Banks see profits in going green

BY MAX ESTAYO

BANKS are seeing profits in helping protect the environment by adopting a “green” attitude in lending.

Local bankers will find it easy to go green. Development Bank of the Philippines has been “green” for over a decade.

Bangko Sentral ng Pilipinas deputy governor Dima Guingan says banks are not “environmental regulators,” they can hold sway in protecting the earth.

As intermediaries of funds, they can promote environment stewardship,” Guingan said. The BSP will review existing regulations to see if there’s scope for incorporating environmental principles in lending policies.

The Association of Development Financing Institutions in Asia and the Pacific or AdiAP, recently launched the “Green Banking Initiative,” that will help banks incorporate environmental management standards into their lending operations.

The Manila-based AdiAP—the umbrella organization of 93 development financing institutions from 37 countries in Asia-Pacific region—launched this pro-environment project using a P22 million grant from the European Commission.

With the initiative taking off, borrowers with practices that are destructive to the environment will see the end to their credit lines.

At the heart of this campaign is the setting up of the environmental governance standards.

Training programs will help guide banks go through the whole process.

The “greening” of banking policies is considered a landmark event for the banking sector, which previously had never been in the business of environmental preservation.

Banks are a “non-polluting sector,” according to AdiAP. But the onset of climate change and its catastrophic consequences, banks should make protecting the environment their business.

“We are now being confronted with global climate change issues. Some banks that previously found nothing wrong with underwriting millions of dollars for certain sectors like mining and illegal logging have started paying attention,” said Amb. Jesus Tambunting, chair of the Environmental Bank of the Philippines.

Amb. Alistair Macdonald, head of the EU delegation to the Philippines, said banks in Asia have been “slow in examining their exposure to environmental risks.”

This is a “missed opportunity, both for the environment and business,” Macdonald said.

The EU, which has strict environmental standards, has spent about one billion euros or P65 billion in the last five years, he said, to support environmental cooperation programs.

The assistance has resulted in 16 banks across the region adopting environmental policies in their lending operations, Macdonald said.

Guinigundo said the Philippines can start with the proposed credit information bureau, where the borrowers’ environment practices may constitute part of their credit records.

The credit profile should provide banks that adhere to environment principles a sound basis for approving or disapproving loan applications, Guinigundo said.

Reynaldo David, president of DBP, said banks should go back to being the “sunshine boys.”

“We have to foster the greening entrepreneur. Renewable power, solar, biofuels—these are the growth industry of the 21st century,” he said.

Banks, David said, have a “great responsibility” because they fund projects that can “either destroy or protect the environment.”

In the case of DBP, he said firms that fail to meet environmental standards and regulations are immediately denied credit access.

DBP funds a variety of environment-related projects such as solid and hazardous wastes management, water and air pollution abatement and control including clean technology, water supply and sanitation projects including watershed management, and new, renewable and sustainable energy.

“We conduct environmental due diligence to evaluate the environmental impacts and benefits of potential and current projects. We also require our clients to conduct environmental impact assessment and ensure their compliance with environmental regulatory requirements,” David said.

Aside from financial risks, David said the state-owned bank also includes environmental risks in its loan evaluation procedures.

“For example, concerns about companies being closed by the DENR (Department of Environment and Natural Resources) or being forced to shut-down by communities because of environmental non-compliance are raised during the loan evaluation process,” David said.

Since the early 90s, when DBP banks started green banking, David said the bank has funded about P17 billion of environmental projects.

It has about P6.9 billion available for lending to projects of this type. He said, and the 140 billion or about 547 million more from the Japan Bank for International Cooperation is forthcoming.

David said DBP’s clients have reaped the benefit of shifting to cleaner technologies in terms of savings in resources such as fuel, water and raw materials.

In 2005, for example, he said nine clients realized savings amounting to 20 million cubic meters of water—roughly equivalent to the water requirement of about 41,250 Filipinos per year, he said.

In 2005, the bank also launched DBP Forest, a non-credit program that helps the government in forestation and soil and water conservation projects.

To date, the program has launched 25 forest projects nationwide, he said, covering 5,558 hectares of upland forest and 386 hectares of mangrove.

The bank is spending P11 million more for these projects, he said.

The bank has adopted an environmental policy statement and has implemented an environmental management system.

“In implementing this system, we have generated considerable savings of about P13 million from the conscious effort of conserving the use of water, electricity, and paper,” David said.

David said there’s no escaping banks from the reality. Going green is the future, he said. “Our rivers and our air have become so polluted—we have no choice but to go green. These should be the marquee programs going forward,” David said.