

# CO2eMission

EXECUTIVE SUMMARY

**May 2022**

## Our Net-Zero Goal

At Wells Fargo, we view climate change as one of the most urgent environmental and social issues of our time. To limit the impacts of climate change, the 2015 Paris Agreement strives to keep the global average temperature rise in this century to

1.5°C, compared to pre-industrial levels. Meeting this goal requires immediate and collective efforts across the globe to reduce the concentration of greenhouse gases in the atmosphere that are driving climate change. Driving down emissions will require, among other things, significant changes in public policy,

the creation and deployment of new technologies, and a significant amount of capital investment.

Financial institutions like Wells Fargo can play a critical role in working with governments, industry, and communities to help finance the transformation and transition of carbon-intensive assets,

infrastructure, and business models. In March 2021 we set a goal of net-zero greenhouse gas emissions by 2050. This goal includes the emissions from

In March 2021  
we set a goal of  
net-zero greenhouse  
gas emissions  
by 2050.

our own operations — e.g., our data centers, offices, and branches — as well as emissions of clients that can be attributed to our financing.

To address our net-zero goal with respect to our clients' emissions, we developed Wells Fargo's CO<sub>2</sub>eMission<sup>SM</sup>, a methodology for aligning our financing activities to net zero and setting interim emissions targets for key high-emitting sector portfolios. We set interim 2030 targets for the Oil & Gas and Power sectors, aiming to reduce from our 2019 baseline the absolute emissions associated with our Oil & Gas portfolio by 26% and the emissions intensity of our Power portfolio by 60%.





### **CO2eMission**

In developing CO2eMission, we reviewed and assessed differing approaches and various industry standards, guidance, and tools. We joined the Net-Zero Banking Alliance (NZBA) in October 2021 and designed CO2eMission referencing NZBA target-setting guidelines. Our current approach reflects our best efforts, given what we know now and the need to act. We anticipate that our methodology will change over time as we measure progress against our targets, the practice of financial institution target-setting matures, emissions data improves, and climate scenarios evolve.

Although NZBA and supporting industry frameworks and tools do not currently include funding arranged in

the capital markets, we decided to include it in our methodology to more fully capture our financing activities in each sector. We minimize the potential volatility inherent in capital markets facilitation activities by amortizing these activities over a five-year period. To further limit volatility due to changes in enterprise value, CO2eMission's approach fixes client value as of December 31, 2019 (the baseline year) for all financing activities that occur on or before that date and at the end of the applicable quarter for all new financing activities made after that date.

At the inception, we committed to set targets for the Oil & Gas and Power sectors by the end of 2022.

## Methodology Framework

The framework for our methodology is a multi-step process outlined in the following figure.



**Select a sector and define activities and emissions in scope.** Our methodology takes a sector-based approach, meaning that we set separate targets for each sector, rather than a global target for our portfolio as a whole. This approach recognizes that each economic sector is unique with its own decarbonization pathway.

Our sector-based approach further acknowledges that each economic sector is composed of a unique value chain, which needs to be individually evaluated to understand how best to support sectoral decarbonization. When we consider a sector for target setting, we evaluate each component of the value chain to prioritize specific sections that have high emissions and, where data exists, to understand drivers of broader emission patterns.

Within the analyzed portion of the value chain, we review our clients' direct emissions (Scope 1) and indirect emissions (Scopes 2 and 3), with a goal of developing targets that include client emission scopes for activities

that are both high-emitting and key to our clients' transitions.

**Evaluate climate scenario and derive benchmark.** Climate scenarios are foundational to alignment and target-setting methodologies. We used the information and assumptions contained in climate scenarios to derive benchmarks, which define how a financial portfolio for a specific sector could transform over time to align with net zero. We used the benchmarks to set interim targets and to periodically measure portfolio performance. To set our targets for the Oil & Gas and Power sectors, we relied upon the [Network for Greening the Financial System \(NGFS\) Orderly Net Zero 2050 scenario](#).

