BUILD A MORE SUSTAINABLE BUSINESS

A decarbonization journey for SMEs


ProCredit Bank
AB 608 DK

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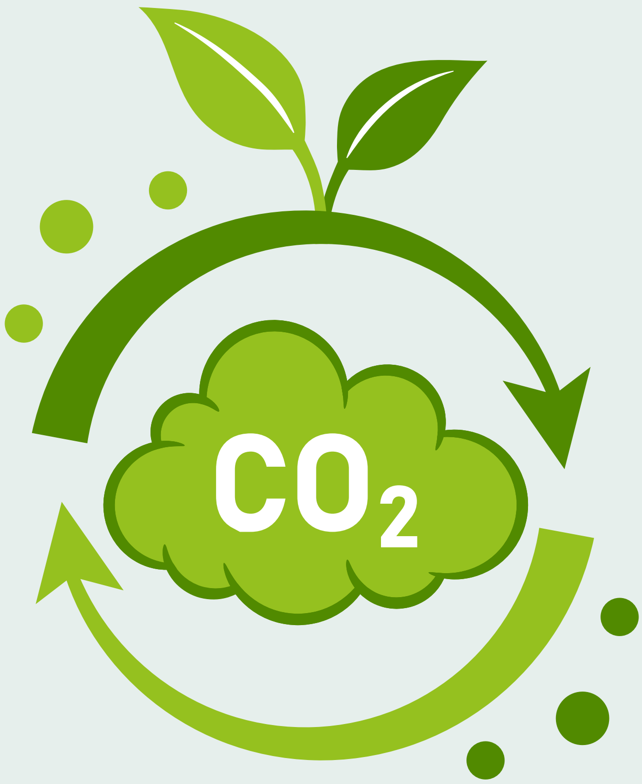
ProCredit Bank – Supporting SMEs on their Journey to net zero

Welcome to ProCredit Bank Albania.

We're committed to helping our clients reduce emissions and invest in sustainable growth. By supporting green initiatives and responsible financing, we aim to make a real impact on the environment and the future of our communities.

Net zero for SMEs.

So how can SMEs contribute? Just like ProCredit group, SMEs can also commit to achieving net zero.



WHAT IS NET ZERO?

Net Zero means a state in that a business does not emit any greenhouse gases (GHG) to the atmosphere. Net Zero is not only about saving our planet, it makes business sense too.

The science is clear: Climate emissions must reach net zero by 2050 for future generations to enjoy habitable living conditions (IPCC 2023). But what does this have to do with micro, small and medium-sized enterprises (SMEs) in Albania?

SMEs are the backbone of the economy and society, making up 90% of businesses and employing over half the workforce globally. By reducing their emissions, SMEs not only address climate change but can also inspire widespread actions and drive change across industries.

OPPORTUNITIES & FINANCIAL BENEFITS FOR SMEs

COST SAVINGS

Implementing energy-efficient practices can significantly reduce operational costs. By optimising energy use and reducing waste, SMEs can increase their productivity.

MARKET DIFFERENTIATION

A net zero commitment boosts your company's reputation, attracting eco-conscious consumers and large buyers, helping secure loyalty and sales growth.

ATTRACTING TALENT

Younger generations prefer working for environmentally responsible companies. Your commitment to net zero could make your business a top choice for motivated talent.

INNOVATION AND RESILIENCE

The shift to net zero encourages innovation, driving the development of new products and services, which can open additional revenue streams. Sustainability practices also improve resilience against climate-related risks, thereby securing long- term stability.

REGULATORY COMPLIANCE

Governments worldwide are tightening emissions regulations. The early adoption of net zero strategies positions SMEs to stay ahead of compliance requirements and avoid potential fines and penalties. For example, the EU's Carbon Border Adjustment Mechanism (CBAM), which will be fully implemented by 2026, aims to put a fair price on the carbon emitted during the production of carbon-intensive goods imported into the EU.

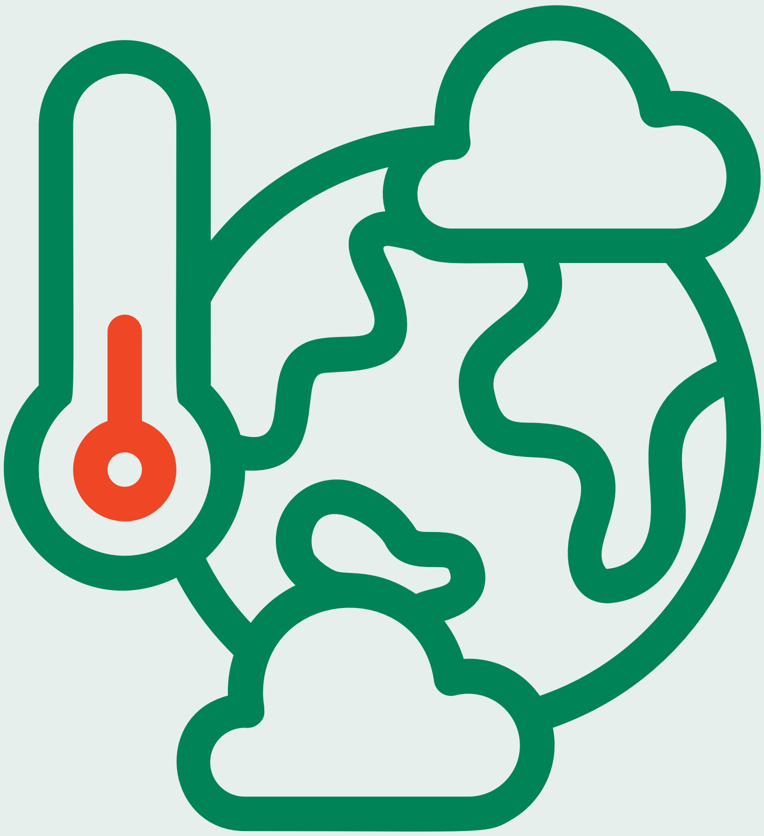
WHY NET ZERO MATTERS?

Understanding why climate change occurs and how it has impacted the regulatory landscape for businesses is essential to grasping the importance of net zero commitments.

Together, we can make a real difference while strengthening your business. Join us on the journey to net zero!

CLIMATE CHANGE

Anthropogenic climate change refers to the changes in the Earth's climate caused by human activity, primarily through the burning of fossil fuels, deforestation, agriculture and industrial processes. These activities release greenhouse gases (GHG) such as carbon dioxide and methane into the atmosphere. It is these gases that trap heat and lead to global warming.



