: Which Framework to Use?

Companies often apply the GHG Protocol for their overall corporate reporting as other sections of the standard cover Scope 1, Scope 2 and other Scope 3 emission sources. The GHG Protocol is one of the most widely used for corporate emissions reporting, and is the methodology required for several emissions disclosure regulations.^{3,4} PCAF has a much narrower and specific scope and is therefore only used for detailed financed, facilitated and insurance-associated emissions calculations.

Companies in the financial sector will often use the GHG Protocol for their Scope 1-3 emissions calculation and substitute the GHG Protocol Category 15 guidance with PCAF guidance for their financial activity emissions, as PCAF is specifically designed for financial institutions.^{5, 6, 7}

Companies in other non-financial sectors, such as consumer goods and chemicals, have found it sufficient to use the GHG Protocol for their Category 15 emissions, as their data quality often does not meet the requirements for PCAF or their financial activity emissions are a small enough part of their inventory that they would not benefit from the more detailed methodology of PCAF.^{8, 9} However, if a non-financial sector company has access to the necessary data to apply PCAF, it can leverage the framework’s more precise methodologies to enhance their calculations.

The following sections outline the emission sources covered by the GHG Protocol and PCAF frameworks, providing companies with a useful reference to help understand which approach is best suited for their GHG inventory.

GHG Protocol Scope 3, Category 15: Investments

The GHG Protocol Scope 3 Standard provides a framework for quantifying emissions from investment activities that fall outside of a company’s Scope 1-2 emissions boundary. The GHG Protocol provides multiple methodologies for calculating emissions, depending on the type and quality of data available for each financial investment or service.

These include: equity investments, debt investments with known use of proceeds and financing of projects as required emission sources. Equity investments include those made using the reporting company’s capital and balance sheet. Debt investments include corporate debt holdings in the reporting company’s portfolio where proceeds have been identified as going to a specific purpose. Financing of projects includes long-term project financing where the reporting company acts as an equity or debt investor.

Emissions associated with debt investments without known use of proceeds, managed investments and client services, and other investments or financial services are considered optional to calculate and report. Debt investments without known use of proceeds are general debt holdings for corporate purposes in the reporting company’s portfolio where the use of the proceeds is not specified, such bonds or loans. Managed investments and client services include investments managed by the reporting company on behalf of a client or services provided by the reporting company to a client, such as investment and asset management, corporate underwriting and financial advisory services. Other investments or financial services may include pension funds, retirement accounts and securitized products, etc.

Table 1 summarizes the GHG Protocol’s required and optional emissions sources related to financial investments and services.

Table 1: GHG Protocol Category 15 Required and Optional Emission Sources

Financial Investment/ Service	Required or Optional Under GHG Protocol Category 15?	Relevant Example
Equity investments	Required, if applicable	Subsidiaries, associate companies, joint ventures of the reporting company
Debt investments with known use of proceeds	Required, if applicable	Proceeds used to build a power plant or hospital
Project finance	Required, if applicable	Long-term industrial or infrastructure projects
Debt investments without known use of proceeds	Optional	Bonds or loans
Managed investments and client services	Optional	Investment and asset management, corporate underwriting, financial advisory services for mergers and acquisitions
Other investments or financial services	Optional	Pension funds, retirement accounts, credit guarantees, export credit insurance

PCAF

PCAF was developed to build on the GHG Protocol in order to standardize emissions calculation and reporting methodologies for the financial sector through a detailed framework, structured in three parts, each addressing emissions from different areas of the sector. These include:

- **Part A: Financed Emissions** — Emissions attributed to loans and investments across different asset classes
- **Part B: Facilitated Emissions** — Emissions attributed to capital market issuance activities
- **Part C: Insurance-Associated Emissions** — Emissions attributable to re/insurance and underwriting activities

Table 2 summarizes the types of assets that are covered under each section of PCAF. Financial institutions are expected to quantify emissions associated with any assets deemed relevant to their operations under the PCAF framework.

