



ADFIAP
financing sustainable development

Association of Development Financing Institutions in Asia and the Pacific

financing
sustainable
development

Introduction to Green Finance & Credit Cycle

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Secretary General
ADFIAP

Green Energy Finance Workshop
ACEF 2016 June 6, 2016
Asian Development Bank

Session Content

- 1. ADFIAP briefly**
- 2. Green Finance Defined**
- 3. Green Finance Framework**
- 4. The Green Credit Cycle: Mitigating Environmental Risk**
- 5. The Green Banker**
- 6. Case Studies on Green Finance**

1. ADFIAP briefly...

ADFIAP...briefly

102 MEMBERS
40 COUNTRIES

FOUNDED **1976**

DURING the 6th ADB
conference for DFIs



SECRETARIAT in
MANILA, Philippines

FOUNDING



MEMBER

NG



asae
The Center for Association Leadership

Associations Make a
Better World Award
2008

CSR Works

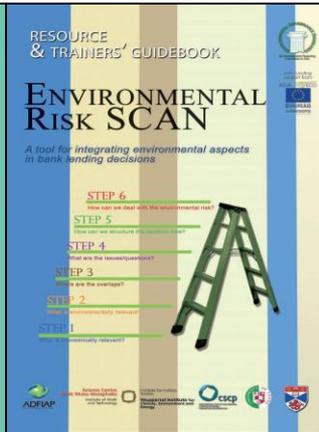
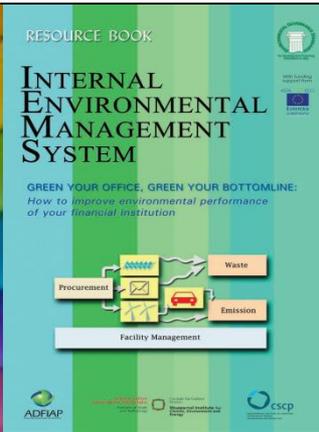
Asia's Best Sustainability
Report 2015

ADFIAP's Purpose

TO **ADVANCE** SUSTAINABLE
DEVELOPMENT



“Greening of DFIs” Initiative



8th Annual Sustainability Report (2008-2015)

Green Banking Books

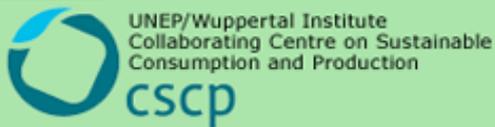
Green Banking Book Launch



ENVIRONMENTAL GOVERNANCE STANDARDS
for Development Financing Institutions in Asia



European Union
Asia Pro Eco Programme



UNEP/Wuppertal Institute
Collaborating Centre on Sustainable
Consumption and Production

cscp



Technical Experts Conference

EU Grant Projects on Environment

SMART *Cebu*
SMEs for environmental Accountability,
Responsibility, and Transparency



SMART
Myanmar

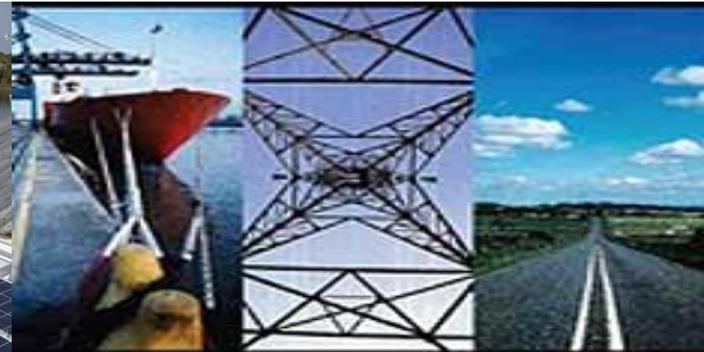
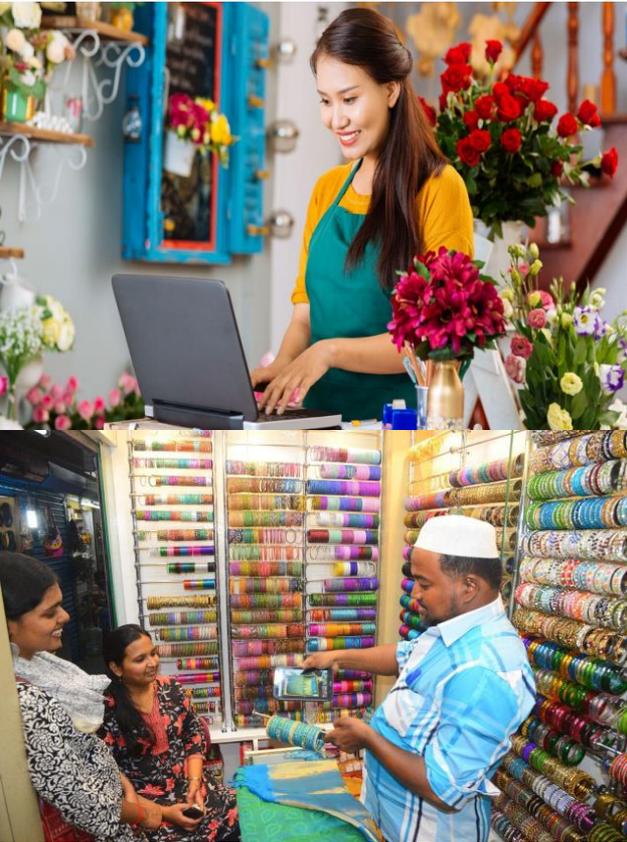


