

FINANCING OBJECTIVES 2020, MOBILISING PRIVATE CAPITAL

A WORKING PAPER IN PROGRESS

Within the framework of the
“EU Objectives 2020 Initiative”
Action Plan

DRAFT 1

Presented by the Sustainable Banking and Public Policy Consortium:



Drafted By:

Robert Earhart, TBLI Consulting Group, SARL (France - USA)
Raymond van Ermen, European Partners for the Environment (Belgium)
Marion de Marcillac, Eurosif (France)
Louis Perroy (France)
Nick Silver, Cass Business School (UK)

FINANCING OBJECTIVES 2020, MOBILISING PRIVATE CAPITAL

WORKING PAPER (DRAFT I)

FORWARD

President of the Commission, Barroso, proposes a ‘transformational agenda’ for the European Union for the coming five years¹. This report concentrates on establishing greater awareness regarding the leverage of the banking sector in the effort to be part of this ‘transformational agenda’ to reach the 2020 Objectives.

The banking crisis and bank reliance on the State has offered a possible lever to accelerate the passage to a new economy and a new prosperity. According to the scenarios of multinationals such as Shell we have less than 5 years left to accomplish this shift². We have 5 years to change our economic model or we will be confronted with risks that endanger our current economic and social models as climate change destabilizes global systems. It is extremely important to build a multi-stakeholder process able to leverage the power of banks to address green growth and accelerate the shift towards a low carbon and resource efficient global economy ‘at wartime speed’. During these 5 years, the banks, with their extensive means, must be mobilized to contribute to the change process. This “working paper in progress” will explore a State-Market (Banks)-Civil Society Alliance to restore Trust in European Banks and secure their “Green New Deal Leadership”. We will discuss a “5 Years Emergency Deal” with Private Banks. We are engaged in a race against the clock. Banks will find significant opportunities should they choose to participate in this shift.

This report will address key banks core business issues as credit risk management, the Basel II prudential ratio, accounting, auditing and reporting rules and regulations, transparent lending, bank board governance, fiscal incentives, collecting financial resources, state guarantee, sustainable investment methodologies and reporting, micro-finance, integrated stakeholder strategy and restoring trust, business with governments and structural bonds, ETS allocation, and other related topics.

According to Daan Dijk of Rabobank: “We are having a fantastic time and creating many opportunities by focusing, not on incremental changes, but on a jump forward. For a bank to address the sustainability agenda means new banking products, new clients and fields of interest, such as carbon trading. Banks are an ‘enabling industry’ to be ‘turned for the better’ through creating real value for clients/members by solving real economic scarcities and contributing to the implementation of the Millennium Goals. The culture of investment banking, built on mergers and acquisitions, is not helping to make the transition to a new sustainable economy possible (through mechanisms such as the Millennium Goals, Green Economy, and a new urban/rural equilibrium). We need to embark on a new policy. Bankers should reconnect with the long term. We need long-term investors that are attached to their banks. New governance models with clients/members following a general assembly model at a local bank level and a bank parliament model at a regional/national level. These are powerful policy tools. The question should be ‘what have you created with your clients to achieve a better world?’ We need to redefine the ‘good life’. There is a need for a ‘mindset change’ from both the supply and demand side.”

FINANCING OBJECTIVES 2020, MOBILISING PRIVATE CAPITAL *WORKING PAPER (DRAFT I)*

All European banks, including private banks, cooperative banks, saving banks, investment banks, retail banks, asset managers, and pension funds have a significant role to play in financing the shift to a low carbon and resource-efficient economy through their lending and investment practices.

As stated in the FUNDETEC report: “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.” In addressing these strategic issues the FUNDETEC project came at a crucial moment in the evolution of environmental technology finance. If Europe wants to take the lead in climate change and eco-innovation, we need the EU to take the lead in ‘sustainable banking’.

Europe can become a global leader in a new low carbon and resource-efficient economy only if it takes the lead in new financing schemes to implement Objectives 2020 and support clean and efficient technologies. Efforts to reduce and mitigate the effects of climate change and to provide for greater EU energy security will require additional funding, especially from the private sector in forms of green banking and finance, as well as public-private partnerships.

Are we equipped to be leaders in green banking tackling climate change? Do we have the ability to make our cities more resilient to climate change, foster an energy revolution, preserve our biodiversity, and make Millennium Development Goal’s a reality? Sadly, at this stage, the answer to this question is negative. The ECOFIN, in its conclusions on efficiency of economic instruments to reach energy and climate change targets, stressed the importance of “Clear and credible long-term signals for investors and the need for overall policy frameworks to be designed to support and generate private-sector investment in energy infrastructure and safe and new clean technologies.”³ Furthermore, the FUNDETEC⁴ report demonstrates that EU Competitiveness on the financial market for clean technologies addressing climate change is relatively low in comparison to public policy aspirations. Dialogue and partnership between Member States ministries of finance, European Union institutions, public and private banks and other interested parties to secure improvement in – and an optimal combination of – mechanisms to mobilize the necessary investment and financial flows to address climate change and eco-innovation is urgently needed at EU, national and regional levels.

In order to contribute to a Global Sustainable New Deal, the investment community that is increasingly calling for change must join efforts with public authorities and environmental technology project developers. Public policy, private and public sector investment practices and technology-developer management skills must become more complementary. The complexity of the current situation in terms of technology, science, finance and public policy requires us to find new ways to

FINANCING OBJECTIVES 2020, MOBILISING PRIVATE CAPITAL WORKING PAPER (DRAFT I)

work together at European and regional levels. Solutions to the gaps and barriers for financing eco-innovation must target participants in each sector for there to be a significant improvement on the current situation.

