



Carbon Calculators: Good for Customers and the Planet

by [Steve Brown](#)  data analytics ESG

Summary: Financial institutions are increasingly using carbon calculators and other carbon footprint features to help customers better understand the environmental impact of their purchases and behave more sustainably. We provide an overview of these technologies and look at some of the benefits they offer CFIs.

Since the 1960s, every decade has been hotter on average than the previous one, with the 2010s ranking as the hottest decade on record. Aside from the wider impact on the climate, these increasing temperatures are also having an indirect effect on productivity. Globally, an estimated [295B work hours were lost due to heat in 2020](#) — that's equivalent to 88 work hours for every employed person in the world.

As average temperatures continue to rise, the world is seeing more and more extraordinary climate events, including extreme wildfires, droughts, and flooding. Mitigating the impacts of climate change continues to gain importance among governments, businesses, and other organizations. Consumers are also becoming increasingly conscious of the impact of their actions, with many wanting to make a meaningful difference. More than half of the respondents in a Mastercard survey [said reducing their carbon footprint is more important now](#) than it was pre-Covid. Similarly, in another survey conducted by Mambu, almost [50% of respondents indicated that access to green financial services has become more important](#) to them over the last five years.

Many financial institutions (FIs) — particularly challenger banks and fintechs — already offer various green banking solutions to enable their customers to make more sustainable choices. These vary from green loans and mortgages to tree-planting initiatives and donating a percentage of revenue to environmental organizations. Community financial institutions (CFIs) are also playing their part, with efforts like [creating "green niches"](#) that support companies with environmentally friendly business models

Given that interest in climate change and green initiatives is only expected to grow, CFIs may want to consider investing in carbon calculating technologies to help empower their customers — individuals and businesses alike — be more sustainable.

The rise of the carbon calculator

In Europe in particular, and increasingly in the US, FIs are integrating carbon-calculating technologies and features into their online, card, and mobile offerings. In essence, customer and transactional data, along with publicly available emissions data and customer feedback, is used to calculate an estimated carbon footprint based on spending.

These tools help customers better understand the environmental impact of their purchases and transactions, nudge them to behave in more eco-conscious and sustainable ways, and can enable them to offset their carbon footprint.

For example, one challenger bank in CA [provides its customers with their own sustainability score](#) indicating the impact they're having on the planet based on where they spend their money. Meanwhile, a CO-based all-

digital CFI that uses customer deposits to fund green energy loans has developed its own calculator to help customers estimate how much carbon offset they are funding based on their account balances.

Visa and Mastercard have also introduced various sustainability-focused benefits for accountholders, including carbon calculators, data about their carbon impact, carbon offset capabilities, and rewards for sustainable behaviors.

While this technology is still in its infancy, with further work needed to deliver more granular detail of exactly what customers are buying and how that links to emissions, the potential benefit is huge. A pilot with a UK bank showed that through changes in behavior, the [average more-informed user could save about 11 kilograms \(24 pounds\) of carbon dioxide emissions per month](#). If replicated across the company's entire mobile customer base, this could save more than 1B kilograms (2.2B pounds) of carbon dioxide emissions each year.

The potential benefits of counting carbon

Integrating carbon tracking, carbon calculating features, and other carbon technologies into a CFI's offering can provide a number of benefits.

- 1. Meet customers' needs.** With customers increasingly motivated to understand their environmental impact and make a difference, CFIs are in a unique position to use the data they hold to provide insights that can enable their customers to live more sustainably. These CFIs can also help customers indirectly support companies that prioritize sustainability and participate in carbon-reducing efforts.
- 2. Stand out from the crowd.** Carbon tracking and other green initiatives can help differentiate a CFI from competitors and enhance its reputation. Additional offerings, such as rewarding sustainable purchasing decisions, may also appeal to a new generation of customers.
- 3. Appeal to your small-business customers.** A UK bank has launched a free carbon planning platform for its small- and medium-sized business customers to help them calculate their carbon footprint and determine actions to reduce it. It also provides them with green loans to support their sustainability actions.
- 4. Make a real difference.** Alongside their own in-house environmental, social, and governance initiatives, CFIs can make a real difference by helping their customers improve their own carbon footprint and by raising awareness about climate change.

With organizations around the world committing to net-zero carbon footprint targets, CFIs not only need to assess their own actions, investments and operations, but also explore how they can empower their customers to make a difference. Technologies such as in-app carbon trackers can be powerful weapons in the fight against climate change, and can appeal to a new generation of environmentally conscious consumers and business owners.

STRESS TESTING: TOP-DOWN OR BOTTOM-UP

In this market, it is important to stress test your loan portfolio. We offer multiple approaches that will fit your needs and your regulatory compliance requirements. Quickly stress test your loan portfolio and get pre-exam assistance. Learn more about [stress testing](#) today.

ECONOMY & RATES

Rates As Of: 10/06/2022 08:00AM (GMT-0700)

Treasury	Yields	MTD Chg	YTD Chg
3M	3.46	0.13	3.40

6M	4.00	0.08	3.81
1Y	4.17	0.16	3.78
2Y	4.21	-0.07	3.47
5Y	4.04	-0.05	2.78
10Y	3.83	0.00	2.31
30Y	3.80	0.02	1.90
FF Market		FF Disc	IORR
3.08		3.25	3.15
SOFR		Prime	QBER
3.04		6.25	3.07

Copyright 2021 PCBB. Information contained herein is based on sources we believe to be reliable, but its accuracy is not guaranteed. Customers should rely on their own outside counsel or accounting firm to address specific circumstances. This document cannot be reproduced or redistributed outside of your institution without the written consent of PCBB.