Learn more about climate change on NASA's website or by watching this video by National Geographic.

EFFECTS ON CLIMATE CHANGE

Climate change has severe effects on the environment and on society. This makes adapting to it inevitable for businesses that aim to remain successful.

Joining the journey to net zero is an important step towards climate resilience.

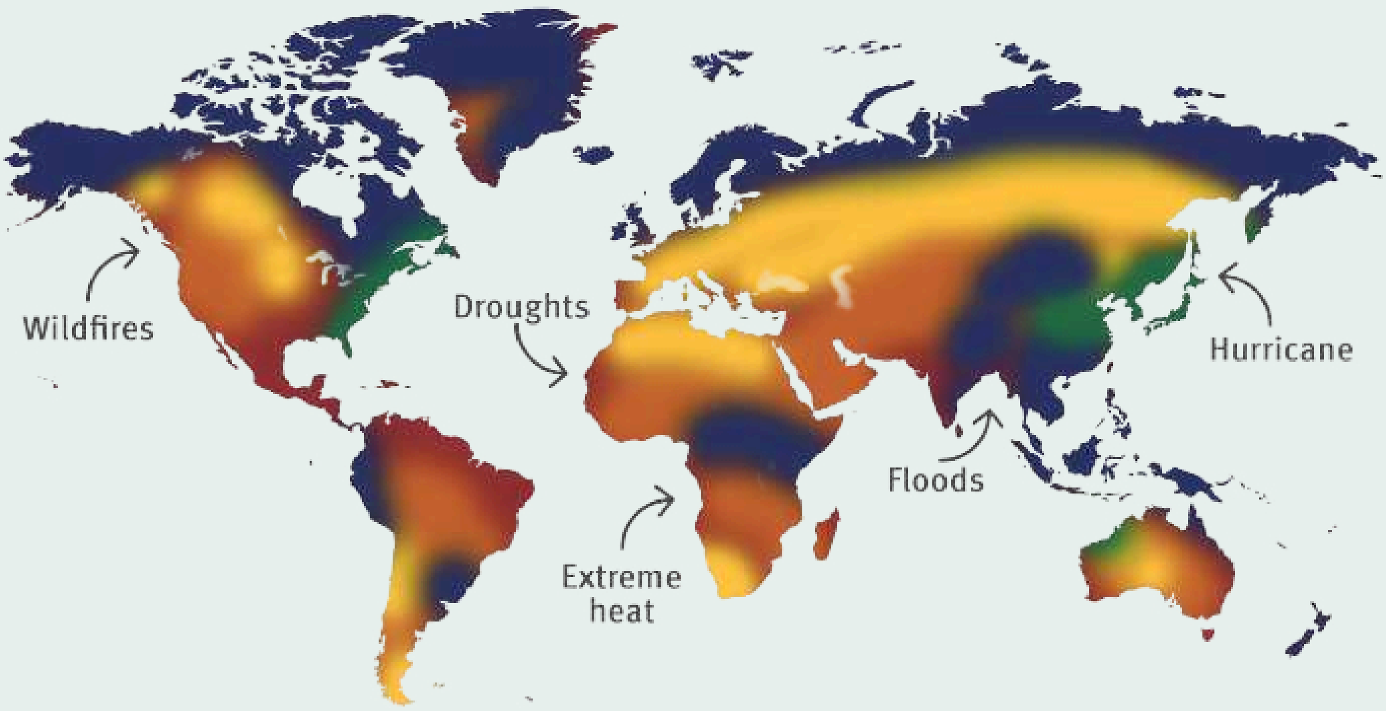
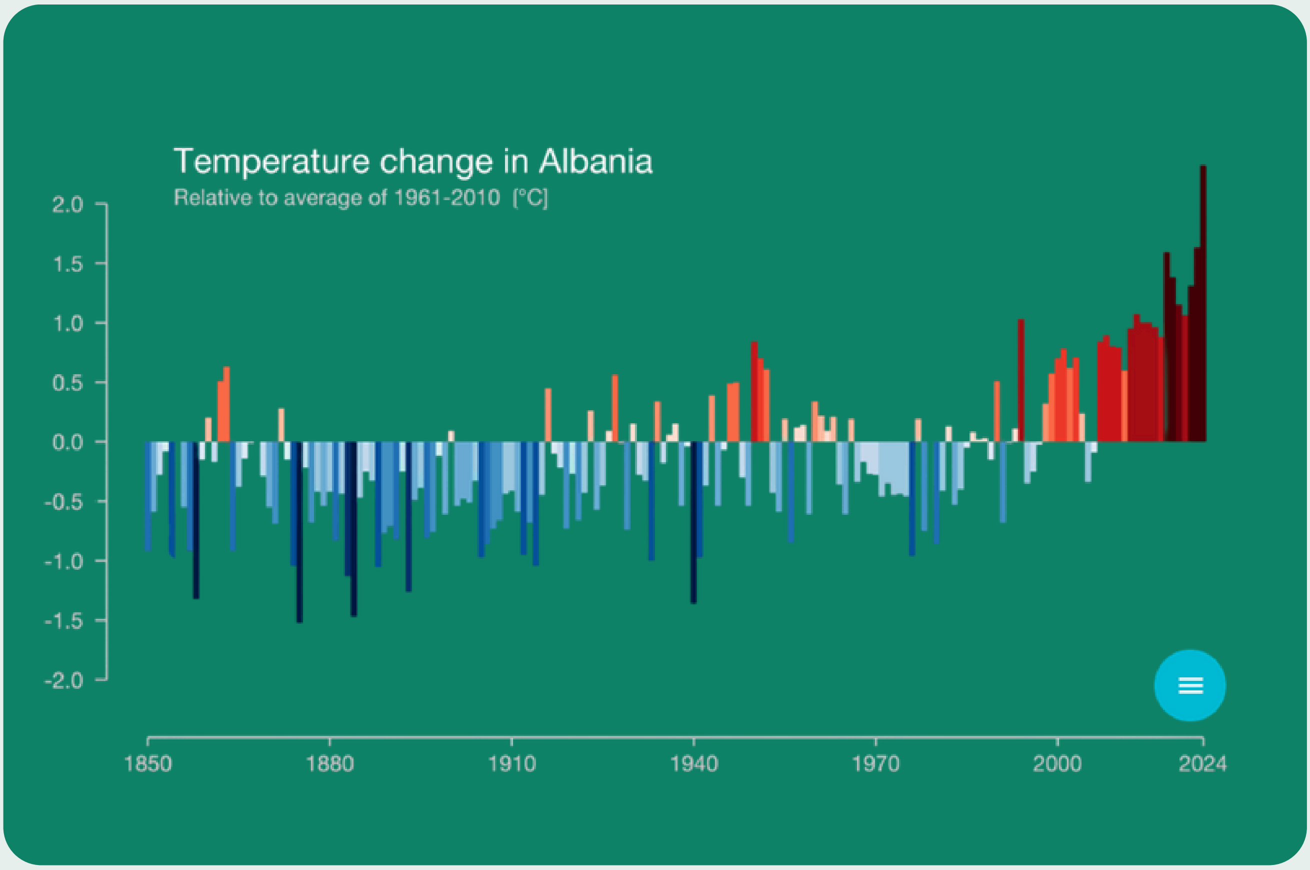