An ambitious banking sector response should address the different types of Banks (public banks as EIB, EBRD saving banks, co-operative banks, international commercial banks, investment banks, retail banks) different types of constraints (listed or non-listed banks), as well as different types of responsibilities *focused on main challenges for acceleration of investments in support to the Objectives 2020*.

This document also focuses on some of the specific mechanisms and pathways that offer great promise in moving towards a low carbon and resource efficient economy in partnership with private financial institutions within the framework of the EU 2020 Objectives and the post-Lisbon strategy. The objective is to focus attention on the need for effective guidelines and provide a model of successful financial mechanisms that may be scalable across member states and regions.

Another consideration of this report involves the responsibilities of individual investors. Providing products and services that allow individuals to participate in a low-emission and resource-efficient economy is just one part of the challenge. The parallel challenge is to develop ways to encourage individual decisions that share in this effort on a massive scale.

Finally, the document concludes with a roadmap to a Ten-Point Action Plan. This offers a convenient checklist for the EU, Governments, Banks and Civil Society.

All interested parties are encouraged to comment this draft and contribute to discourse that it represents. This "working paper in progress" should be followed by multi-stakeholder roundtables in Member States **before** a final version of this draft report is officially presented during the EU Belgian Presidency, by second half 2010, to Ministers of Finance, Members of the European and National Parliaments, Commissioners, President of Central Banks, and Banks CEOs.

We thank the members of the High Level Expert Group, which will review this draft for their major contribution.

This working paper represents the outcomes of a multi-stakeholder development process. Further drafts will be developed and released based on stakeholder participation and feedback. Please contact Raymond van Ermen at European Partners for the Environment (raymond.vanermen@epe.be) you would like to comment on this draft or participate as a stakeholder.

FINANCING OBJECTIVES 2020, MOBILISING PRIVATE CAPITAL
WORKING PAPER (DRAFT I)

TABLE OF CONTENTS

PART ONE. FINANCING OBJECTIVES 2020. THE ROLE OF THE STATE IN PRIVATE-SECTOR BANKS.	6
1. OVERVIEW	6
2. MOVING FROM CSR TO SUSTAINABLE BANKING	8
3. RE-THINKING BANKING AND PUBLIC POLICY GOALS	8
4. MEMBER STATES AS BANK SHAREHOLDERS	11
5. BANKS STRUCTURAL REFORMS AND POLICY POWER	13
6. RECOMMENDATIONS.	14
PART TWO. FINANCING OBJECTIVES 2020 AND A GLOBAL GREEN NEW DEAL. MOBILISING PRIVATE CAPITAL.	16
1. OVERVIEW.	16
2. BANKING PROFILES AND MANDATES	19
3. MANDATES FOR SPECIALTY ESG BANKS	21
4. MOBILISING INSTITUTIONAL INVESTORS	22
5. MOBILISING INDIVIDUAL INVESTORS	23
6. RECOMMENDATIONS	25
PART THREE. CONCLUSION. A ROADMAP FOR A TEN-POINT ACTION PLAN.	30
APPENDICES	31
1. FINANCIAL SECTOR RESCUE PACKAGES	
2. GLOBAL ALLIANCE FOR BANKING ON VALUES	
3. FT/IFC SUSTAINABLE BANKING AWARD WINNERS	
4. STATE INTERVENTIONS ON SPECIFIC BANKS	
5. MAPPING OF SELECTED FINANCIAL INSTRUMENTS SUPPORTING A LOW CARBON, RESOURCE EFFICIENT ECONOMY	
6. TOP 10 EUROPEAN BANKS RANKED IN FORBES GLOBAL 2	
7. DIAGRAM: PROPOSED STRUCTURE FOR A TRIPARTITE EUROPEAN FORUM	
ENDNOTES	39

FINANCING OBJECTIVES 2020, MOBILISING PRIVATE CAPITAL
WORKING PAPER (DRAFT I)

PART ONE.
FINANCING OBJECTIVES 2020. THE ROLE OF THE STATE IN PRIVATE-SECTOR BANKS.

1. OVERVIEW

Governments in both North America and Europe have either directly invested or guaranteed over US\$4 trillion to bolster the banking and finance sector.⁷ The question remains what, exactly, do taxpayers and governments stand to gain from these significant investments in the financial sector while other pressing problems are mounting due to distraction and under-investment? How can these investments that have already been made by governments also address the pressing problems for the global economy, environment, and society at a time where we have to accelerate change towards a low carbon economy?

Part One focuses on the role of the State within private banks. (Banks concerned are listed in Annex III.) These Banks and the Governments concerned are well known, including:

- Hypo Alpe Adria (Austria)
- BNP-Paribas-Fortis (Belgium)
- Caisse d'Epargne-Banques Populaires (France)
- BNP-Paribas (France-Belgium)
- Societe Generale (France)
- Commerzbank (Germany)
- Hypo Real Estate (Germany)
- Anglo-Irish (Ireland)
- Irish Life & Permanent (Ireland)
- Bristol and Western Bank (Ireland)
- ABN Amro (Netherlands)
- RBS (Netherlands)
- Barclays (UK)
- HSBC (UK)
- Nationwide Building Society (UK)
- Volksbanken (Austria)
- KBC (Belgium)
- Credit Agricole (France)
- Royal Bank of Scotland (UK)
- Dexia France (Belgium)
- BayernLB (Germany)
- HSH Nordbank (Germany)
- AIB (Ireland)
- Irish Nationwide (Ireland)
- Bank of Ireland
- Fortis (Luxembourg)
- Fortis (Netherlands)
- Abbey (UK)
- HBOS (UK)
- Lloyds Banking Group PLC (UK)
- Standard Chartered (UK)

The current financial and banking crisis may ultimately be as much about trust and confidence in government and financial institutions as it is about the financial positions of banks and economic growth. The debate over accountability in the financial sector and the boundaries between government, shareholder, and management responsibility is just beginning, and it will continue in the absence of greater public policy coherence and an approach that better integrates with other pressing policy concerns.