ACMFN
Asian Cleantech MSME Financing Network



**Asian
Cleantech
MSME
Financing
Network**

Financing Focus of Members



Donors, Partners, Networks



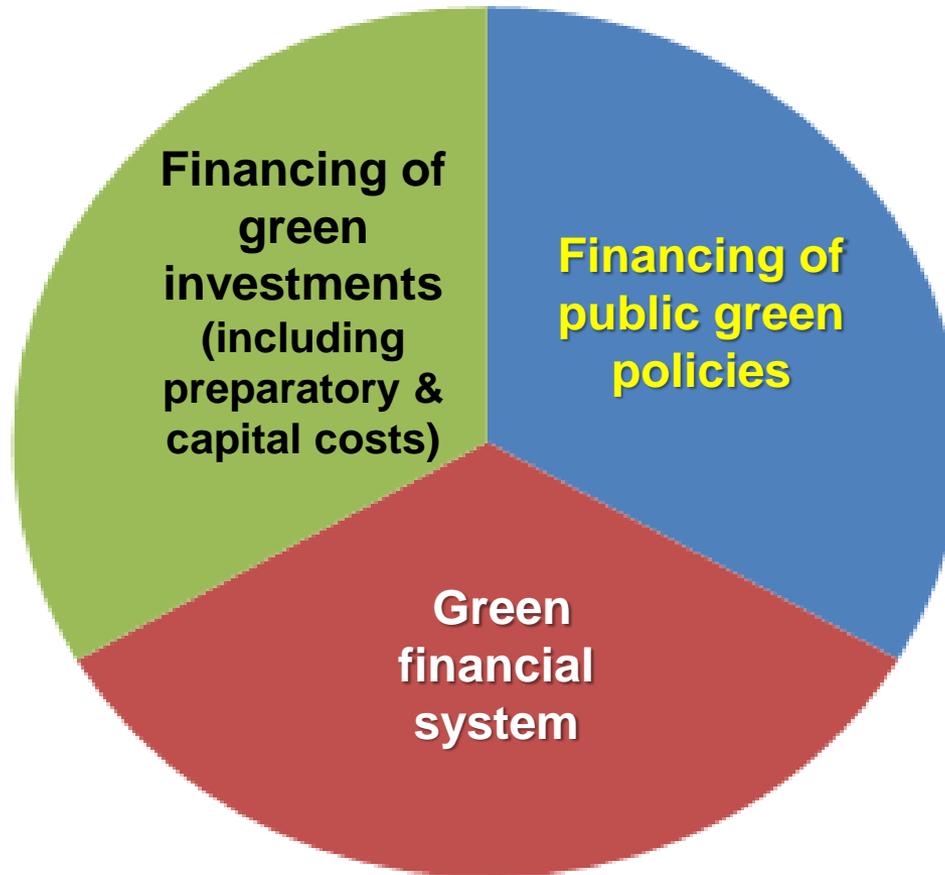
2. Green Finance Defined

Green Finance Defined

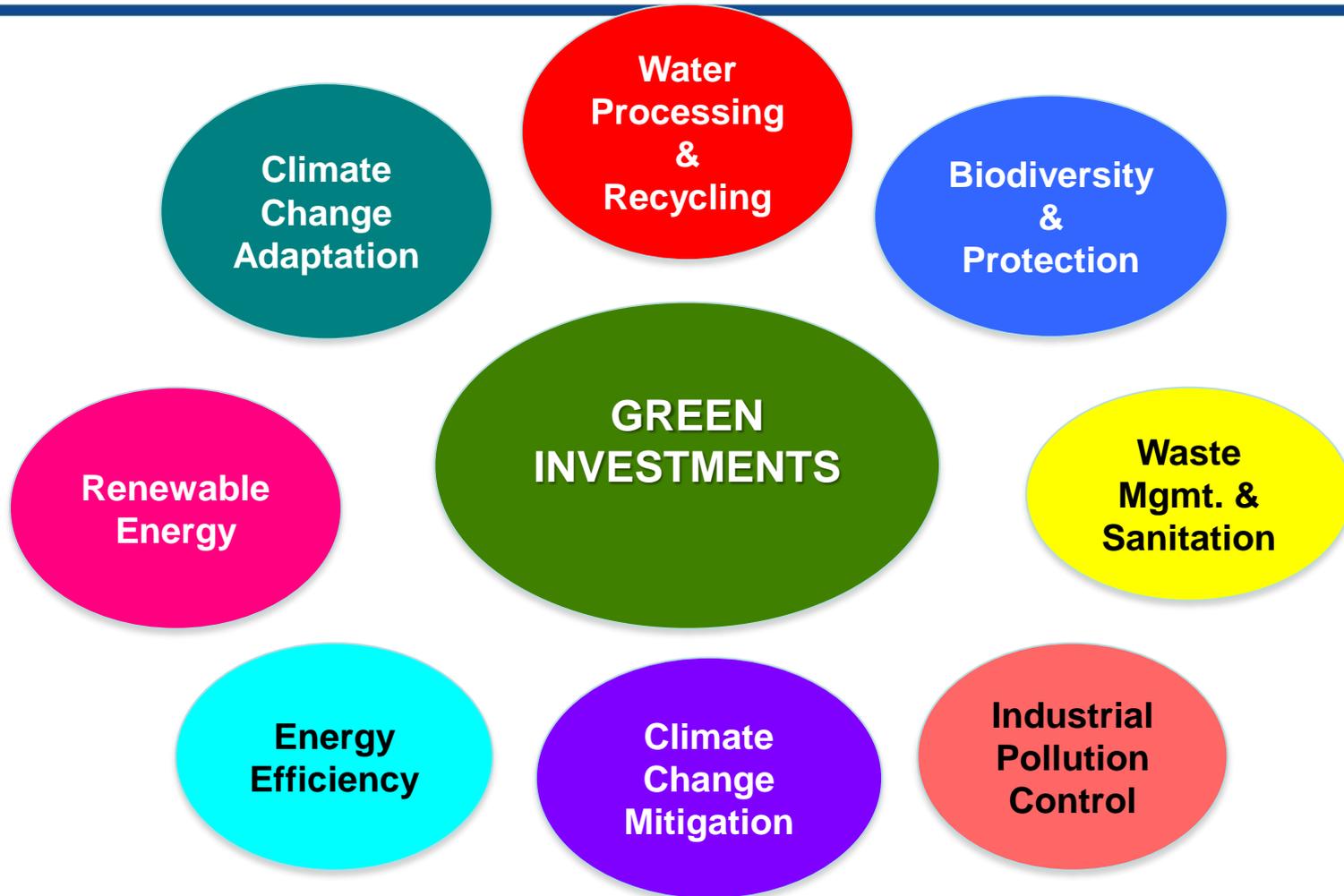
“Financial products & services that consider environmental factors throughout the lending decision-making, ex-post monitoring, and risk management processes, to promote environmentally-responsible investments and encourage low-carbon technologies, industries and businesses.”