Figure 1: Every Country Has Its Own Climate Risks. What's Yours? - The New York Times

EFFECTS ON CLIMATE CHANGE

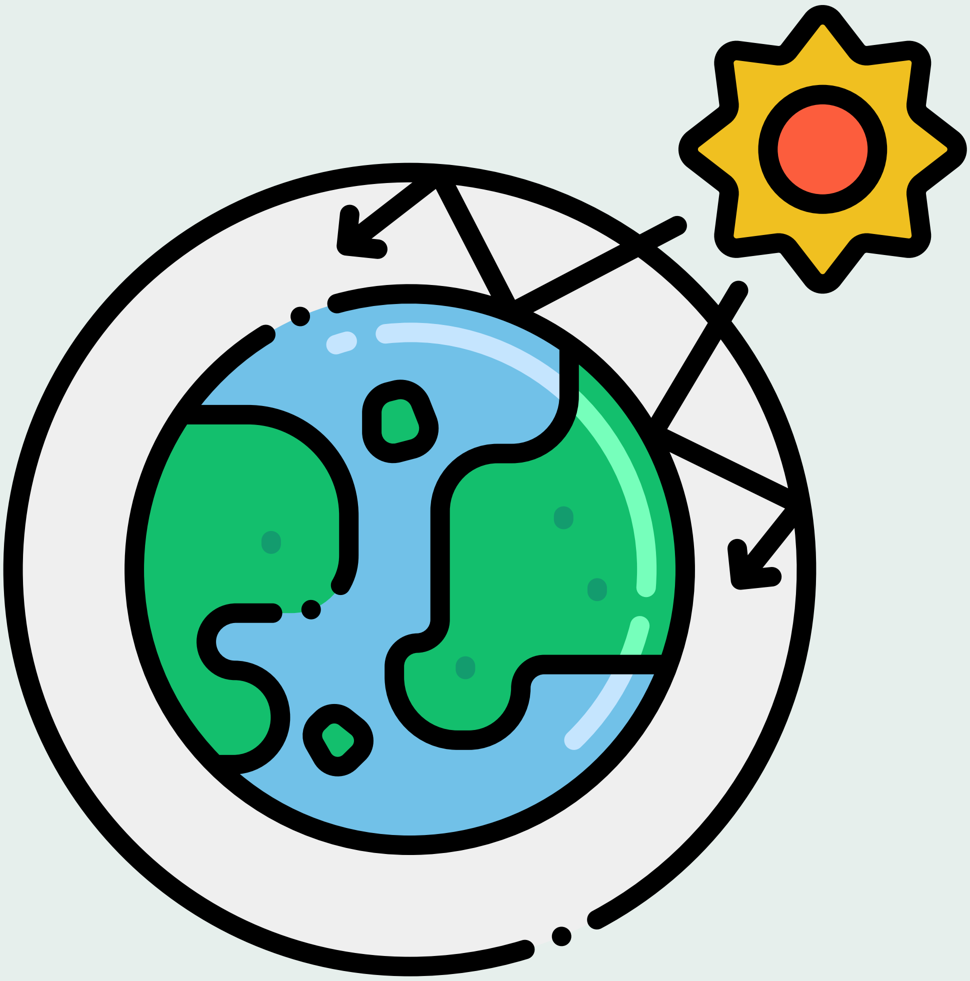
WHAT ARE THE EFFECTS OF CLIMATE CHANGE FOR

Albania is already experiencing the impact of climate change. Rising temperatures and unpredictable rainfall are causing more frequent droughts, floods, and wildfires. Coastal areas face erosion and sea level rise, while farmers struggle with changing growing conditions. These shifts affect daily life, the economy, and the environment across the country. Average temperatures have risen over the past two decades, contributing to more frequent heatwaves and dry spells.



GREENHOUSE GASES (GHG) WHAT ARE THEY?

Greenhouse gases (GHGs) are gases in the Earth’s atmosphere that trap heat. GHGs are essential for keeping our planet warm, but a high concentration of them leads to dangerous temperature increase. While essential for life, their overabundance leads to dangerous warming.



HERE YOU CAN LEARN MORE ABOUT GREENHOUSE GASES

Where do greenhouse gas emissions come from?