Trust and confidence can only come from a comprehensive understanding of the current problems as well as a sound set of solutions. Ministries of Finance and banking sector approach of going back to 'business as usual' as fast as possible may not be in the interest of the shareholders, governments, citizens, the environment, nor of banks themselves, which must work immediately to restore ethics and trust. Systemic crises, such as the financial and economical crisis, climate change, and energy availability are not being tackled appropriately. Continued support for failed banks at the expense of

FINANCING OBJECTIVES 2020, MOBILISING PRIVATE CAPITAL
WORKING PAPER (DRAFT I)

people and the environment results in an asymmetry, which is ethically unsupportable and economically and environmentally unsustainable. We need to develop a new business model for banking.

The financial sector continues to fall behind other sectors in terms of managing environmental, social and governance (ESG) risks. According to a study from Ethical Investment Research Services (EIRIS) the banking sector has shown the least improvement over the last three years when compared to other sectors.⁸ According to Stephanie Maier, head of research at EIRIS, “There is a growing view among investment professionals that ESG issues can affect the performance of investment portfolios.”

Conflicting visions regarding governance within banks as well as the role of the State in banking and finance also persist. One vision considers the government as a passive actor, catalyzing an economic reaction with public policy while remaining uninvolved in the broader strategic and operational functioning of banks and financial institutions. A contrasting vision requires the owners of the bank, namely the State to play a more proactive role in setting the strategy, risk management and compensation objectives and incentives of the banks, as might be expected of the owners of public corporations. However, as governments have become key shareholders in banks through financial rescue packages, the role of government in the banking sector has yet to be clearly defined. The role and limits of public and private banks in national and regional economies remain to be adequately addressed.

Regardless of these different visions, globalisation has heightened the risk to the stability of national economic and financial systems, making risk management more difficult and complex. International capital flows increasingly dictate the cycles of economic production. These capital flows, and the complex financial engineering which accompanies them, are overwhelming the traditional government tools of monetary policy and the regulatory architecture.⁹ Accordingly, there is a risk that past mistakes resulting from poor governance and passive investment schemes are being repeated, and the consequences will intensify as policy focus and funding to address other pressing problems continue to be postponed and wanting adequate investment.

The banking crisis is not a stand-alone phenomenon, as various predicaments in other sectors of the public interest also have the potential to severely disrupt the economy. Energy, climate change, natural resources shortages, poverty and other social and environmental crises have significant potential to cause future negative shocks to the banking sector. Governments, as bank shareholders, independently from the question of how many years they will remain shareholders, have the opportunity to formulate a new approach to banks risk management and a new business model.

FINANCING OBJECTIVES 2020, MOBILISING PRIVATE CAPITAL

WORKING PAPER (DRAFT I)

2. MOVING FROM CSR TO SUSTAINABLE BANKING

Many banks and financial institutions have already adopted policies and practices that reflect Corporate Social Responsibility (CSR), while few others have gone further to fully incorporate Environmental, Social and Governance (ESG) principles into their regular operations. The distinction between adopting CSR and fully integrating ESG principles into regular bank operations and practices is considerable. This gap between degrees and commitment to ESG practices reveals opportunities for governments, as bank shareholders, key stakeholders and regulators, to move towards better governance and sustainability in banking operations.

Sustainable banks¹⁰ are, so far, resistant to the current financial shock and some, such as Triodos, have continued to grow in the past year.¹¹ According to Peter Blom, CEO of Triodos Bank, the three primary reasons for their resilience are their focus on the relationships with clients, maintaining close relationships with shareholders (most are not publicly traded), and the concentration on core banking services.¹² Sustainable banks have been able to avoid the worst impact of the crisis and maintain profitability derives from the focus on sustainable businesses that deliver explicit social, environmental and cultural benefits. Moreover, the operations of the most sustainable banks are devoted to areas providing real economic growth, by financing only those businesses and projects that provide services and products that people need. Given the success of sustainable banks in avoiding many of the impacts of the financial crisis, should banks with governments, as majority shareholders, become 'sustainable banks' in some form or other? How can EU Member States best manage this type of transition given the current economic realities?

3. RE-THINKING BANKING AND PUBLIC POLICY GOALS

Government, as shareholders of private banks, have so far failed to communicate a clear policy regarding their objectives with their interventions into banks and financial institutions, let alone their coherence with other Government duties and commitments (from managing the EU public deficit and the public debt criteria to accelerating the implementation of EU Objectives). This has undermined the prospects for much-needed systemic improvements to ensure the capacity of the banking sector to finance a new industrial and energy revolution and a 'Green New Deal'.

So far US\$4 trillion has been committed to the rescue of the global financial industry. In contrast, the estimated price tag to move to a sustainable economy is \$200 billion per year, \$2.1 trillion dollars in total over the next decade, \$4.2 trillion dollars in total over the next 20 years. The global financial system has not provided investment at the scale required; with only \$13.1 billion committed to these efforts so far.¹³

EU Member States currently have the ability to leverage their shareholdings, in coherence with existing policies and measures, to meet the EU Objectives 2020 related to climate change, emission reductions, energy efficiency and renewable energy. The ownership of banks provides a suitable

FINANCING OBJECTIVES 2020, MOBILISING PRIVATE CAPITAL *WORKING PAPER (DRAFT I)*

opportunity to leverage their role as owners to shift the banking system to a better position, enabling them to develop and implement a comprehensive strategy towards meeting these goals.