Source: Pricewaterhouse Coopers Consultant, 2013

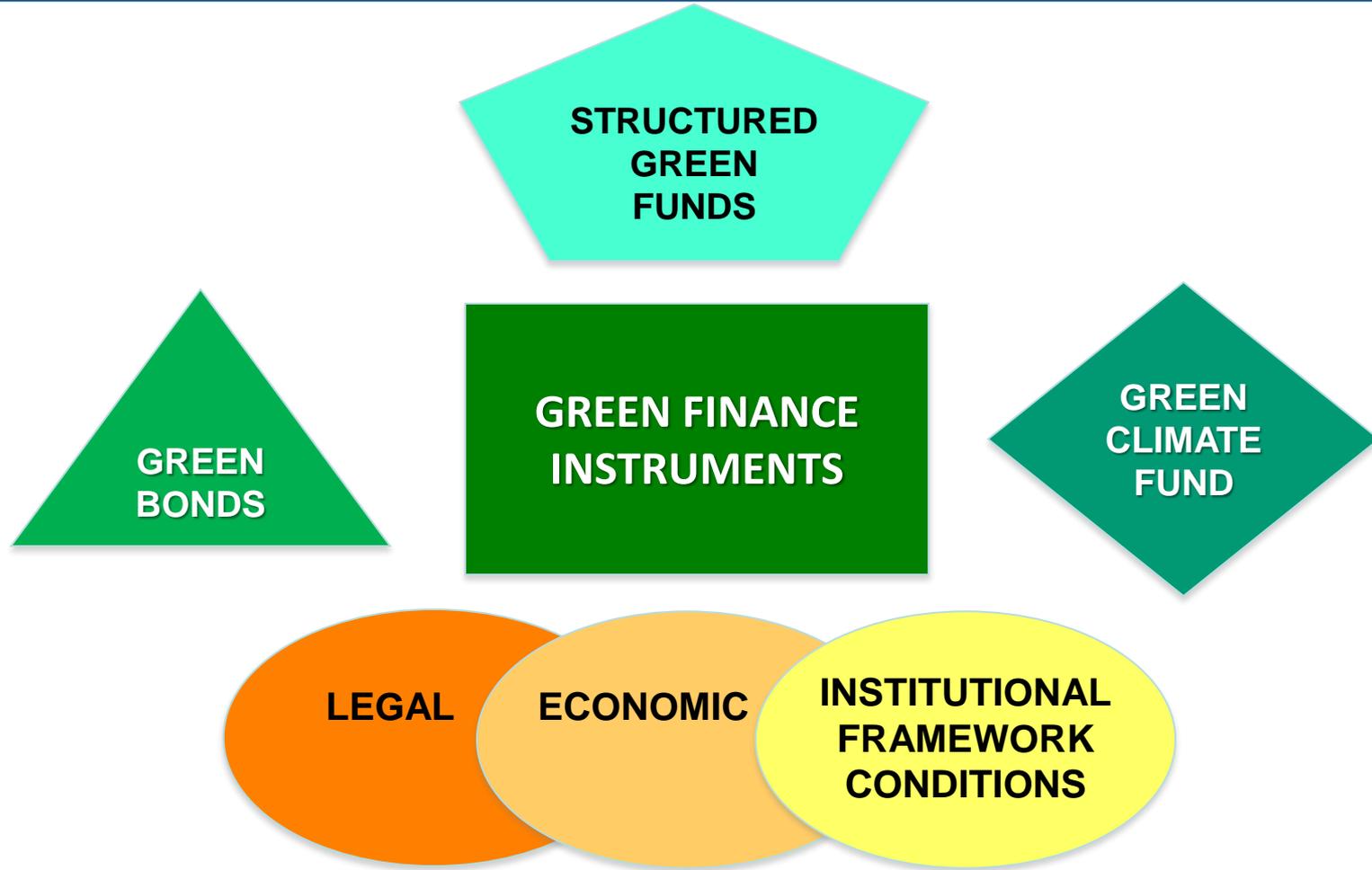
Green Finance comprises of...



Financing Green Investments



Green Financial System



Public Green Policies

“Policies that encourage the implementation of environmental and environmental-damage mitigation or adaptation projects and initiatives.”

3. Green Finance Framework

Internal Green Finance Framework*



1

Strategic Assessment

**Purpose,
Mission
& Vision**

**Business Case /
Policies, Processes
Controls / Organization**

2

Core Business Operation

**Loan
Eva-
luation**

**Loan
Supervision
&
Monitoring**

**Remedial
Management**

3

Sustainable Management Action

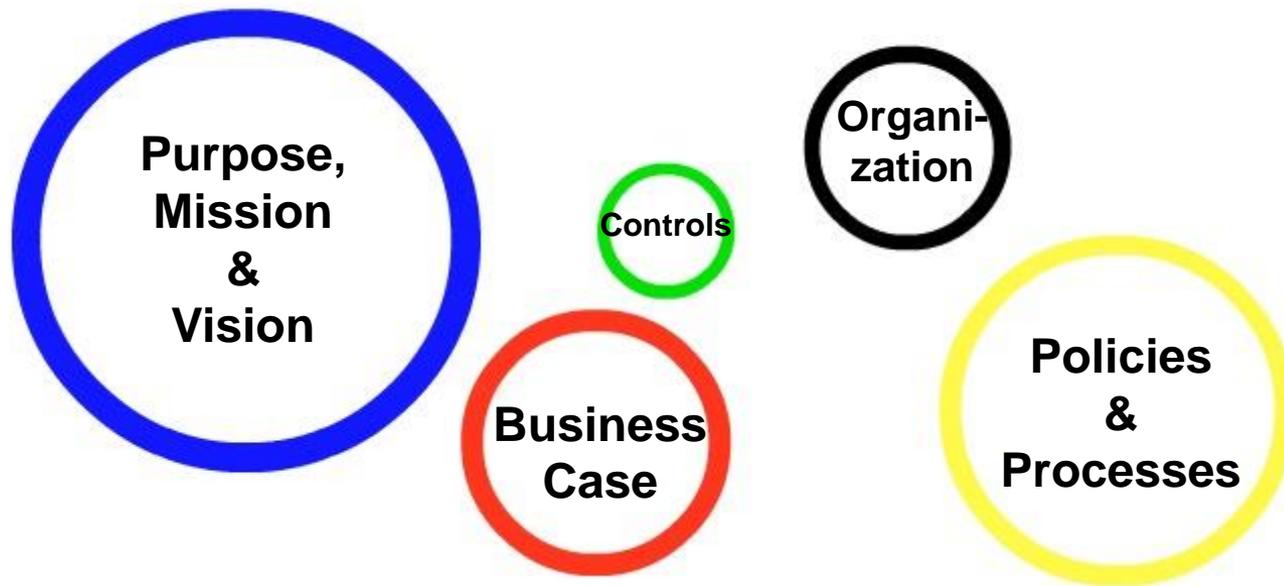
**Regulatory
Compliance &
Reporting**

**Knowledge & Skills
Management**

**Product Research
& Development**

**Operational
Manual Update**

1 Strategic Assessment



The Business Case

Direct financial gains

- interest income on green loans
- lower future environmental compliance costs

Reputational / Image benefits

- attract & retain clients
- attract & retain good employees
- better recognition in society & public in general

