

Green Banking, Green Investments People, Planet, Profit

By Raymond Van Ermen, EPE
Beirut, 28th September 2011
Horizon 2020 Capacity Building
Programme

The Green and Blue Economy Agenda

*The XXIst Century Economy addressing the new growth agenda :
See UNEP (Green economy), OECD (Green Growth) as well as IDDRI ('Oceans, the new frontier') Reports*

UNEP Eco-innovation Sectors :

- Environmental infrastructure/ecosystems
- Biodiversity based business
- Renewable energy
- Cleantech : materials & energy efficiency, maritime
- Waste management & mitigation
- Sustainable cities

UNEP Green Jobs Initiative :

- Electricity (smart grids)
- Renewable
- Farming
- Recycling

Eco-Innovations : products, processes, systems



- Cleantech, water, maritime
- Resource efficiency management, from cradle to cradle.
- New mobility scheme
- Bio based products
- Renewable energy
- Smart grids
- Energy efficient buildings
- Passive housing
- Green cities
- Efficient Lighting
- Zero Waste
- Co-processing

No Green Economy without Banking Green Leadership

As stated in the FUNDETEC report (2007):

“To meet the financial challenges of tackling climate change and securing an energy efficient and sustainable economy, public institutions will need the help of commercial-type funding on a very large scale. Innovative instruments must tap into private pools of capital, as public resources will prove insufficient to meet the new financing requirements. But these segments cannot act in isolation from each other; much more cooperation between players in public and private finance is required.”

Green Investments Strategy, a Co-operation Government – Commercial Banks

- Design a strategy to attract savings and finance projects with a **“neutral” or low-cost impact on public funds**
- **Help the financial market to structure itself through two pillars:** a green saving bank account system/green funds developed at State level and a guarantee fund system
- **Mobilize private capital to finance eco-innovative projects**
- **Scale up private and public capital in solid waste management, water efficiency and eco-innovation**
- **Launch a pilot operation for the solid waste sector.**

Capacity Building : Commercial Bank Strategy related to 3 Issues

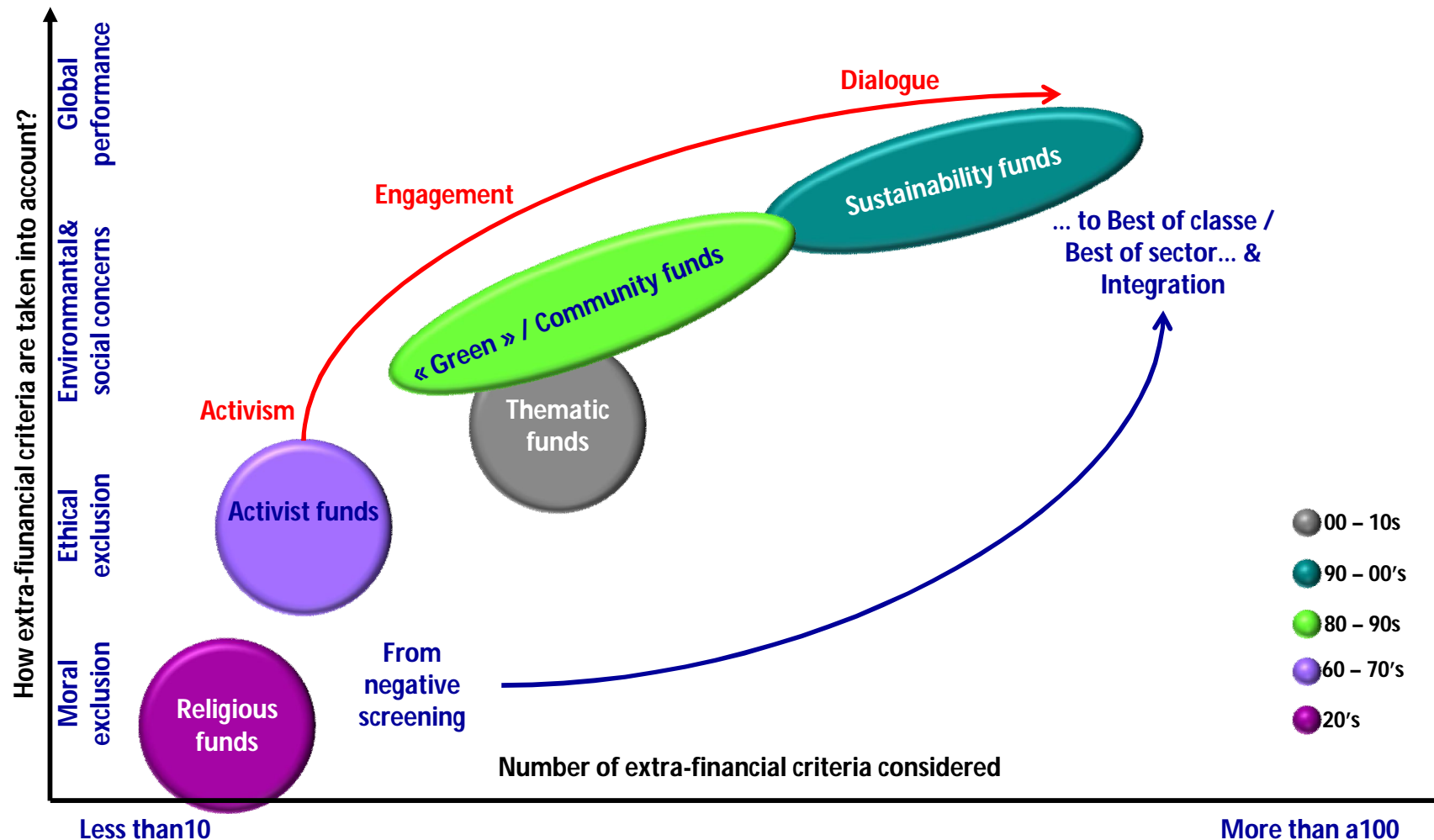
- How to improve your Bank Governance and Business Model to address green growth ?
- How to attract money from Institutional Investors to Retail Investors to invest in green projects ?
- How to make money available to Cities, Entrepreneurs, Technologies Developers, Shopkeepers, Households for green projects ?