In 2007, the European Commission set the '20-20-20 Objectives' as precise, legally binding targets to guide climate and energy policy over through the next decade. These objectives target a 20% reduction in emissions, 20% of energy production to be from renewable energies, and 20% improvement in energy efficiency by 2020.¹⁴

The contribution of ECOFIN on the efficiency of economic instruments to reach energy and climate change targets to the Spring European Council 2008 stressed the importance of "clear and credible long-term signals for investors and the need for overall policy frameworks to be designed to support and generate private-sector investment in energy infrastructure and safe and new clean technologies."¹⁵ Europe can take the lead in the new low carbon economy only if it takes the lead in the financing of the scale up of existing technology and the development of new technology, both on an unprecedented scale. Yet, are the European Commission and Member State Governments currently equipped to be leaders in banking tackling climate change? The answer up to now has been negative, and will continue to be so without significant new policy developments and frameworks accompanied by their rapid subsequent implementation.

Should the Banking System Better Reflect Government Policy?

While economic and ideological arguments about the dangers of government interference in the banking sector have dominated the discourse about the role of State in banks, the current global economic crisis provides evidence that the current regulatory and policy framework has not worked, and has been self-defeating, leading to the massive and unprecedented intervention of governments in the sector. The rules on banks governance and their disproportionate effect on national and global economy are in the process of transforming. A key consideration is the opportunity within to enhance banking practices to better meet public policy objectives with regards to sustainability, climate change and energy security.

Should governments continue to take a 'hands off' approach or should they leverage public investment as an opportunity to better align finance with other pressing economic, social and environmental responsibilities? The current non-interventionist approach with regards to bailout oversight minimizes the potential bearing that these government interventions may have on a variety of policy issues, including economic, social, environmental and governance issues.

Likewise, the current strategy of most government interventions in banks continues the problem of passive shareholders, who did not exercise sufficient governance of banks, and has contributed to the failure and distress of many institutions. Do governments have a responsibility to enhance and reform bank governance as a part of their shareholder role? Some of the pitfalls of intervention that we need to avoid include:

FINANCING OBJECTIVES 2020, MOBILISING PRIVATE CAPITAL

WORKING PAPER (DRAFT I)

- A distortion in competition is created between banks where government has a stake and those without substantial government ownership, leading to negative economic outcomes. A level playing field must be maintained in the banking sector to ensure availability of capital for economic recovery.
- Public policy mandates, outside of the normal scope of banking activities, may increase the likelihood that banks will increase risky operations in the service of public policy mandates. Politicians have different objectives than bankers and it is best not to mix these objectives in the banking system.
- There is a moral hazard in continuing to bolster distressed banks at the expense of banks that were more responsible with their lending, investment and risk management practices. This may further encourage economically damaging lending and investment practices.

Nevertheless, the risks of inaction are also compelling:

- The business model of many banks has failed, as demonstrated by their insolvency. If left to the market, new banks would have emerged with different models. However, because of the government intervention, the required transformation will not happen without regulatory controls and temporary operational involvement by government. Business as usual will result in continued systemic deficiencies and unacceptable risk.
- Long-term financial and economic considerations will continue to be undermined by short-term gains. Managers could be better incentivised by linking remuneration to multi-year profitability, rather than short-term concerns. This is not possible with the current ownership and governance structures.
- The moral hazard of leaving the current banking system in place is politically unpalatable, as risk is effectively socialised whilst the banks remain “too big to fail”, whereas rewards are kept by management and future (private sector) shareholders. Without an effective active ownership provided by government, existing board members and management may continue to underperform while benefiting massively.
- Externalities, such as energy availability and prices, or agricultural and property damage from climate change, may threaten banking systems and economies in the future. These threats could be addressed in a coordinated and coherent fashion by a combination of sound public policy and good bank governance.

Despite some of the legitimate arguments against continued government interventions in the banking sector, there is little doubt that the banking and finance system that resulted in the current crisis will not be able to withstand future shocks, both from internal shortcomings and inefficiencies or from external sources. On the other hand, banks also play a key role in the financing of clean energy and the retrofitting of infrastructure and industrial facilities to be energy efficient, generating the jobs

FINANCING OBJECTIVES 2020, MOBILISING PRIVATE CAPITAL *WORKING PAPER (DRAFT I)*

necessary to counter rapidly rising unemployment, in order to drive the economic growth needed for global financial recovery.

State participation in banking ownership and governance presents one of the few opportunities to address some of the systemic and governance problems in a protracted and comprehensive manner. However, this window of opportunity for meaningful change is momentary and a proper multi-stakeholder dialogue on this issue must take place soon.

4. MEMBER STATES AS BANK SHAREHOLDERS

The multiple and interrelated predicaments facing governments, in addition to the banking and finance crisis, has created a complex situation. Given these overlapping policy priorities, should banks where government is a significant shareholder replicate other government policy priorities in their lending and risk management operations?

What is the Role for Governments as a Shareholder in Banks?

In light of the complex and grave difficulties facing many national economies and the global economy, the role of governments as a shareholder in banks needs further consideration. In regards to risk and engagement, States have a much larger role to play as bank shareholders than currently exercised.