Table 2: Emission Sources Covered by PCAF Parts A, B and C

PCAF Section	Examples
Part A: Financed Emissions	Listed equity and corporate bonds, business loans and unlisted equity, project finance, commercial real estate, mortgages, motor vehicle loans, use of proceeds, securitized and structured products, sovereign debt, sub sovereign debt
Part B: Facilitated Emissions	Capital market issuances
Part C: Insurance-Associated Emissions	Commercial lines insurance, project insurance, personal motor lines, treat reinsurance

PCAF introduces data quality scoring to determine the best method for calculating emissions given a company’s data availability. For example, PCAF Part A considers verified emissions from an investee company to be high quality data, and therefore recommends that reporting companies use those emissions for their inventory preparation rather than estimating the investee’s emissions. If a reporting company only has access to investee revenue, which is considered a lower quality data type, PCAF recommends that the reporting company use an economic activity-based approach to estimating emissions from the investee, such as multiplying the investee company’s annual revenue by an industry-average emission factor, like an emission factor developed by an environmentally-extended input-output model.¹⁰

PCAF also defines detailed methodologies for attributing emissions from a single underlying source to multiple parties involved in financing, facilitating or insuring the asset. It is often the case that a company or project may have multiple investors. In these cases, each investor should claim their respective portion of the emissions associated with the investment. A reporting company may use its outstanding amount in listed equity or corporate bonds for a listed investee company and the investee value, including cash, to determine an attribution factor. This attribution factor is then used to determine what portion of the investee’s annual emissions have been financed by the reporting company.

Key Challenges in Investment/Finance Emissions Calculations

Companies seeking to calculate emissions from their investments and finances often face data limitations. The most accurate methodologies rely on direct Scope 1-2 emissions data reported by the financed, facilitated or insured entity itself. However, this information is not always available because investees may not calculate or disclose their emissions. In such cases, investors must use the highest-quality available data and select appropriate methodologies to estimate emissions themselves.

Asset-level revenue may be publicly available in annual financial statements. In cases where it is not, a reporting company may need to estimate emission for sources where collecting asset-level data collection will not be feasible, such as for a large commercial lines portfolio that covers many different businesses and industries. Companies can use economic activity, whereby they multiply each asset’s reported revenue by sector-specific emission factors, to estimate Scope 1-2 emissions.

Many of the methodologies for estimating an investor’s share of overall asset emissions rely on reported revenue. However, many early-stage companies may not generate revenue. In these cases, investors may estimate the investee’s Scope 1-2 emissions if that company can provide its utility bills or fuel purchase records summarizing annual energy consumption. These records may be obtained from the facilities managers via the company’s Environment, Health and Safety (“EHS”) team.

Additional data is often needed to attribute emissions to the reporting company, such as the asset’s enterprise value including cash or total equity debt. When this is not readily available, the GHG inventory manager will likely require the cooperation of the investee company. GHG inventory managers can open channels with data holders to request and receive appropriate data and ensure that GHG inventories can be completed on a timely basis. Additionally engaging data holders give them visibility into how these emission sources factor into the reporting company’s overall inventory and may help them identify opportunities to reduce emissions.

How FTI Consulting Can Help

Whether you are reporting financed emissions for the first time or seeking to enhance the quality of your GHG disclosures, FTI Consulting’s experts can support the development of a tailored, end-to-end emissions inventory aligned with both the GHG Protocol and PCAF standards. We help our clients develop scalable approaches for integrated financial investments into emissions reporting and address gaps in available data. Our process follows the best practices for quality control, supported by thorough, transparent documentation and audit-ready outputs to enable robust emissions inventories and confident public reporting.

Endnotes

1 GHG Protocol, [Category 15: Investments](#).

2 [Partnership for Carbon Accounting Financials](#).

3 California SB 253.

4 Corporate Sustainability Reporting Directive.

5 [Morgan Stanley 2024 Sustainability Report](#), p. 60.

6 Euromoney. March 18, 2026. [African Banks Face a Long Road to Lower Financed Emissions](#).

7 260225-esg-datapack-2025-excel.xlsx (HSCB 2025 emissions inventory – only available as a download on Google).

8 [BASF Report 2025](#), p. 195.

9 [Nestlé Non-Financial Statement 2025](#), p. 48.

10 [Cornerstone Sustainability Data Initiative](#).

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