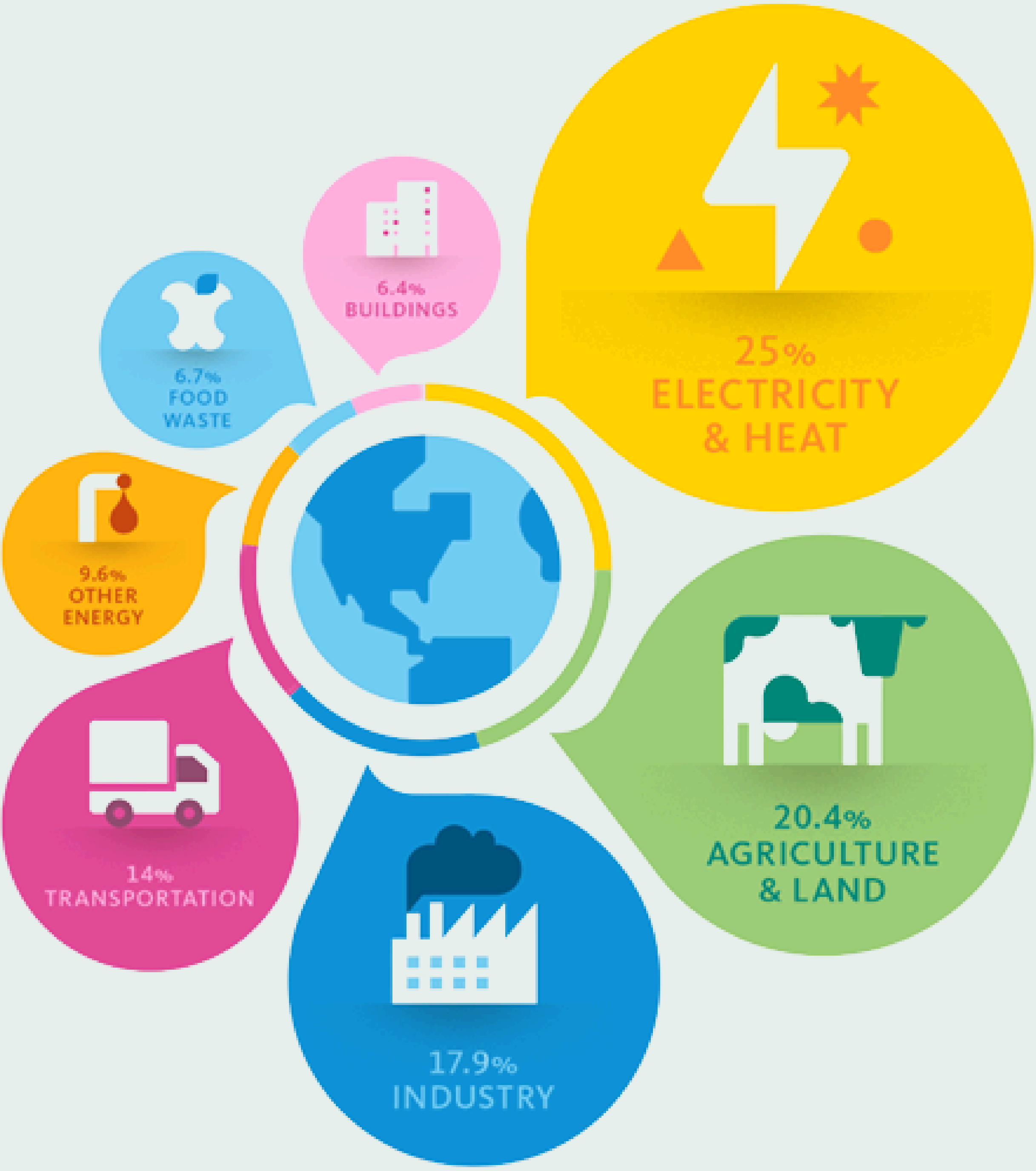


Figure 3: Where do greenhouse gas emissions come from? University of California

HERE YOU CAN LEARN MORE ABOUT GREENHOUSE GASES

CARBON DIOXIDE (CO_2)

From burning coal, oil, and gas; responsible for two-thirds of warming.

METHANE (CH_4)

From livestock, decomposing waste, and agriculture; accounts for 15-20% of warming.

NITROUS OXIDE (N_2O)

From fertilisers and crops; a potent contributor.

By reducing their emissions, SMEs not only address climate change, but it makes business sense too.

EMISSIONS PER SECTOR

Businesses play a significant role in global GHG emissions, with energy use, agriculture and waste management being major contributors.

·Industrial activities, such as manufacturing, production and transport, consume a significant amount of energy.
·Agriculture causes emissions through deforestation and livestock farming.

Global Greenhouse Gas Emission By Sector

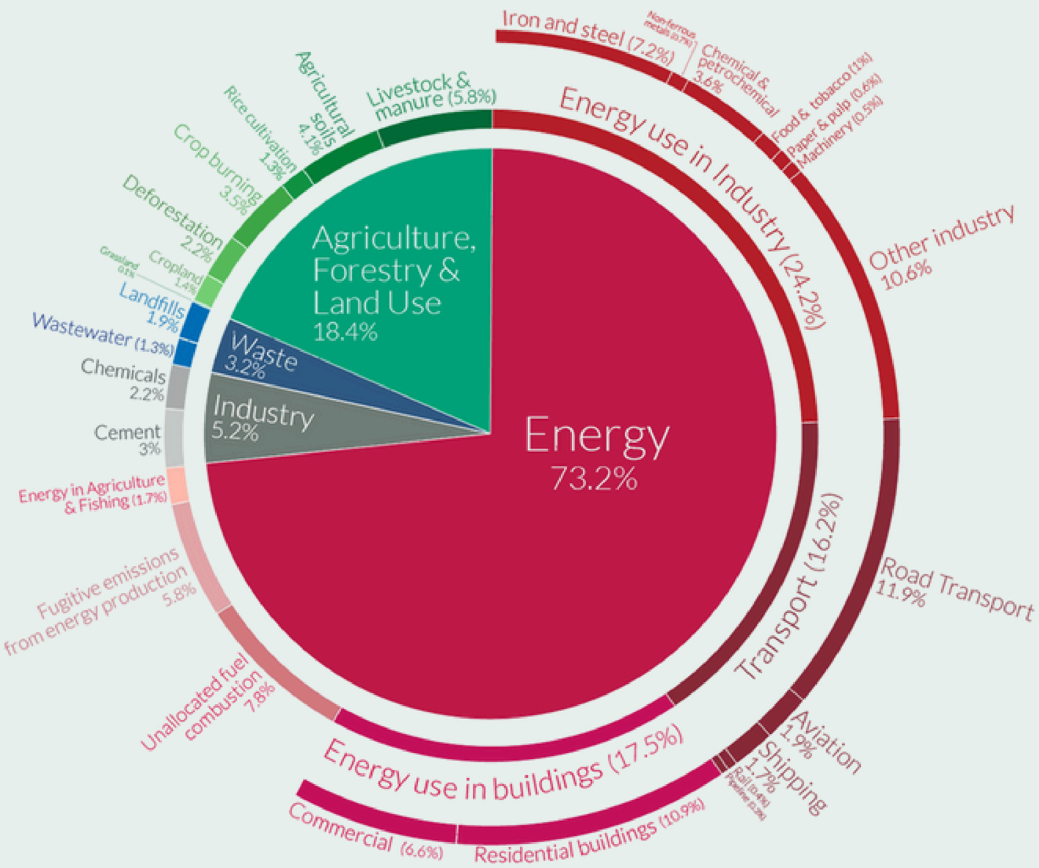


Figure 4: Global greenhouse gas emissions by sector - our world in data

This highlights the need for industries to adopt more energy-efficient practices and technologies to reduce their environmental impact.