The assumption of the extensive financial risks and liabilities compelled the government to take full or partial ownership of distressed banks and financial institutions. However, systemic financial risks, such as those presented by toxic assets and shaky financial positions, are not the only threats to the financial system and the economy. Environmental risks, such as those presented from climate change, waste management, and natural resource availability also have the potential to broadside business, industry and financial markets. A significant increase in the price of fossil fuels, for example, could quickly erase any gains made in the process of economic recovery. As shareholders, Governments have the ability and the responsibility to ensure that these risks are adequately addressed.

Shareholder engagement is another area where governments have a substantial role to perform. As has been the situation for quite some time, depending on the country in question, many shareholders have been somewhat indifferent to general assemblies and have either failed to vote or have given unconditional proxies to the management.¹⁶ However, this is starting to change. In April 2009, Shareholders voted 9-to-1 against RBS's 2008 remuneration package, which included Sir Fred Goodwin's annual pension. The UK Government, as a shareholder, was instrumental in this vote. This vote actually marked the first time such a package has been rejected at a publicly listed U.K. bank. More recently, shareholders of Royal Dutch Shell voted down the director remuneration package. Private and institutional shareholders, were mostly behind this move. According to the Financial Times, "Proxy voting agencies say turnouts at meetings have risen across Europe as shareholders seek to deflect accusations from regulators and politicians that they were soft on boards and the

FINANCING OBJECTIVES 2020, MOBILISING PRIVATE CAPITAL *WORKING PAPER (DRAFT I)*

reward cultures now blamed for contributing to the banking crisis.”¹⁷ In fact, remuneration has become an increasingly important issue in corporate governance in general, and for the banking industry in particular. The United States has already moved to ban bonuses to executives and staff at banks that have received government funds. While much of this interest may be due to moral hazard concerns, a systemic change in the way remuneration of bank managers are determined and how their performance is evaluated has a significant impact of how banks and financial institutions are run, and how lending and risk management decisions are made. Moreover, shareholder resolutions on environmental and social lending policies also offer governments the opportunity to exercise prudent governance to mitigate these external risks and better align financial practices to public policy.

The degree to which governments actively engage as shareholders in banks remains to be seen. There are already signs that that government ownership in many banks will be short-lived. However, this underscores the need for greater policy coherence according to clear objectives and guidelines at both the Member State and European Commission levels.

Mechanisms Open to Governments as Banks Shareholders

Several mechanisms are already available to States as shareholders in financial institutions, such as shareholder resolutions, as previously mentioned, or the appointment of board members. Other mechanisms include regulatory incentives and subsidies.

One of the most powerful mechanisms currently open to government shareholders of banks is the ability to appoint members to the Board of Directors. Should States have independent board members reflecting societal concerns in banks where their shareholdings make it possible? A bank's Board of Directors oversees the operations of the bank to ensure the best interests of the shareholders, including issues such as compensation, disclosure of financial condition to investors, lending policies, growth strategies, etc. Governments, as majority shareholders in financial institutions, have the obligation to ensure bank accountability to shareholders' best interests. While private shareholders may have a more limited set of interests, it is certainly within the interest of governments to ensure that overall State interests along a broader set of metrics are also represented in the bank's lending and investment policies.

Mandate of Government Board Members.

What should the terms of reference be for the mandate of Board members representing States and the mandate of independent Board members representing societal concerns? How can States as bank shareholders best address the need to transform the economy towards a low carbon, energy and resource efficient economy? A checklist of key ESG commitments and actions that can be initiated and monitored by Board Members provides a starting point. Such a checklist for Board Members should include:

- Nomination of a SRI Advisory Committee.

FINANCING OBJECTIVES 2020, MOBILISING PRIVATE CAPITAL

WORKING PAPER (DRAFT I)

- Setting wider goals for banks beyond maximising shareholder value.
- Developing innovative reward packages emphasizing long-term value and sustainability.
- Adoption of the GRI Reporting Guidelines.
- Adoption of the Equator Principles.
- Refusing to lend to perceived 'unsustainable projects' such as coal-fired power stations.
- Changing lending practices to provide a better access to financing for environmental and clean technologies, renewable energy, emission reductions, and green buildings.
- Open up environmental technology desks in regional loan offices and within investment groups.
- Provide public policy engagement through strategy input and participation in partnerships with governments to finance large-scale environmental and social policy goals.
- Bank carbon footprint analysis and bank carbon footprint investment assessment tools.
- Act as intermediaries for SME access to EIB Loans and other public financing programs.

National Coordination of the Government and Banks

We need a new industrial revolution and to 're-industrialise' Europe to reduce risks related to climate change and achieve a low-emissions and sustainable global economy. This effort must strive to improve Europe's energy security and develop new technologies that rely less on scarce raw materials. To remain global leaders in eco-efficient technologies, Europe will need to 're-industrialise', both in its energy and non-energy sectors, to reshape cities and transport systems, to make buildings energy efficient, and to adapt agriculture. All of these sectors and industries have limits as to how quickly they can develop and deploy, therefore access to capital and to skilled staff will be critical. As a result, it is essential to embed these elements into the post-Lisbon strategy, which designs the structural reforms at Member States level in order to achieve global competitiveness, employment and sustainable growth. Each EU Member State should set up by 2011 a 'Europe 2020-2050 Platform' involving the Government, Private and Public Banks with the participation of and reports by the Banks Board Members representing Governments in Private Banks (see above), as well as all other private banks willing to join and benchmark on a voluntary basis. Benchmarks should include private and public banks contributions in support to "the new industrial revolution", a review of available financial tools and barriers to finance, leverage of public and private finance in support to Cities (as Cities members of the Covenant of Mayors), SME's, and citizens contributing to the Global Green New Deal called upon by the UN Secretary General.

