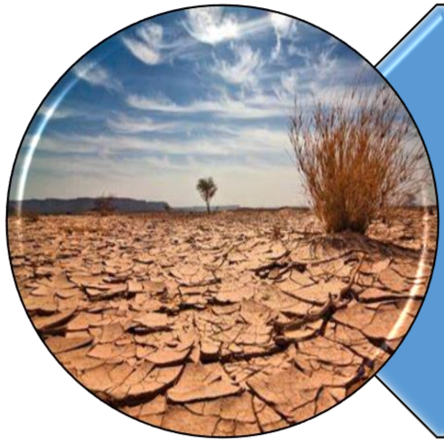
Green Taxonomy of Pakistan

May 20, 2025

Pakistan Vulnerability to Climate Change



Pakistan is the 5th most populous country with population of over 240 millions.

Pakistan ranked among the top 10 countries most affected by climate change – threatening livelihoods and national productivity (GDP).

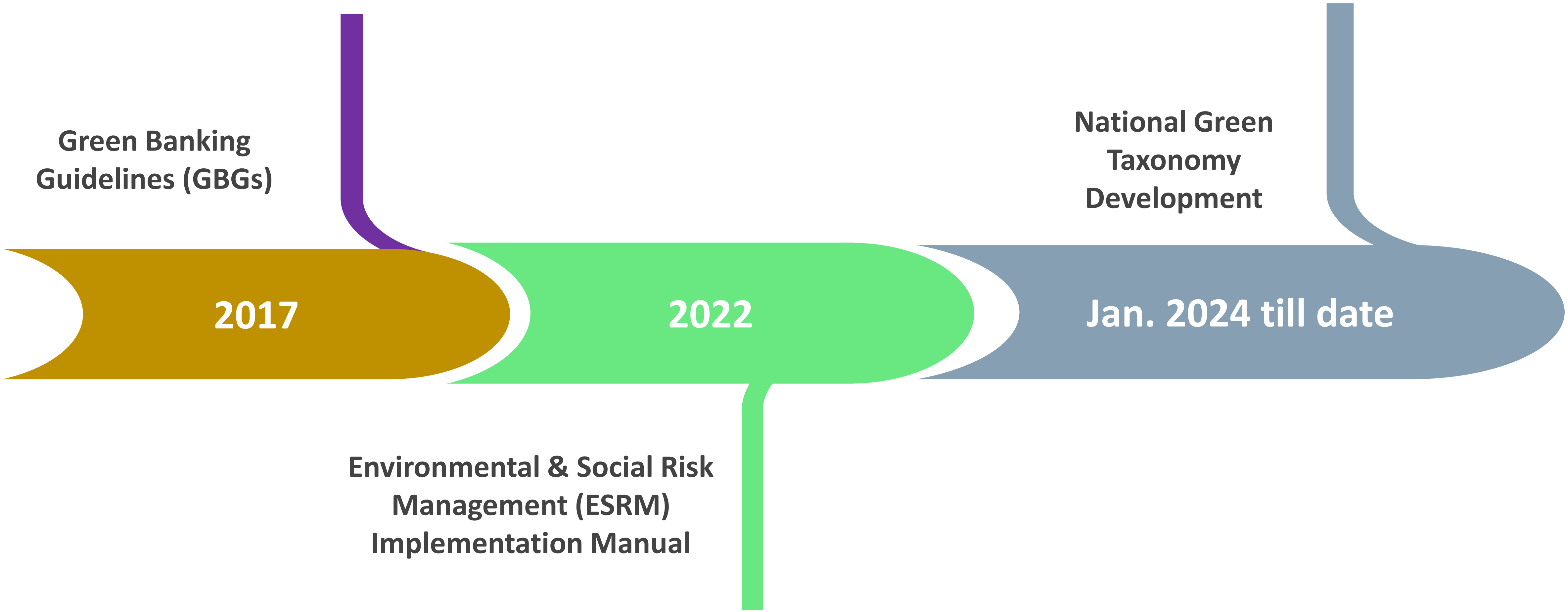
NDC Commitments and Financing Gap

- 🎯 **Emissions reduction:**
  - 15% unconditional
  - 35% conditional (vs. 2015 baseline)
- 💰 **Financing Gap**

US$348B total (≈10.7% of GDP)

  - US$152B for adaptation & resilience
  - US$196B for mitigation & decarbonization

Major Green Banking Initiatives of SBP



Pakistan Green Taxonomy (PGT)

- Pakistan has developed its own Green Taxonomy to define what qualifies as "green" within its financial and regulatory frameworks.
- The PGT provides clear, science-based definitions of environmentally sustainable economic activities to:
  - Guide financial institutions in identifying and tracking green finance,
  - Provide clarity on green projects, enhancing transparency for investors.
  - Mitigate climate-related financial risks, and
  - Support the reallocation of capital to projects aligned with Pakistan's environmental and climate goals.