Work place benefits

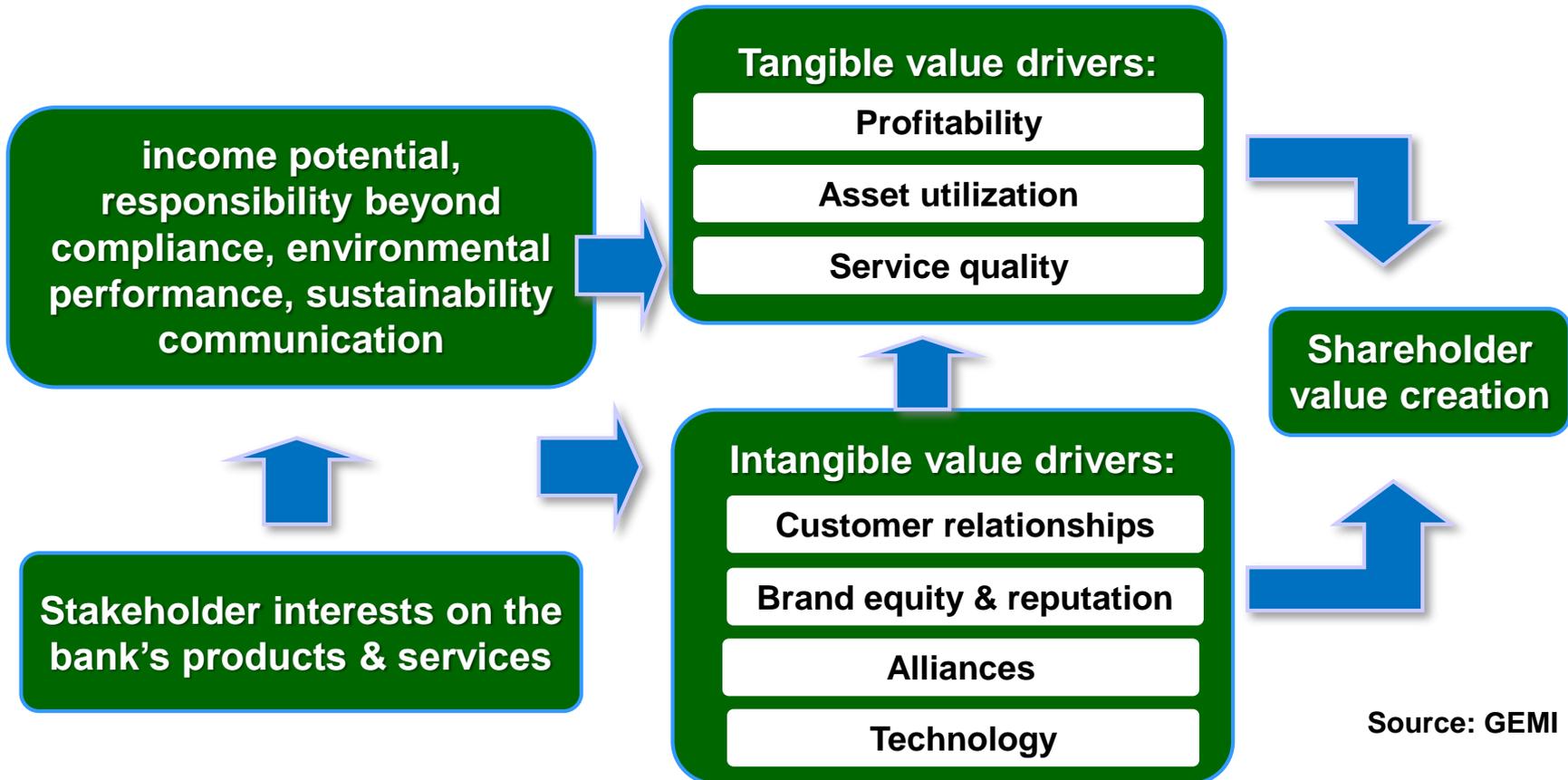
- proper facility management
- healthier working environment

Environmental / Ecological Gains

- clean environmental services & access to natural resources

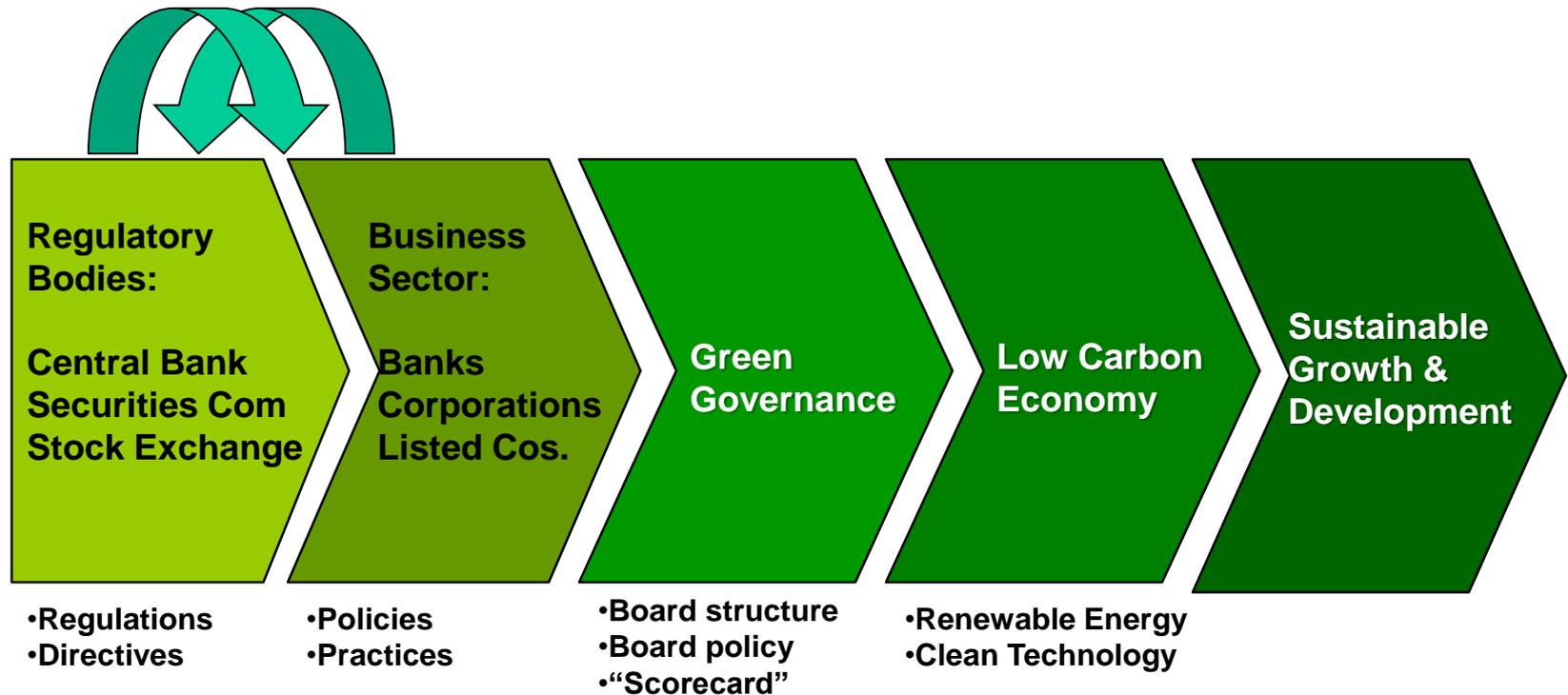
The Business Case

Being a value-driven company



Green Governance

Driving the initiative



Green Governance

<u>Corporate Governance</u>	<u>Green Governance</u>
1. Independent directors / fit & proper rule	1. At least one director knowledgeable on climate change/environmental issues
2. Board committees	2. A separate environment committee or as part of the risk management committee; an environmental management unit under the Board
3. Corporate governance code	3. Environmental governance code or policy approved by the Board; environmental risk management integrated in operational decisions
4. Reporting and disclosure	4. Issuance of an integrated annual and sustainability report or a standalone sustainability report