5. BANKS STRUCTURAL REFORMS AND POLICY POWER

Policy mechanisms are another lever that governments may use to influence the ESG aspects of banking practices. Government laws and policies are instrumental in commercializing environmental technologies, particularly with regard to renewable energy. A majority of investors and environmental technology developers do not believe that, in the end, market forces are enough to catalyze a large-scale shift in the financing of environmental technologies.¹⁸ While many banks have voluntarily

FINANCING OBJECTIVES 2020, MOBILISING PRIVATE CAPITAL *WORKING PAPER (DRAFT I)*

signed on to the Equator Principles to better assess the social and environmental risks in large project financing, it is important to recognise that the role of banks is potentially far wider than a limited level of environmental responsibility. The financing of environmental and social solutions requires proactive lending and investment policies. Possible measures to better leverage policy mechanisms to align banking and public priorities may include:

- Establishment of green savings accounts and lending programs (currently in place in France and the Netherlands).
- Requirements for banks to report on the social and environmental impacts of their lending and investment practices.
- Referencing of appropriate social and environmental standards in bank authorisation, lending procedures, and statutory guidance.

Incentive and subsidy mechanisms offer another lever of better aligning public policy objectives and banking practices:

- Government-backed securitisation of green commercial and residential mortgages and development loans.
- Develop innovative residential energy efficiency retrofit packages.
- Financing bank activities for public-private partnerships and multi-sector partnerships for environmental technologies and green development, as well as greater incentives for private banks to act as intermediaries for public institutions and programs.
- Demand-side incentives to boost consumption of sustainable products and services, such as tax credits and subsidies for residential improvements, trade-ins for high mileage vehicles, and green public procurement policies.
- Incentives and subsidies with a longer timeline than they are presently allowed, providing greater stability over a longer period of time.¹⁹

European Commission: Policy Frameworks and the New Agenda

So far, in response to the banking and trust crisis, the European Commission has presented several new legislative proposals.²⁰ However, none of these proposals address the new risks and possible leverages to secure EU and Member States policy coherence. Many EU Member States Governments, as well as the US Administration, have contributed capital and asset guarantees for the banking and finance sector. With the sole exception of Ireland, these capitalization and asset rescue programs have excluded any conditionality for sustainable development, climate, or related public policy goals.

6. RECOMMENDATIONS (MECHANISMS AND FRAMEWORKS)

In light of the considerations outlined in this paper, the Sustainable Banking consortium has developed the following recommendations as a starting point for a broader dialogue to take place in

FINANCING OBJECTIVES 2020, MOBILISING PRIVATE CAPITAL *WORKING PAPER (DRAFT I)*

2009-2010 towards a comprehensive strategy to better protect taxpayers (ESG risk assessment) and leverage the financial industry rescue measures to meet EU 2020 policy objectives:

1. **New Business Model and ESG Check List:** Private financial institutions entirely or partially owned by States should align their business model with best environmental, social and governance (ESG) practices and their lending, sustainable responsible investment (SRI) and other operations with key social and public policies to better catalyze the new energy revolution and solutions to climate change through direct lending and their private banking intermediaries.
2. **Accountability:** Board members representing States should report annually to the Government and then National Parliament on progress made in ESG risk management and performance.
3. **Comprehensive Coordination at Member State Level** between governments, their appointed board members in private and public banks, and other interested banks in order to accelerate the implementation of the objectives of the EU 2020 targets.
4. **Sustainable Banking EU Guidelines** to be adopted within the framework of the post-Lisbon strategy 2010-2020. These guidelines should detail how banks and banking practices can promote economic growth and jobs in a manner that is fully consistent with the objective of sustainable development as outlined in the strategy. These guidelines should also include specific provisions for European institutions, Member States and regions in terms of financial mechanisms and risk management considerations.

Related Appendices

- I. Financial Sector Rescue Packages, Europe and America
- II. Joint Statement, Global Alliance for Banking on Values
- III. FT/IFC Sustainable Banking Award Winners
- IV. Details of State of Interventions on Banks

FINANCING OBJECTIVES 2020, MOBILISING PRIVATE CAPITAL
WORKING PAPER (DRAFT I)

PART TWO.

FINANCING OBJECTIVES 2020 AND A GLOBAL GREEN NEW DEAL: MOBILISING PRIVATE CAPITAL.

1. OVERVIEW

UNEP Secretary General has called for a large-scale and coherent policy for a 'Global Green New Deal'.²¹ More recently, the Greens/European Free Alliance in the European Parliament recently published a study in partnership with the Wuppertal Institute, outlining a Green New Deal for Europe.²² However, the primary barrier continues to be the financing for the current EC agenda, let alone a large-scale coherent plan that an ambitious 'Global Green New Deal' program would require. The European Conference 2010 will address how to mobilize private capital in support to such 'Global Green New Deal'.

According to the International Energy Agency (IEA), additional global investments of \$10.5 trillion (€7 trillion) will be needed in low-carbon energy technologies and energy efficiency by 2030 to try and limit the global temperature rise to two degrees centigrade. In its World Energy Outlook 2009 report, the IEA warns that without this extra investment, current energy trends will trigger an average global temperature rise of 6 degrees, resulting in "massive climatic change". Improvements in end-use energy efficiency should account for more than half of the necessary emissions savings by 2030. By the same date, low-carbon energy technologies such as renewable energies, nuclear and carbon capture and storage (CCS) will need to cover 60% of global electricity production. The IEA contends that around €3 trillion of the extra €7 trillion investment needed between now and 2030 should be spent on reducing CO2 emissions for the transport sector. An additional €1.7 trillion should be spent on the buildings sector, €1.1 trillion on new power plants, €750bn in industry and €250bn on biofuel production.²³

Much of the extra investment needed will be offset by economic and health benefits, the IEA stresses. Global energy bills for transport, buildings and industry will be reduced by up to €5.7 trillion by 2030, for example.