POLITICAL RESPONSE: THE PARIS AGREEMENT

The 2015 Paris Agreement unites 195 countries in the fight against climate change. Its goals include limiting global warming to 1.5–2°C above pre-industrial levels by:

- Reducing GHG emissions through nationally determined contributions.
- Supporting adaptation measures and enhancing resilience through renewable energies.
- Aligning financial flows with climate goals.

These international efforts directly affect SMEs by shaping market conditions, regulations and opportunities for sustainable innovation.

REGULATIONS IMPACTING YOUR BUSINESS

Adopting a net zero strategy is not just about doing good, it is also about staying competitive in an evolving regulatory environment.

In compliance with the Paris Agreement, the EU and national governments are implementing laws that require businesses to reduce their emissions. While not all SMEs are directly affected, many will experience indirect impacts through supply chain relationships or market expectations.

REGULATIONS IMPACTING YOUR BUSINESS

Sustainability advantages

SMEs that adopt sustainable practices early may strengthen their brand, attract conscious consumers, and gain an edge in the EU market.

The CBAM imposes a carbon price on certain imported goods to the EU, such as steel, cement and fertilizers. This levels the playing field with EU producers who face stricter carbon regulations. SMEs in Non-EU Countries will experience the spill-over effects.

For SMEs in non-EU countries, CBAM brings both challenges and opportunities:

• New Reporting Requirements: Producers will need to implement carbon monitoring systems to comply with CBAM.
• Financial Adjustments: The introduction of a carbon price could increase short-term export costs but incentive cleaner practices for long-term savings.

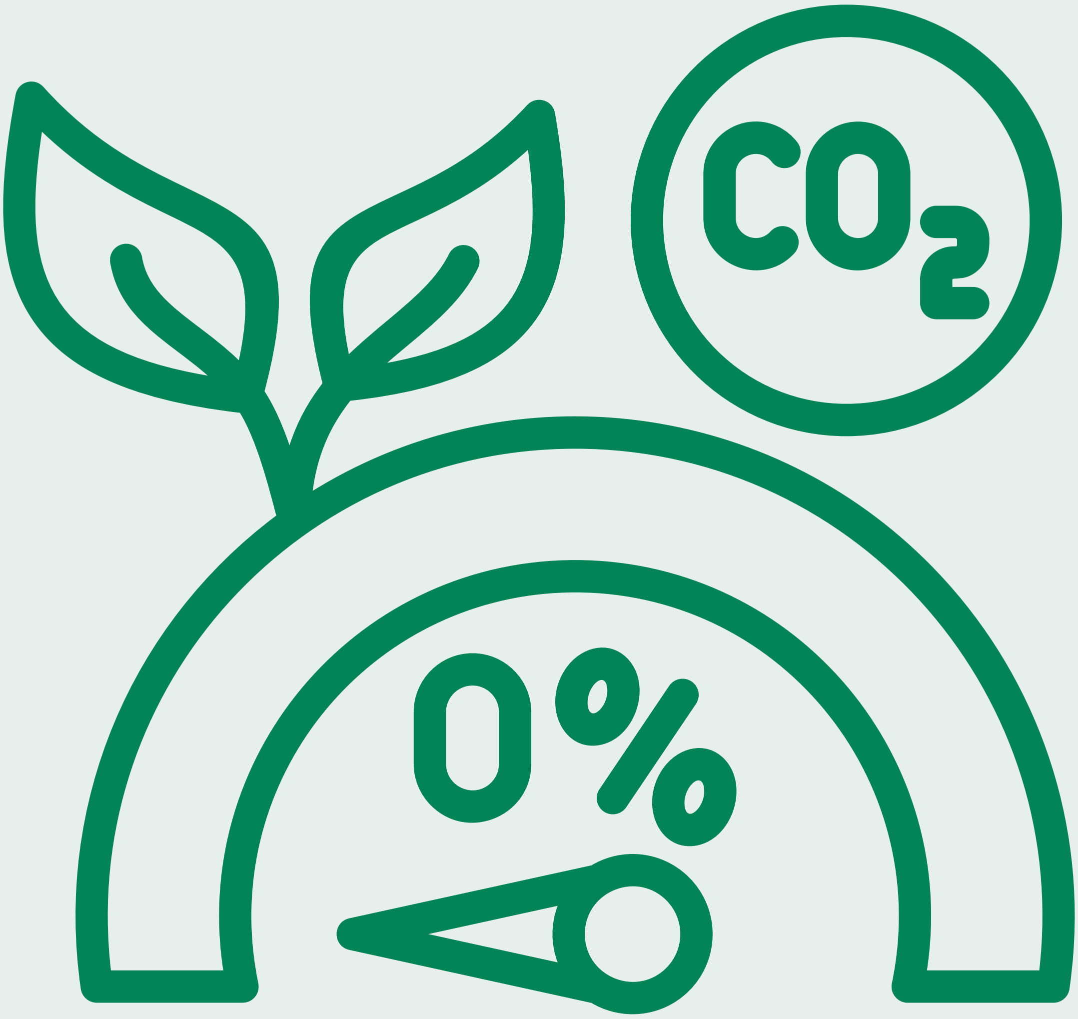
CORPORATE SUSTAINABILITY REPORTING DIRECTIVE (CSRD)

Overview of interconnection between EU and Albania national legislation

ASPECTS	EU ETS	MRV (Albania)	CBAM
Jurisdiction	**Within the European Union**	**Albania**	**Applies at borders EU**
Sectors	A wide range of energy-intensive sectors	Energy sector (power plants), industrial processes; preparing for future ETS	Applies at borders EU
GHG	CO_2, N_2O, PFCs	Primarily CO_2; limited tracking of other gases)	CO_2 equivalent
Income generation	Income from auctions and trade permits	No direct revenue; MRV is for compliance and inventory reporting	Income from certificates (from 2026)
Calculation of emissions	At facility level	Based on IPCC guidelines	By product CO_2/t
Influence	Limited influence on EU members	Compliance and transparency tool: supports EU alignment; prepares for ETS and CBAM exemption	Potential global impact

THE NET ZERO JOURNEY FOR YOUR BUSINESS

Achieving Net Zero aligns your business with a global movement, complying with regulations, benefiting both society and profitability.



We have learned why net zero is so important. But what does it mean for your business? And what does this journey look like?

Let's dive into it:

THE NET ZERO JOURNEY FOR YOUR BUSINESS

What does net zero mean?

As presented earlier, “Net Zero” means a state in that a business does not emit any greenhouse gases (GHG) to the atmosphere.