Green Bank – ECOFIN Model



4. Green Credit Cycle

The Green Credit Cycle



The Green Credit Cycle



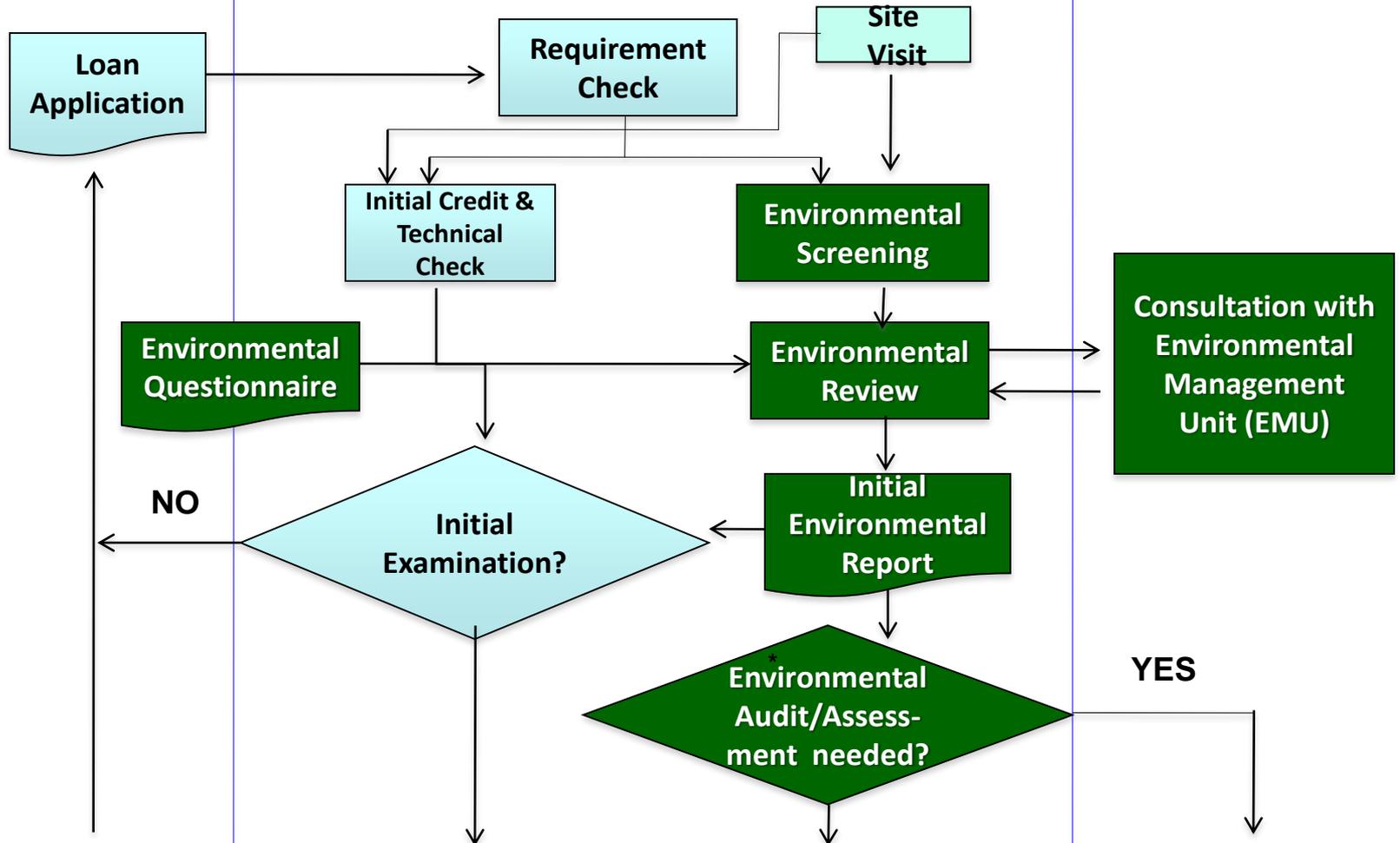
First Assessment



BORROWER

GREEN BANKER

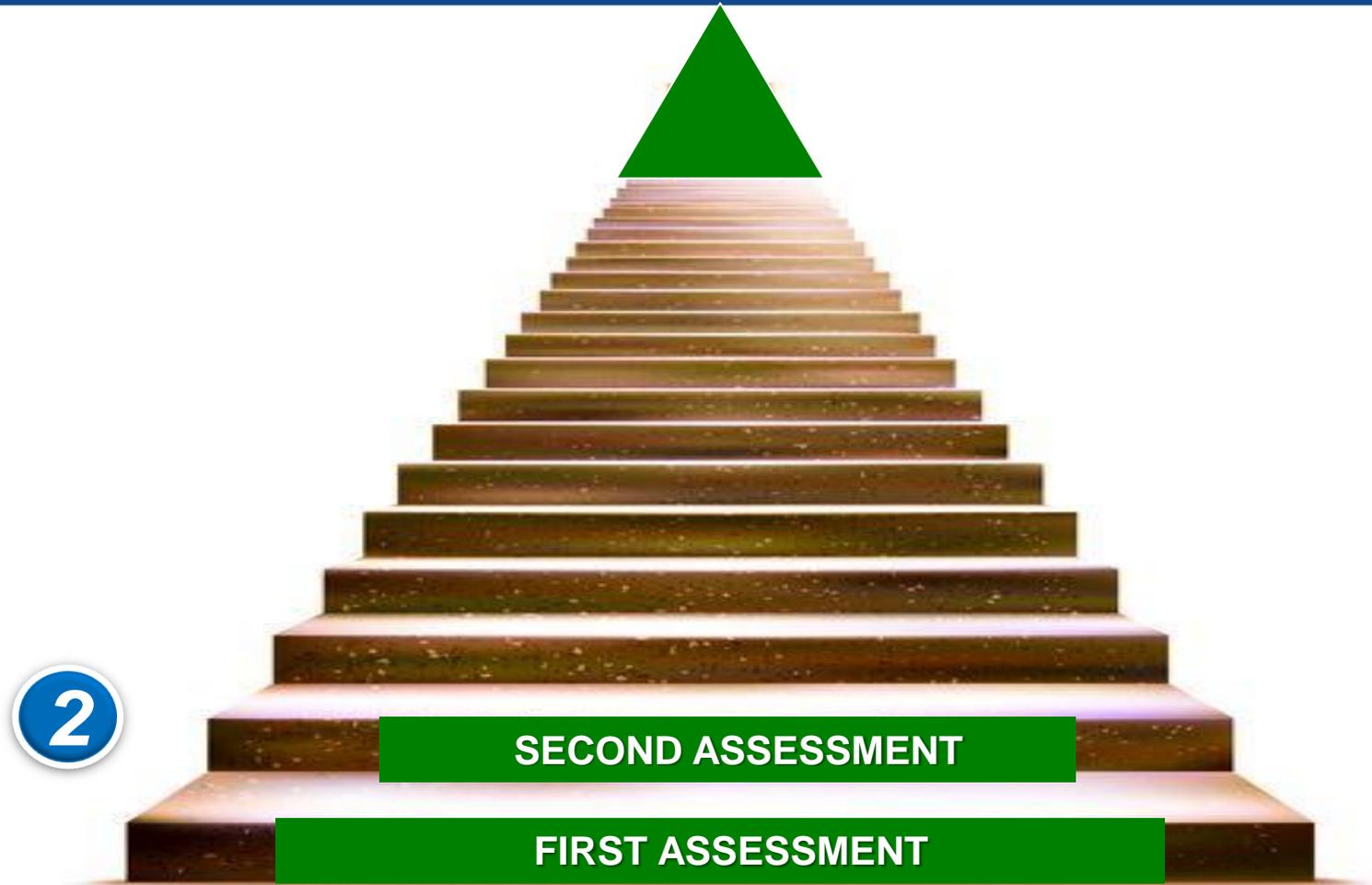
BANK



* Environmental Audit – for existing project; Environmental Assessment – for new project