In 2007, the European Commission (EC) set the '20-20-20 Objectives' as precise, legally binding targets to guide climate and energy policy over through the next decade. These objectives target a 20% reduction in emissions, 20% of energy production to be from renewable energies, and 20% improvement in energy efficiency by 2020.²⁴

The EC proposed the Strategic Energy Technology (SET) Plan in November 2007 with the goal of stimulating energy research and development within the EU to support the 2020 Objectives. Moreover, the original aim of the SET plan was to prevent Europe from falling further behind the US and other major economies in the rapidly expanding global market for low-carbon technologies, particularly as EU research budgets decline and the financing for business ventures remains weak.²⁵

FINANCING OBJECTIVES 2020, MOBILISING PRIVATE CAPITAL *WORKING PAPER (DRAFT I)*

The SET Plan includes a mix of EU energy research policies in renewable energy technologies, such as clean coal, smart grids and nuclear energy, in order to encourage more cooperation and increase the availability of resources.

The EU executive calls for the energy research budget to be increased to €50 billion over the next ten years. This would require yearly flows from both the public and private sectors to jump from their current €3bn to €8bn, it calculated.

The Communication on Financing the Development of Low-Carbon Technologies sets out how this money should be divided between key low-carbon technologies that can move Europe from 80% dependence on fossil fuels to 80% emissions cuts by 2050. The plan earmarks €6bn for research into wind energy, which the Commission believes could produce a fifth of the EU's electricity by 2020. The money would help to fund developments offshore, where winds are stronger, by investing in next-generation turbines and new structures.

Solar energy would get €16bn for developing new photovoltaic concepts and large industrial concentrating solar power (CSP) installations to contribute 15% of EU electricity in ten years' time. Bioenergy research would also get €9bn so that it could provide 14% of EU energy while respecting sustainability criteria.

In order to integrate renewables and implement the internal energy market, electricity grids would get €2 billion so that half of the networks can operate along a "smart grid" principle.

Apart from renewables, carbon capture and storage (CCS) is set to receive €13bn for up to 12 demonstration projects. Nuclear research would also get €7bn for putting the fourth generation into operation.

The financing proposal also foresees €11bn for a 'Smart Cities' programme, in order to counter criticism that the SET-Plan disregards energy efficiency. Between 25 and 30 cities are to be upgraded with low-carbon houses and transport so that they emit 40% less greenhouse gas emissions in 2020 than they did in 1990.

In addition, the Commission is calling for more money for future breakthrough technologies, such as motors fuelled directly by sunlight or batteries which store power at ten times their current density.

Public partnering with private money

The Commission believes that public-private partnerships are the most credible way to go about funding energy research. However, it did not spell out how the financial burden should be shared between the two²⁶.

FINANCING OBJECTIVES 2020, MOBILISING PRIVATE CAPITAL *WORKING PAPER (DRAFT I)*

The Commission has also put forward a Communication on lead markets, featuring six priority areas including sustainable construction and renewable energy.²⁷ Combined with the SET Plan and the Climate-Energy legislative package, which was formally approved in April of 2009, the Commission is must work to develop more coherent policy priorities to move towards a resource and energy efficient economy.

The EC's objectives to reduce carbon-dioxide emissions and transform the energy system are set to influence the EU's industrial and economic development in the coming decades, but the current credit crisis presents some formidable barriers. EU funds have become more limited and member states have contributed significant amounts of tax revenue as part of a multi-billion euro EU-wide economic bailout package.³⁰ In the forthcoming energy technology financing Communication, market-based mechanisms that better compliment the role of public financing are likely to play a central role.

An initial mapping of financial instruments within the EU shows some of the more innovative financial products and public/private partnerships that may play a key role in financing the goals of the 2020 Objectives and a Green New Deal in Europe. (See Annex 1)

Opportunities for Banks

A bank that address the 2020 Objectives and post-Lisbon agenda has the opportunity to develop new banking products, new clients, new fields-of-interest (such as carbon trading, resource efficiency leverage, and environmental technology finance). Moreover, many of the financing gaps for low-emission and resource-efficient technologies have been well documented in the FUNDETEC report and by UNEP. Policies at the EU and member state levels are required to ensure the development of financial instruments to overcome these financing gaps and barriers.

Institutional investors in the European Union, such as investment banks, asset managers and pension funds have a significant presence in other regions throughout the world. According to the 2009 Forbes Global 2000 Rankings, the 10 largest global European banks account for seventeen trillion dollars in assets under management with operations in 187 countries and territories.³¹

Rank by Assets	Company	Country	Assets (\$bil)
1	HSBC Holdings	UK	2,520.45
2	Banco Santander	Spain	1,318.86
3	BNP Paribas	France	2,888.73
4	Crédit Agricole	France	2,064.17
5	Intesa Sanpaolo	Italy	835.15
6	BBVA-Banco Bilbao Vizcaya	Spain	747.99
7	UniCredit Group	Italy	1,482.98
8	Société Générale Group	France	1,572.73
9	Barclays	UK	2,947.84
10	Nordea Bank	Sweden	659.72
	Total assets under management		17,038.62

FINANCING OBJECTIVES 2020, MOBILISING PRIVATE CAPITAL

WORKING PAPER (DRAFT I)

All of these banks at the top of the Forbes ranking have taken steps, to various degrees, to implement ESG investment and lending criteria, but none have taken steps to implement these approaches across all divisions and geographies except on the most basic CSR-oriented criteria. Rather, there has been no fundamental change in the approach to sustainability and ESG issues because of global economic instability³²