1. Integrate Environmental Risks and Opportunities in Banks Management

A credible risk and opportunities management framework would be:

- Policy: banks should have a policy for contributing to green growth
- Board oversight and management capacity: the board and senior level should have responsibility for climate change and carbon emission market as well as priority areas for green investment in support to a green and blue economy (including water, food, solid waste, buildings, mobility)
- Performance: Banks should set target reductions of emissions and environmental footprint from their lending portfolio, and should audit and monitor those reductions.
- Appropriate Board and Staff should be remunerated and rewarded (bonus) based on meeting those footprint targets and green investments objectives.
- Transparency: the level of risk should be disclosed and mitigation efforts publically available.

2. SRI, a brief history from a financial product point of view



Responsible Investment is a mature market in terms of products & tools

- SRI cover today all the range of asset classes...
 - Equity (listed & Private equity)
 - Bonds (corporate / sovereign)
 - Monetary
 - Real Estate investments...
- ... & a large range of financial instruments
 - Naturally UCITS
 - Funds of funds
 - Index funds
 - ETF... and tomorrow structured & alternative funds
- ... and benefits from developing tools & methodologies
 - Extra-financial rating agencies
 - Increasing number of SRI indices, the latest being the MSCI ESG series [2011]

- ◉ **Brief worldwide review of sustainable stock exchanges [2010, EIRIS]**
 - The **Istanbul** Stock Exchange (ISE) and the Brazilian Stock Exchange (BM&FBOVESPA) signed the PRI
 - **Indonesia** Stock Exchange introduced the KEHATI-SRI Index
 - **Shanghai** Stock Exchange established the Social Responsibility Index
 - **Egyptian** Exchange launched the S&P/EGX ESG Index, the 1st ESG index in the Middle East & North Africa
 - **Korean** Stock Exchange launched its SRI Index
 - **NYSE Arca** began trading the ESG Shares North America Sustainability Index ETF, which consists of equity securities of issuers in North America that meet specific ESG criteria
 - **Johannesburg** Stock Exchange, as part of its implementation of the PRI, upgraded its ESG reporting requirements to include integrated reporting on a 'comply or explain' basis