- Regular credit cycle
- Green credit cycle

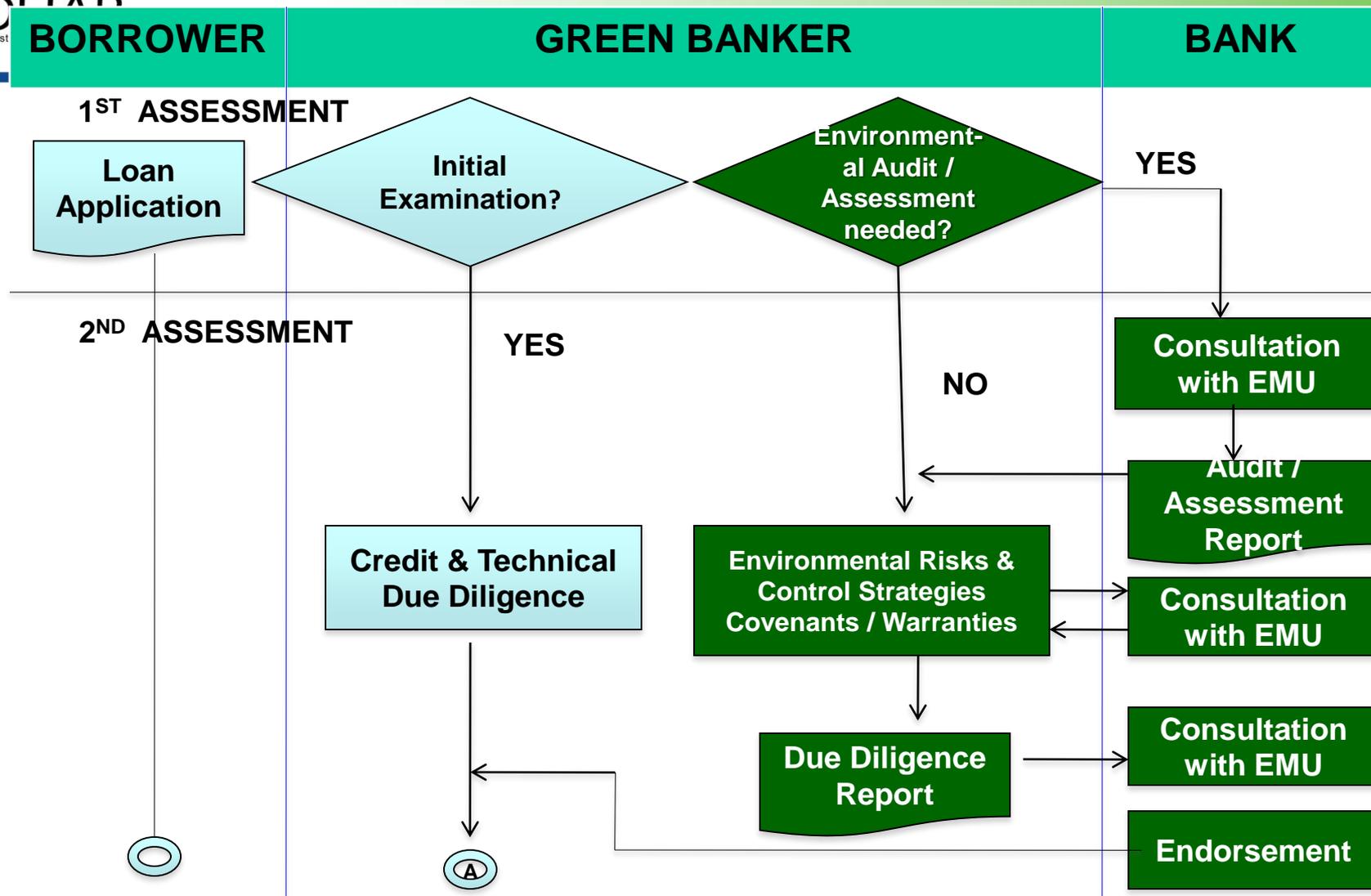
The Green Credit Cycle





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financing sust

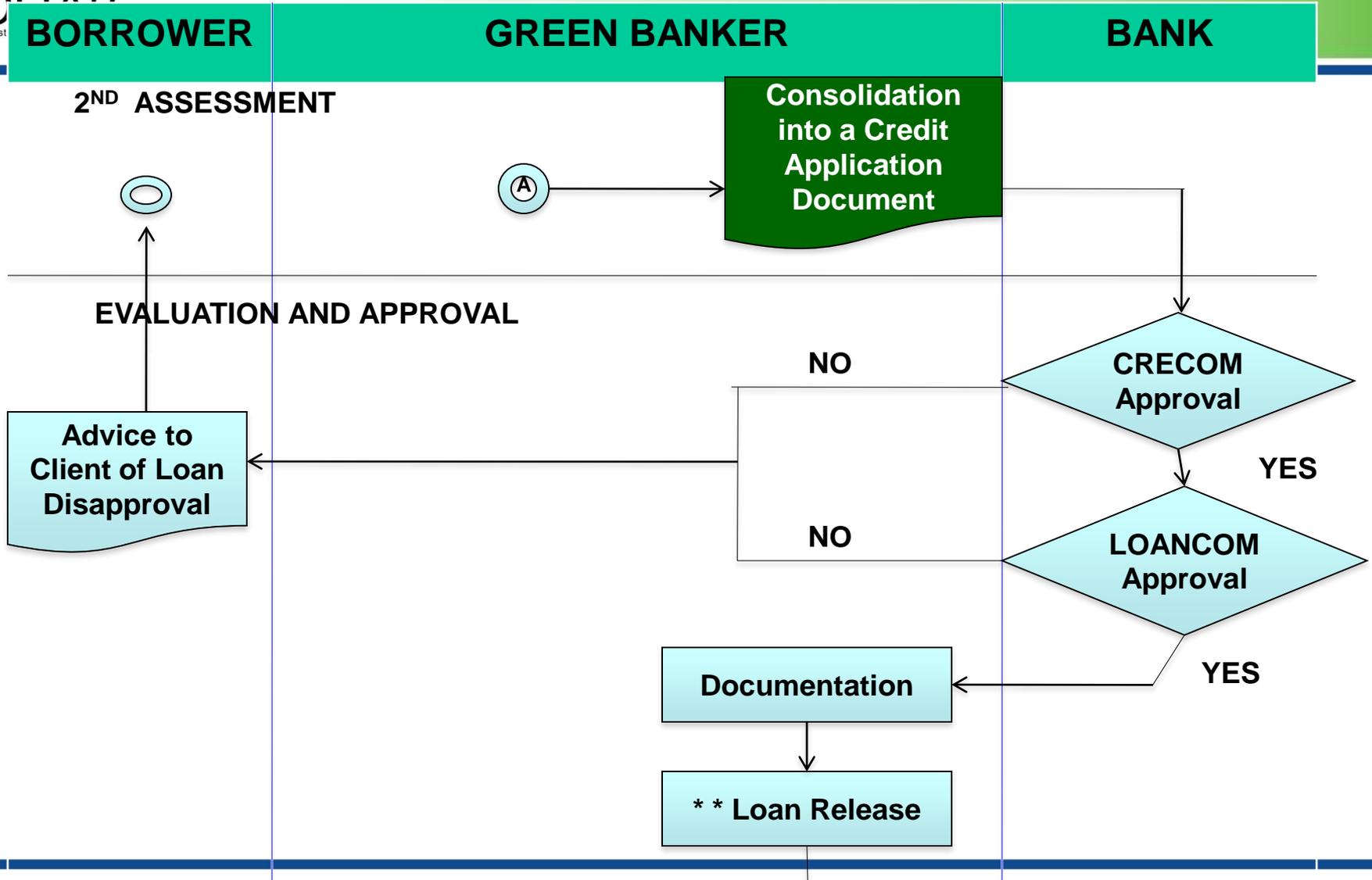
Second Assessment



The Green Credit Cycle



Evaluation & Loan Approval



** In cases where construction and operation phases have been started without loan approval yet, the expenses will be reimbursed depending on loan's pre-release conditions

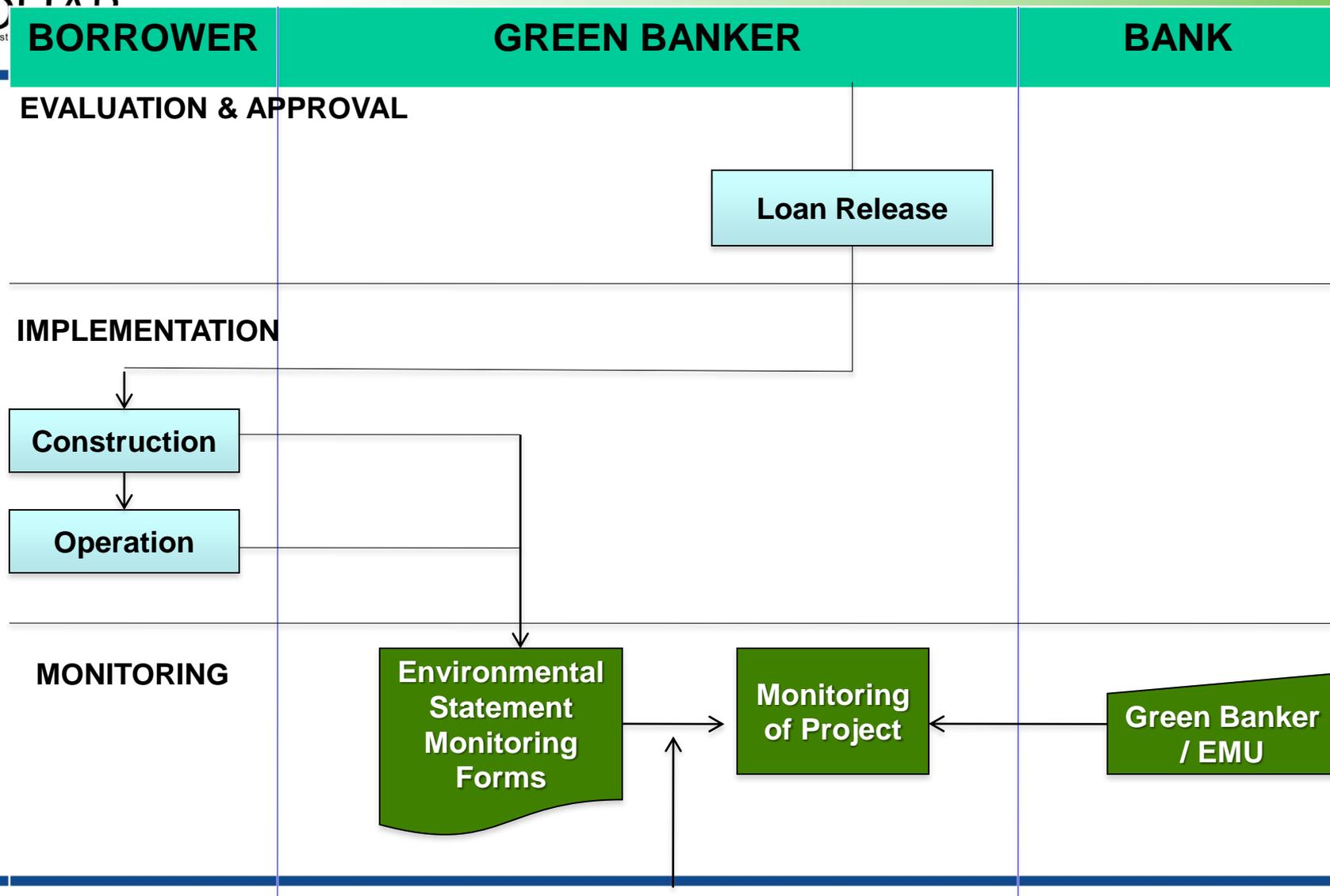
The Green Credit Cycle





ADEIAR
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Implementation & Monitoring



The Green Credit Cycle





ADELIA
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Environmental Management

BORROWER

IMPLEMENTATION

Environmental
Statement
Monitoring
Forms

Monitoring
of Project

Green Banker
/ EMU

ENVIRONMENTAL MANAGEMENT

YES

Satisfy
Environmental
Requirements?