To reach Net Zero is a journey that will ask for challenging but rewarding changes for your business.

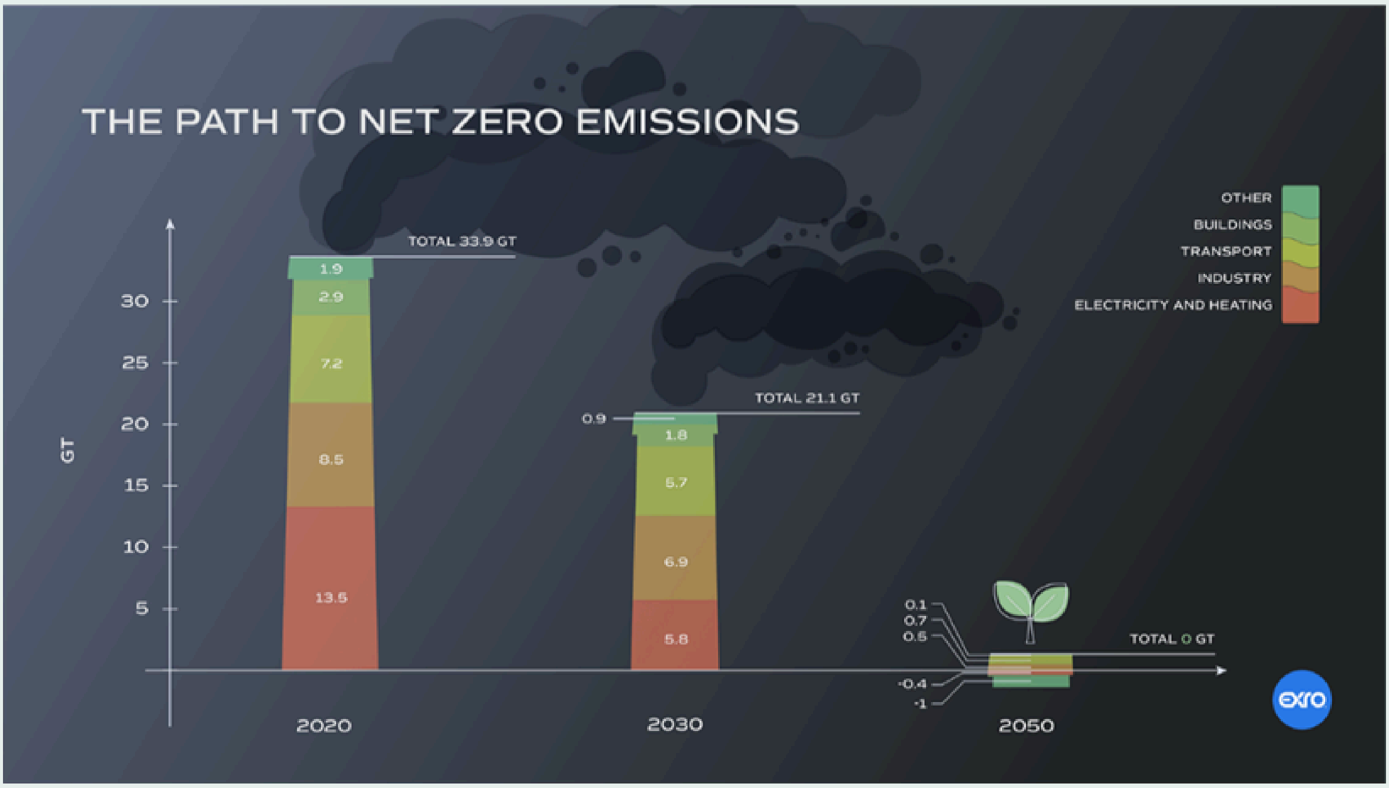


Figure 5: The Path to Net Zero Emissions - exro

STAGES OF NET ZERO

Let's have a look at what this exciting journey towards achieving net zero emissions looks like and how ProCredit can support your business every step of the way.

Measure emissions

To reduce emissions effectively, you first need to understand them. ProCredit offers a specialised CO_2-Calculator adapted to various industries from agriculture to manufacturing. In section 3, you will find detailed instructions on how to use the calculator to define your starting point.

Learn about your options

Depending on your emissions profile, solutions might include transitioning to renewable energy, modernising production facilities or adopting sustainable farming techniques. ProCredit offers consultations and specific investment catalogues to help you plan and execute these changes.

Set targets

Once you have a clear understanding of your emissions and opportunities, the next step is setting targets. We will guide you in establishing ambitious yet achievable emissions reduction targets.

Implement decarbonization measures

This stage involves concrete action. Integrate net zero targets into your business strategy and start implementing decarbonisation measures with the support of ProCredit Bank and its partners.

Disclose progress

The final stage of the net zero process is reporting. Transparency is key in this journey. We encourage you to disclose your progress annually, using the ProCredit CO_2-Calculator to track and disclose your progress.

Start Today!

