

Financing a "low carbon" aluminium supply



Natixis, a Groupe BPCE subsidiary, is developing a USD500 million financing platform enabling it to grant one of its clients – a major commodities trading company – preferential financing terms for its "low carbon" aluminium sourcing.

Starting date of the project	September 2020	
Project Localisation Places of implementation of the project at this stage and targeted geography if replicable.	Trafigura is a client of Natixis and a major international commodity trading company with a worldwide presence on 5 continents. The aluminium supplies financed by this project are located in London Metals Exchange (LME) approved warehouses in Europe, the US and Asia.	
Project objectives Type of climate innovation of the project with a description of the problem/issue addressed	<p>This financing project has been developed by Natixis in partnership with Trafigura, one of the world's largest commodity trading companies that set up a "low-carbon" aluminium-trading desk a few months ago. Natixis entered into a transaction with Trafigura to finance the aluminium produced by Rio Tinto's Kitimat smelter, which has one of the world's lowest carbon footprints thanks to its use of hydroelectric power and an efficient industrial process (AP40 electrolysis technology, which pre-bakes the carbon before it goes into the pot).</p> <p>This project allows to reduce the trader's cost of financing so that it can subsequently pay producers an additional premium for "low carbon" brands. This additional premium then enables to support the smelters in their transition to low carbon technologies and enhances the trader's long-term competitiveness in this area.</p>	
Detailed project description	<p>Several steps are necessary to set up a project of this kind:</p> <ol style="list-style-type: none"> 1. Development of a methodology to define "low carbon" aluminium (definition of target carbon intensity levels in line with the European Taxonomy, the Sectoral Decarbonization Approach [SDA] in addition to environmental and social standards (such as water management, air pollution prevention, waste management or the United Nations Human Rights Guidelines), 2. Selection of eligible supplies and third-party validation via a certificate of CO2e calculation/ validation provided by an independent auditor, 3. Financing of goods via a dedicated platform with preferential financing margin for "low carbon" products. The trader (the intermediary between the buyer and seller of aluminium) will access financing at a preferential interest rate for the purchase of "low-carbon" aluminium and, in return, will better compensate the producers of low-carbon aluminium by granting them a premium on top of the market price of aluminium. <p>To date, a total of approximately 78 thousand metric tons of "low carbon" aluminium have been financed by Natixis via this platform.</p>	
Main project's drivers for reducing the greenhouse gas emissions	Reduction levers	Details on the aspects of the project
	<input type="checkbox"/> Energy and resource efficiency (including behaviour)	
	<input type="checkbox"/> Energy Decarbonisation	
	<input type="checkbox"/> Energy efficiency improvements	
	<input type="checkbox"/> Improving efficiency in non-energy resources	
	<input type="checkbox"/> Emissions absorption: creation of carbon sinks, negative emissions (BECCS, CCU/S, ...)	
	<input checked="" type="checkbox"/> Financing low-carbon producers or disinvestment from carbon assets	Financing of a supply of "low carbon intensity" aluminium
<input type="checkbox"/> Reduction of other greenhouse gases emission		

Emission scope(s) on which the project has a significant impact and quantification of GHG emission reductions per emission scope	Aspects of the project contributing to the reduction of emissions by emission category		Quantification of associated GHG emissions by emission category Please follow the quantification methodology used in the Afep guidelines .
	Reduction of the company's carbon dependency		
	Scope 1 <i>Direct emissions generated by the company's activity.</i>		
	Scope 2 <i>Indirect emissions associated with the company's electricity and heat consumption.</i>		
	Scope 3 <i>Emissions induced (upstream or downstream) by the company's activities, products and/or services in its value chain.</i>	Offer of preferential financing terms for "low carbon" products	- 608 kt CO2e
	Increase of carbon sinks		
	Emissions Absorption <i>Carbon sinks creation, (BECCS, CCU/S, ...)</i>		
GHG emissions avoided by the company at third parties			
Avoided Emissions <i>Emissions avoided by the activities, products and/or services in charge of the project, or by the financing of emission reduction projects.</i>			
<p>Clarification on the calculation or other remarks: The calculation is made using (i) industry averages (11.8t CO2e/t, according to the World Aluminium Institute), the carbon intensity data of the Kitimat smelter (<4tCO2e/t, according to the report provided by PwC). For the supplies subject to funding, the carbon intensity of the aluminium (scopes 1 & 2) was less than 4 TCO2e/t. Thus, in view of the volumes financed, the overall positive impact of the project is 608kt CO2e ((11.8-4) X 78kt).</p>			
Modality of verification of the quantification.	<p>Calculation standard used (ADEME base, GHG protocol, etc.): Emissions (scope 1 & 2) are calculated using the GHG Protocol Accounting and Reporting Standard; carbon intensity data regarding the Kitimat foundry are confirmed by an independent auditor (PwC)</p> <p>Verification of the calculation (internal or external): Third-party verification</p>		
Other environmental and social benefits of the project	In addition to the carbon impact, the "low carbon intensity" methodology includes environmental (water protection and treatment, air pollution, waste treatment) and social (compliance with the United Nations Guiding Principles on Business & Human Rights) eligibility criteria to be met by the smelters.		
Project maturity level	<input type="checkbox"/> Prototype laboratory test (TRL 7) <input type="checkbox"/> Real life testing (TRL 7-8) <input type="checkbox"/> Pre-commercial prototype (TRL 9) <input checked="" type="checkbox"/> Small-scale implementation <input type="checkbox"/> Medium to large scale implementation Remarks: click here to enter the level of maturity of the project		
Capacity and conditions of the project reproducibility, with associated climate impact mitigation potential	The approach can be replicated for the financing of other aluminium supplies if these are deemed eligible for the "low carbon" methodology. Several other aluminium flows are currently being studied by Natixis with other clients.		
Amount of investment made (in €)	Platform allowing to finance up to USD500 million; about 78 K tons of aluminium financed to date for an aggregate total of USD150 million		
Economic profitability of the project (ROI)	<input type="checkbox"/> ST (0-3 years) <input type="checkbox"/> MT (4-10 years) <input type="checkbox"/> LT (> 10 years) Remarks: Not communicated		
Engaged partnerships	A partnership has been engaged with the Trafigura trading company		
Open comments from the project owner			

More about the project	
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Project URL links	/
Illustrations of the project	