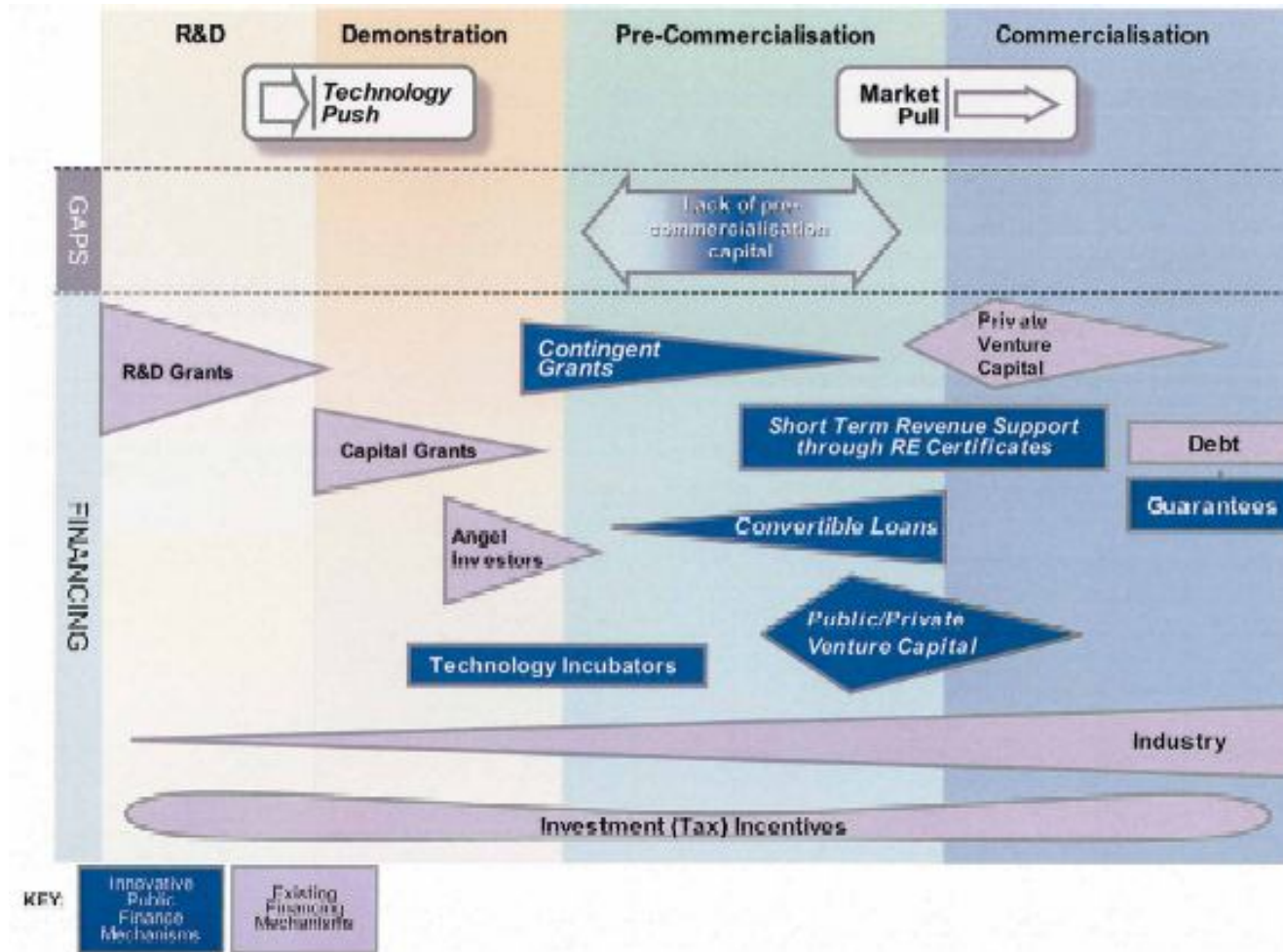
UNEP-FI Guidelines &
Principles for Responsible Investment (PRI)
Sources of Inspiration

- be fully transparent about investment strategies pursued, including to what extent such strategies incorporate ESG considerations
- seek expert advice on how best to incorporate ESG considerations into investment analysis and decision-making processes.
- state clearly guidelines on ESG considerations.
- undertake a periodic independent audit that takes into account ESG considerations
- adopt the UN Principles of Responsible Investment that are relevant
- request the appointment of a board member with specific responsibility for ESG issues
- request a remuneration package partly tied to ESG issues

3. How to Support Green Projects of Developers, Cities and Smart Entrepreneurs ?

- Technology developer long journey (see next slide)
- Invest in Business (Equity) in the green economy
- Provide loans to entrepreneurs to set up i.a. solid waste management, from big loans to micro-credit

Overcome Gaps and Barriers faced by Technology Developers



How to accelerate private sector investment in the green growth?

- Create Dedicated Funds : Water, the Mediterranean, Solid Waste, Green Cities.
- Green Saving Banks Account (France)
- 'Green fund schemes' in support to 'green projects' engineered with the Ministry of Finance (fiscal incentives), the Central Bank (control), Environmental Agencies (green certificates).