NO

YES

Remediation

NO

NO

Continuous
Violation

YES

Technical
Default



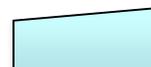
Document



Process



Decision



Input



Predefined Process

5. The Green Banker

The Green Banker...

- ✓ **includes environmental aspects in credit appraisal, risk management & financing**
- ✓ **identifies opportunities for green investment & finance with clients**
- ✓ **understands & designs green financial products & services**
- ✓ **stimulates demand for green products & services through creative advocacy & educational marketing campaigns**
- ✓ **provides a holistic approach to sustainable economic growth through the promotion & active mainstreaming of environmental finance in the banking sector**

The Green Banker's Goals

Maximize profit



Minimize carbon footprints

Minimize costs

Maintain a quality loan portfolio

Gain competitive advantage thru environmental due diligence

6. Green Finance Case Studies

- **DBP Forest:** Greening the countryside by planting high-yielding fruit trees, thereby reducing GHG emissions.
- **Climate Change & Carbon Financing Facility:** Registration of eligible projects with the Clean Development Mechanism (CDM) & loans to projects that avoid or reduce emissions of greenhouse gases.
- **Green Financing Program:** Long-term funds to local government units and industries to mobilize, encourage, and support activities and investments in environment-friendly projects.



DBP Climate Change & Carbon Financing Facility: A small farm with many trees and a small structure, likely a farm or plantation.



DBP Climate Change & Carbon Financing Facility: A large, open field with many trees, likely a plantation or farm.

- **Renewable Energy for Wisser & Accelerated Resources Development (REWARD):** promotes development & financing of renewable energy & biofuel projects in the country in line with the national energy program
- **Carbon Finance Support Facility (CFSF):** promotion of climate change mitigation projects through the implementation of Clean Development Mechanism (CDM)
- **Montreal Protocol-Ozone Depleting Substance (ODS) Phase-out Investment Project:** phase-out of ODS in large manufacturing companies & SMEs





The **PCFC Micro-Energy Credit Program** supports reforms & priority investments to improve the quality of life in rural areas through the provision of adequate, affordable and reliable energy services, specifically small-scale renewable energy solar home system/solar lanterns in partnership with viable microfinance institutions.

Funded by the World Bank & implemented under the Investment Support Component of the Department of Energy's Rural Power Project.

Financing for Companies That Supply and Utilise Green Technology



● **The Green Technology Financing Scheme (GTFS):** promotes investments in green technology, a sector that is envisaged to be one of Malaysia's emerging drivers of economic growth. For products, equipment, or systems which:

- ✓ minimizes degradation of the environment
- ✓ has zero or low green house gas (GHG) emission
- ✓ safe for use and promotes healthy and improved environment for all forms of life;
- ✓ conserves the use of energy and natural resources;
- ✓ promotes the use of renewable resources.

Biofuel Financing Scheme

Financing biofuel-related activities including processing of biofuel produced from agricultural products such as palm oil, rapeseeds, soybeans, linseed, jatropha, coconut oil and mustard seeds, or from waste cooking oils and other organic products.

Renewable Energy & Energy Efficiency Scheme

Supports government efforts in developing and enhancing the RE & EE projects that have an environmental benefits from the renewable-related projects.





Urumqi "Blue Sky" Coal Replacement

Total Loans: RMB 1.58 billion coal-to-gas conversion covering 189 coal-fired heating companies or 116 million sq. m. in coal source heating space.

Effect: Increase gas source heating areas to 76%; reduction in coal consumption by 5 million tons which would otherwise have released 35,000 tons of sulfur dioxide & 17,000 tons of dust emission; improve the city's air quality.



Total loans: RMB 2.6 billion photovoltaic power project

Effect: Achieved 200 MW of installed capacity and supported the green development in Tibet.



● Financing Scheme for Energy-saving projects in the MSME Sector

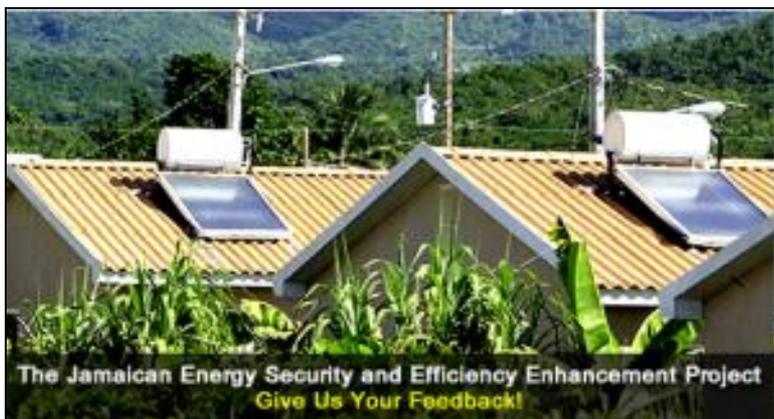
Encourages MSMEs to undertake energy-saving investments in production facilities to reduce energy consumption, enhance energy efficiency, reduce CO2 emissions, use alternative and renewable energy sources, etc.



Renewable Energy for Rural Economic Development (RERED) Project – To expand the commercial provision and utilization of renewable energy resources and improve the quality of life in rural areas in Sri Lanka.



- **Jamaica Energy Security and Efficiency Enhancement Project (JESEEP)** – in conjunction with public & private partners & supported by the World Bank, DBJ established an energy line of credit to on-lend through approved financial institutions to support the national energy policy (2009-2030) thus enabling Jamaican businesses and industries to access reliable energy and allow them to become competitive in the international market.



🌱 **Energy Efficiency Subsidy Program** – housing microfinance for energy conservation.

- ✓ helps households reduce their electricity bills while improving the quality & value of their homes.
- ✓ financial assistance from governments of Italy & Austria.



🌱 **Energy loan program (ELP)** – to provide affordable capital for renewable energy projects.

- ✓ in partnership with Palau Public Utilities Corporation
- ✓ part of the SEDREA project funded by UNDP/GEF
- ✓ involves installation of solar photovoltaic (PV) systems on both residential and commercial facilities



The **Sustainable Energy Financing (SEF)** is part of government's plan to convert electricity generation from fossil fuel to renewable sources & reduce fuel importation. Features:

SEF supports three key renewable energy systems:

1. Solar photovoltaic System
2. Pico-Hydro System &
3. Fuel switching system where coconut oil will be used as a diesel fuel alternative for generating electricity.



THANK YOU FOR YOUR ATTENTION!