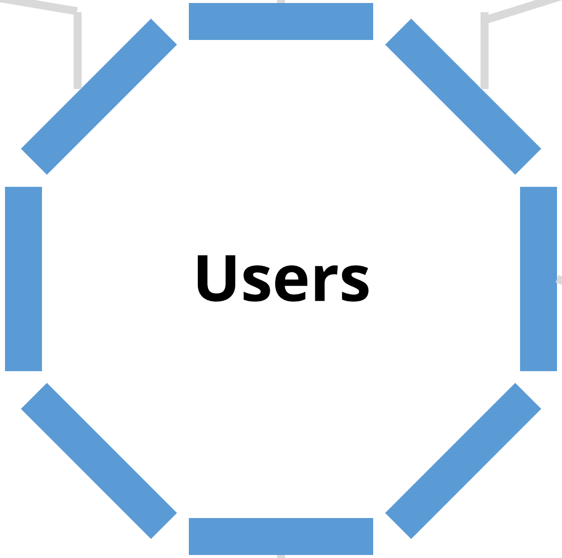
Users of Taxonomy

Financial regulators

Support regulatory interventions to scale up green lending. Facilitate reporting and disclosure. Track green financial flows and identify areas of underinvestment.

Thematic bond issuers

Identify eligible green investments



Banks and Financial institutions

Facilitate green lending. Develop new green financial products. Make informed investment decisions. Support sustainable funding operations. Meet regulatory non-financial disclosure requirements

Governments and Policy makers

Identify areas of underinvestment & close the funding gap. Facilitate the development of a pipeline of green projects. Facilitate green budget tagging.

Investors and asset managers

Identify investment opportunities. Support green investment decisions. Meet regulatory reporting and disclosure requirements. Understand the exposure to green investments.

Businesses

Develop products and projects that can be labelled as green. Make environmentally sustainable choices.

Sectors and Activities Prioritized by Taxonomy

- Qualitative analysis and assessments of national climate policies, strategies and priorities
- Quantitative evaluation of data such as the GDP contribution of sectors, GHG emissions, vulnerability and readiness index etc.
- Benchmarking with other taxonomies, to the extent possible to ensure consistency and comparability
- Validated by national experts

Priority Sectors in National Green Taxonomy

Aspect	Climate Mitigation	Climate Adaptation
Definition	Actions to reduce or prevent greenhouse gas emissions.	Actions to adjust and respond to climate impacts.
Goal	Limit global warming & reduce emissions.	Increase resilience to climate change effects.
Outcome	Slows down climate change.	Reduces vulnerability to climate impacts.

Climate Change Mitigation

1. Agriculture, Forestry & Fisheries
2. Manufacturing
3. Transport
4. Energy
5. Construction
6. Water and Waste
7. Information & Telecommunications
8. Guide for Tourism sector

Climate Change Adaptation

1. Agriculture, Forestry & Fisheries
2. Water Sector
3. Transport
4. Information & Telecommunications
5. Construction
6. Disaster Risk Management
7. Manufacturing
8. Energy
9. Waste

Substantial Contribution Criteria

- **Mitigation**
  - **Green**: Activities that contribute substantially by operating at near-zero emissions or are on a 1.5°C-aligned pathway
  - **Amber**: Activities that are not currently on the 1.5°C pathway but are moving toward a green transition pathway or facilitate significant emissions reduction in the short term
  - **Red**: Activities that are not eligible under the taxonomy
- **Adaptation**
  - For the climate change adaptation, the taxonomy recommends three cases (options), based on type of metrics for determining the substantial contribution of economic activities and assets.
    - <u>Specific Substantial Contribution Criteria</u> – Specific criteria for determining substantial contribution to climate change adaptation (% saving in fresh water use)
    - <u>Whitelist approach</u> – Activities that have been classified as green that increase resilience to climate change and reduce climate related risks (rain water harvesting, storm resilience)
    - General Criteria – Activities that are not covered in the above two cases, but have a

Way Forward

Capacity Building and Awareness on National Green Taxonomy

Alignment of SBP Green Initiatives with National Green Taxonomy

Alignment of Banks' Green Banking Policy with National Green Taxonomy

Disclosure & Reporting Requirements for Regulated Entities on Climate Risks

Thank You!