MEASURE YOUR EMISSIONS

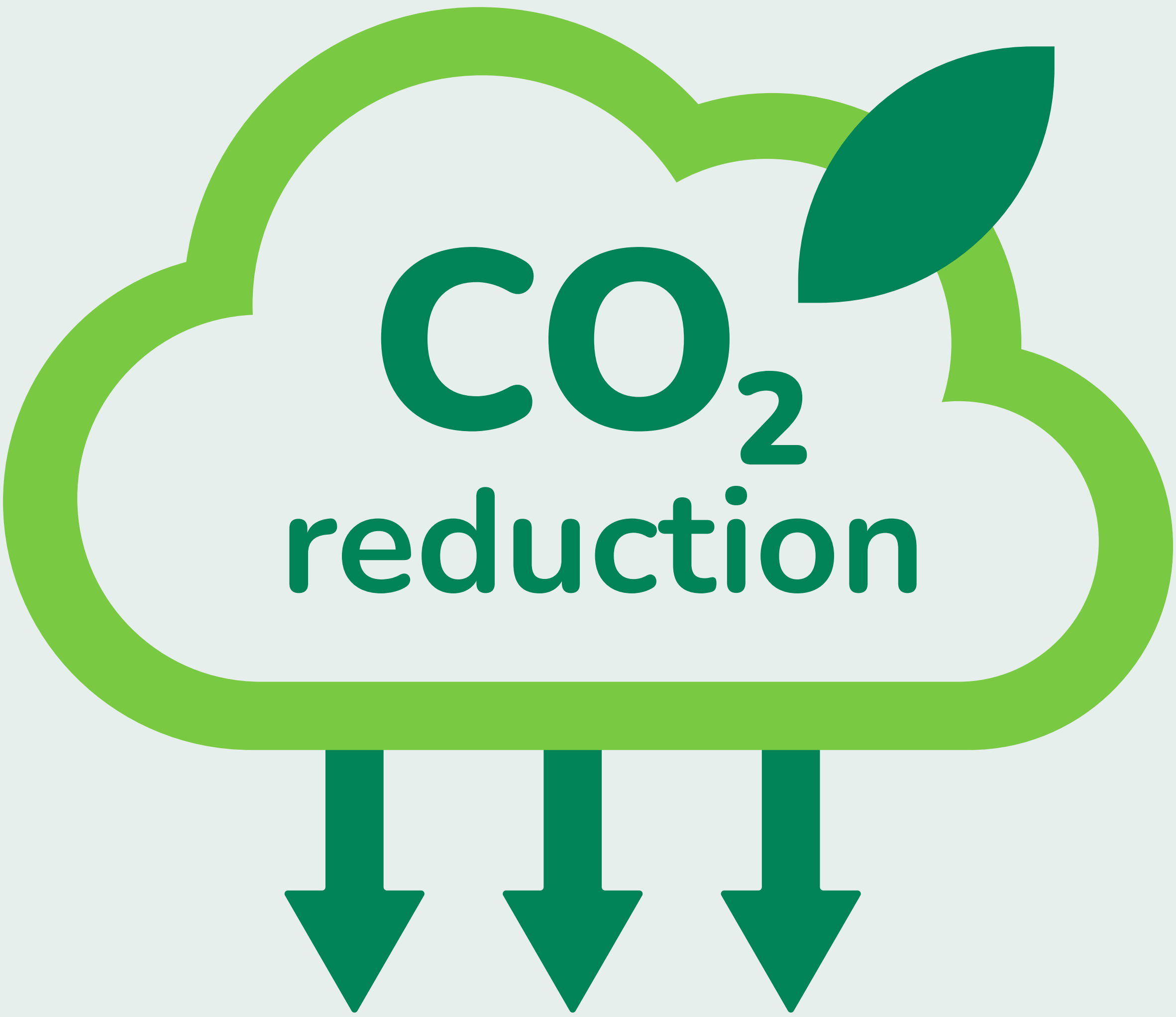
Welcome to your personal journey to net zero! Measuring your emissions is the foundational step in this transformation.

Understanding your current emissions enables you to identify areas for improvement, set realistic goals and make meaningful changes.

QUANTIFY YOUR COMPANY'S EMISSIONS

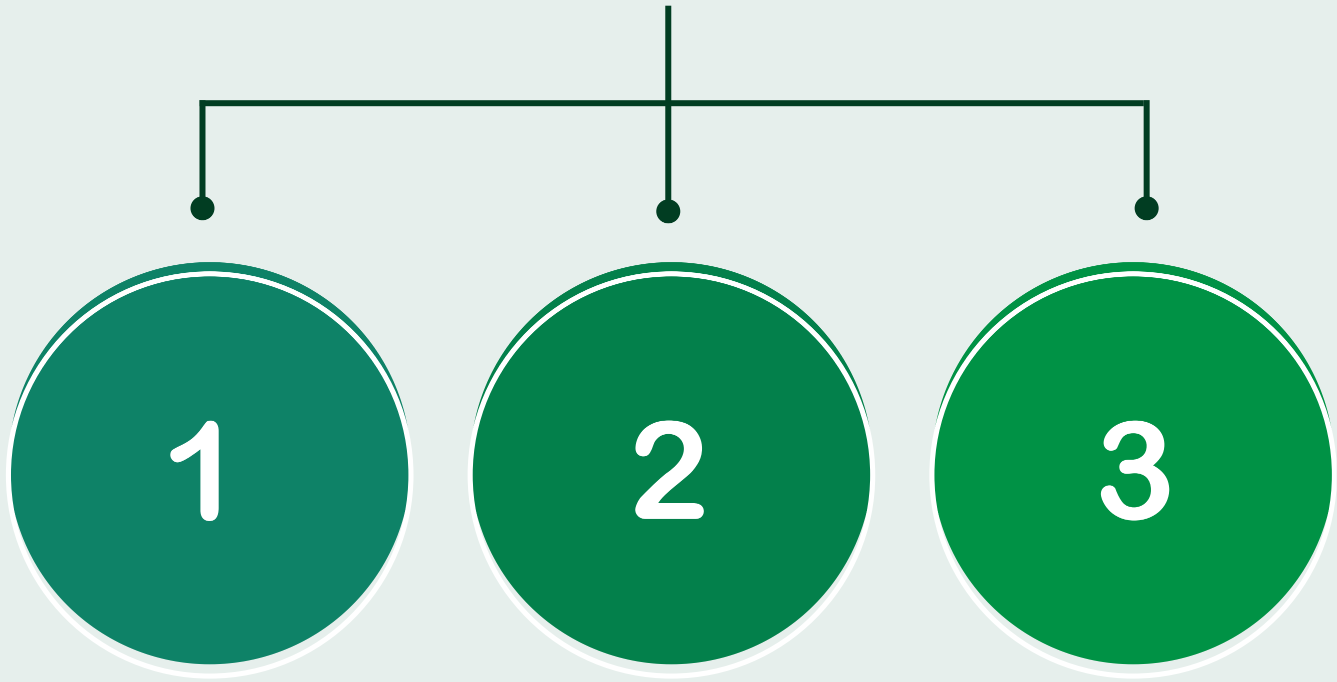
It is recommended for businesses to follow the Greenhouse Gas (GHG) Protocol if they aim to reduce their emissions.

The GHG protocol is one of the internationally leading frameworks for measuring emissions.