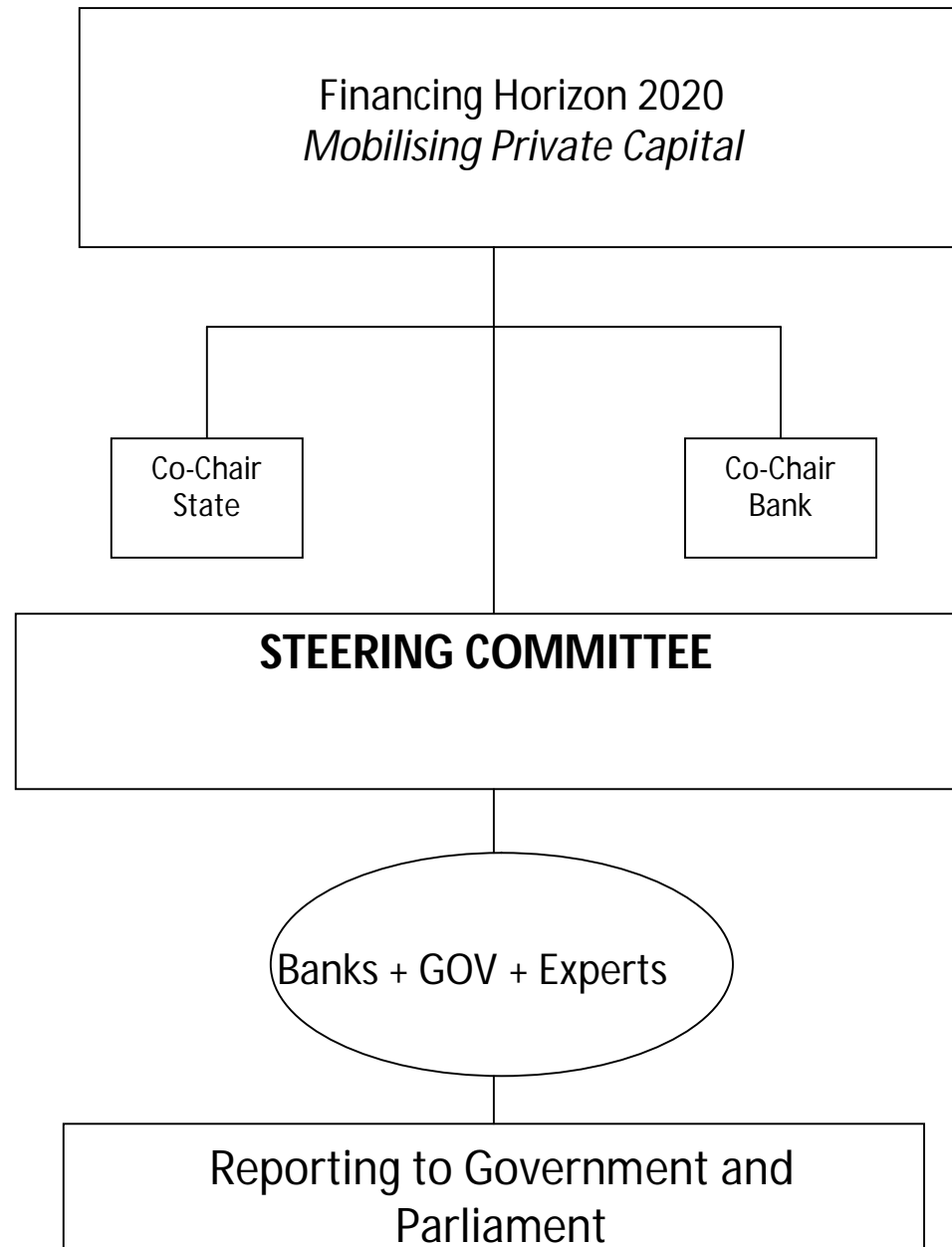
Smart Cities, Smart Banking

Smart Energy and Infrastructure Financing discussed by Institutional, Banking and Private Equity Investors at the Intelligent Cities Conference 8th-10th November 2011 – Hamburg.

- **Which lessons, skills, expertise, know how deriving from the Beirut case which would be useful for other Med Cities ?**

A Horizon 2020 Multi-stakeholder Financial Platform

- The FUNDETEC research team has discovered that *"public policy, private and public sector investment practices and technology developer management skills are not mutually exclusive. Solutions to the gaps and barriers for financing eco-innovation must target all of these areas for there to be a significant shift from the current situation"*.
- Platform membership should target :
 - Governments and Agencies
 - Regions and Cities
 - Banks (Public and Private)
 - Venture Capital
 - Business Angels (as the European Business Angels Network)
 - Facilitators (as FEMIP)
 - Industry (up-taking/deploying cleantech)



Thank you for your attention !

Raymond.vanermen@epe.be

European Partners for the Environment (EPE)
67, Av. De la Toison d'or 1060 Brussels
T: +32 2 7711534 F: +32 2 539 4815 I: www.epe.be