**Select metric for benchmark and target.** We selected metrics for our benchmarks and targets informed by the transition pathways for a sector outlined in climate scenarios. We considered two quantitative metrics — an absolute emissions metric and an emissions intensity metric. An absolute

We developed our sector-specific targets in close collaboration with our line of business and enterprise strategy teams.

emissions metric refers to the total quantity of greenhouse gases being emitted into the atmosphere; e.g., million metric tons of carbon dioxide equivalents (CO<sub>2</sub>e). An intensity metric is expressed as a ratio of absolute emissions over a unit of output (e.g., kilograms of CO<sub>2</sub>e per megawatt-hour of electricity). The choice between the metrics is often determined based on sector idiosyncrasies.

**Set sector-specific target.** We set sectoral targets to begin aligning our portfolios with an underlying benchmark. In setting a target, we chose (1) the baseline year to begin measuring against and (2) the year by which we need to reach the target. In determining the time horizon, we strive to select a target year that provides clients sufficient time to transition

their business while remaining within the realm of foreseeable technological innovation, market formation, and policy development relevant to a portfolio's emissions trajectory.

We developed our sector-specific targets in close collaboration with our line of business and enterprise strategy teams to account for variables such as the potential for decarbonization opportunities, identified business growth, and projected capital stock turnover.

**Measure portfolio alignment and track progress.** The final step in our framework is to measure our financial portfolio's alignment with the benchmark to track our progress. To measure alignment, we compared the aggregate client emissions attributable to our financing for a sector to the sector-specific benchmark. Measuring portfolio alignment allows us to account for clients' decarbonization progress and calibrate and guide our own actions to support them.

## Our 2030 targets for the Oil & Gas and Power sectors

Following the framework above, we set interim targets for the Oil & Gas and Power sectors as shown in the following table.

Sector	Metric	2019 Baseline	2030 Target	Financing activities included in the targets	Climate scenario relied upon to set target
Oil & Gas (Scopes 1, 2, and 3)	Absolute emissions (Mt CO <sub>2</sub> e) <sup>1</sup>	97.7 Mt CO <sub>2</sub> e	72.3 Mt CO <sub>2</sub> e 26% reduction from 2019 baseline	<ul style="list-style-type: none"> <li>Lending</li> <li>Debt and equity capital markets facilitation</li> </ul>	Network for Greening the Financial System (NGFS) Orderly Net Zero 2050 (June 2021)
Power (Scope 1)	Emissions intensity (kg CO <sub>2</sub> e/MWh) <sup>2</sup>	253 kg CO <sub>2</sub> e/MWh	102 kg CO <sub>2</sub> e/MWh 60% reduction from 2019 baseline	<ul style="list-style-type: none"> <li>Lending</li> <li>Debt and equity capital markets facilitation</li> <li>Renewable energy financing</li> </ul>	NGFS Orderly Net Zero 2050 (June 2021)

1. Million metric tons (Mt) carbon dioxide equivalent (CO<sub>2</sub>e)

2. Kilogram (kg) CO<sub>2</sub>e per megawatt-hour (MWh)

### Moving forward

Though developing CO<sub>2</sub>eMission and setting targets for the Oil & Gas and Power sectors are important milestones for Wells Fargo, additional work remains to position us to reach our 2030 targets and to set future targets that align our other financial portfolios with our net-zero ambition. We are mindful that realizing these

targets, as well as future targets, will require the commercialization of new decarbonizing technologies, shifts in business models and consumer behavior, supportive government policies, and public investment. We are ready to join hands with public and private actors to support this collective effort.

Looking forward, we are working to develop high-level transition plans

that outline categories of actions we expect to take to meet our 2030 targets for the Oil & Gas and Power sectors in line with NZBA target-setting guidance. We also plan to report on the progress we make against our Oil & Gas and Power portfolio targets.

This Executive Summary and the CO2eMission document contain forward-looking statements, which may include future plans, financing,

objectives, targets, and climate-related strategies, including expectations, assumptions, and projections regarding implementation of those strategies. Please see Section 8, Disclaimer of the CO2eMission document, for more information, including factors that could cause our actual implementation to differ materially from our forward-looking statements and for other disclaimers regarding the nature of the content contained herein and in the CO2eMission document.