UNDERSTANDING EMISSION SCOPES IN ACCORDANCE WITH THE GHG PROTOCOL

Emissions are categorised into three groups:



Scope 1: Direct emissions

These are emissions from sources owned or controlled by your business such as:
·Fuel used for internal heating
·Fuel consumed by your vehicle fleet (non-electric vehicles)

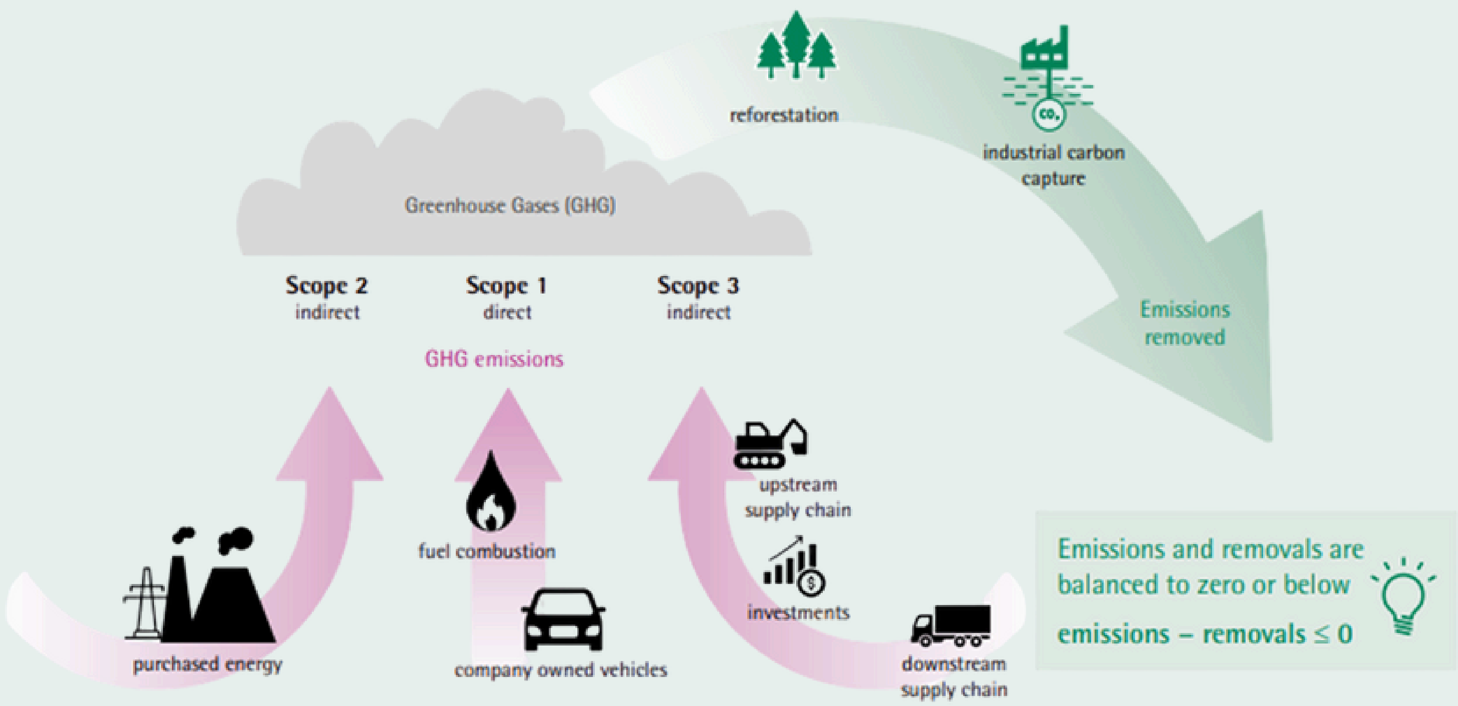
Scope 2: Indirect energy emissions

These emissions are associated with the production of the energy your business consumes, for example:
·Electricity for your building, for heating, cooling, steam, etc.

Scope 3: Value chain emissions

These are emissions generated up and down your value chain and include:
·Supplier practices, including emissions from the production, delivery and disposal of goods.

UNDERSTANDING EMISSION SCOPES IN ACCORDANCE WITH THE GHG PROTOCOL



SMEs focus on Scopes 1 and 2 first

For SMEs, measuring Scope 1 and 2 emissions provide a manageable starting point. Once these are addressed, evaluate whether Scope 3 emissions significantly impact your overall carbon footprint.

PROCREDIT CO_2-CALCULATOR: MEASURE YOUR EMISSIONS STEP-BY-STEP

The ProCredit CO_2-Calculator is designed to simplify emissions measurement and provide valuable insight.

It is based on the methodology of the GHG protocol and on guidelines of the Intergovernmental Panel of Climate Change (IPCC) to guarantee scientifically correct numbers.

PROCREDIT CO_2-CALCULATOR: MEASURE YOUR EMISSIONS STEP-BY-STEP

Here is what it offers:

1. Accurate calculations for Scopes 1 and 2 for all sectors

2. Identification of high emission areas to focus reduction effort

3. Comprehensive report and sector comparisons

4. Scope 3 calculations (available for the construction sector)

WHAT YOU NEED TO GET STARTED

First you need to select a reporting year as the baseline for your journey:

- The reporting year can be in the past; however, it should not be earlier than 2019
- Reliable and complete data for that year is needed

PREPARE THE FOLLOWING INFORMATION TO ENTER THE CO_2-CALCULATOR:

- Energy consumption (in kWh) for electricity and heating
- Fuel data: type and amount of fuel consumed (in litres or other relevant measurement unit)
- Refrigerant type and volume (in kg) for air conditioning

Additional data (if applicable):
- On-site waste management details
- On-site wastewater treatment
- Landfills

Agricultural data:
- Number, productivity and weight of animals
- Crop yield (tonnes/year) and cultivated area (decares)
- Land-use changes and management updates

Construction sector data in the case of lacking specific fuel data:
- Vehicle and machinery types and usage time
- Transportation details for own- and third-party routes

Start using the ProCredit CO_2-Calculator here:
CO2 CALCULATOR PROCREDIT BANK

NEXT STEPS

By measuring your emissions, you have laid the groundwork for your net zero journey. Next, you will:

1

Learn about emissions reduction actions

2

Set ambitious yet realistic reduction targets

3

Implement impactful changes tailored to your business model

4

Monitor and report progress to stakeholders effectively

Join us in the next chapters as we take a closer look at these topics and help you move toward your sustainability goals.

SOURCES:

- Greenhouse Gas Protocol
- Infographic: how climate change is affecting
- Europe | Topics | European Parliament
- Opinion | Every Country Has Its Own Climate Risks.
- What's Yours? - The New York Times
- #ShowYourStripes
- Ever wondered: What is the 'Paris Agreement', and how does it work?
- Training catalogue
- Corporate sustainability reporting - European Commission
- CO2 Calculator ProCredit Bank
- Corporate Standard | GHG Protocol
- 2019 Refinement to the 2006 IPCC Guidelines for
- National Greenhouse Gas Inventories — IPCC

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