A final consideration is the growing role of institutional investors and pension funds that have started to implement ESG programs across their asset management portfolios. Large pension funds, such as APG and CalPERS, have started to engage with companies, including banks, to improve ESG performance along

Any consideration of European public policy and private financing of Europe in the World must also take into account the role of private European Banks outside of Europe. Many of the challenges in financing the energy revolution are global in nature. The strong presence of European banks in other regions throughout the world as well as the role of multinational banks in Europe requires an outward-looking strategy and the appropriate frameworks to support it. Hence, in addition to the internal strategies currently under consideration by the Commission, external mechanisms are also coming into play, such as the UNEP-FI Responsible Investments Principles and the UNEP-FI ESG Guidelines, UN Green Economy Initiative (report to be issued by 2010) and the OECD Environmental Finance Programme.

2. BANKING PROFILES AND MANDATES

In order to best determine how private banks may be included in the 2020 strategies and frameworks, it is important to recognise that banks have different profiles and mandates. Who are their shareholders? What are the specific structures in terms of governance? Which specific role could they play?

- **Cooperative Banks:** are comprised of members rather than shareholders. Persons or organisations that belong to the same local or professional community, industry, or who share a common interest often form cooperative banks.³⁴ As financial institutions belonging to their members, who are at the same time the owners and the customers of their bank, management tends to take a longer-term outlook in terms of lending and investment. As a result, cooperative banks could play a significant role in the financing environmental technologies that are industry-specific and finance ventures located in their regional area of interest.
- **Savings and Commercial Banks:** financial institutions with a primary purpose of accepting savings deposits and offering retail-banking services to individuals and businesses. Generally, European savings banks have kept their focus on retail banking, including payments, savings products, credits and insurances for individuals or SMEs. Savings banks tend to be different from

FINANCING OBJECTIVES 2020, MOBILISING PRIVATE CAPITAL *WORKING PAPER (DRAFT I)*

commercial banks by maintaining a decentralised distribution network, providing local and regional outreach. With a focus on core banking services, savings and commercial banks are in a good position to focus their resources on sustainable and economically productive service activities and deploy debt financing on a large scale.

- **Investment Banks:** financial institutions that raise capital, manage corporate mergers and acquisitions, and trade in securities. Investment banks offer services to companies and governments by raising money through issuing and selling securities in capital markets (equity and debt instruments) and insuring bonds (such as credit default swaps), as well as providing advice on transactions. With more asset classes, such as private equity and securitised debt, and expertise in a wider variety of financial instruments, investment banks are in a unique position to bring emerging environmental technologies to market. Their global orientation and presence in multiple regions results in a significant impact with a change in practices and investment policies. Investment banks also have the best strategic orientation to respond to shifts in macro-level public policy and regulation.
- **Credit Unions:** a cooperative financial institution that is owned and controlled by its members, and operated for the purpose of promoting thrift, providing credit at reasonable rates, and providing retail banking services to its members. Many credit unions exist to further community development or sustainable development on a local level. In this sense, many credit unions have the capability to rapidly deploy large-scale green financing programs on a local and targeted level in a retail setting.

The recent credit crisis serves as a powerful reminder that many banks have overlapping profiles and governance structures, and complex geographic and investment product mixes. At the same time banks are in the unique position to help and encourage client businesses and ventures to create sustainable value by:

- Encouraging business practices that reduce waste, lower energy usage, and increase resource efficiency while maintaining or enhancing productivity
- Using their management experience to develop products and services that mitigate long-term climate change liabilities.
- Refusing to invest in or loan money to ventures and projects that will result in negative environmental and social outcomes or by engaging with these companies to improve their practices.
- Exercising their significant influence in matters of human resources and company culture to support change in existing businesses and set the tone for new ventures.

All of these combined aspects expose risks and hidden liabilities to produce a better investment value in the long term.

FINANCING OBJECTIVES 2020, MOBILISING PRIVATE CAPITAL *WORKING PAPER (DRAFT I)*

Indeed, success in financing a low carbon, resource efficient economy with new sources of clean energy, requires that we embark towards a new banking policy that focuses on long-term value creation. A group of 28 large institutional investors, including Warren Buffet and John Bogle released a paper on 9 September titled “Overcoming Short-termism: A Call for a More Responsible Approach to Investment and Business Management”.³⁵ The group asserts, “We believe a healthy society requires healthy and responsible companies that effectively pursue long-term goals. Yet in recent years, boards, managers, shareholders with varying agendas, and regulators, all, to one degree or another, have allowed short-term considerations to overwhelm the desirable long-term growth and sustainable profit objectives of the corporation.” However, such a move requires the engagement of dependable investors that are attached to their banks. In this sense, new models of bank governance may include clients/members forming a general assembly at local bank level and a Bank Parliament at the national or regional level, a feature common to several cooperative banks as in France and the Netherlands.³⁶

3. MANDATES FOR SPECIALTY ESG BANKS

In relation with the EU Objectives 2020, what would be the specific mandate of specialty banks, such as green banks, sustainable banks, and ethical banks, whose core mission is already aligned with these goals?

A solid set of principles as to what constitutes Sustainable Banking must be developed. Such principles need to be considered along multiple time lines, asset classes, sectors and financial products. Some of the primary principles for sustainable banking include:

- Retail (short-term) – five year time horizon
- Long term vs. short term
- Social, environmental, and economic balance
- Continuum of sustainable products (ethical, environmental, and social)

Sustainable Banking.

Further consideration must also be given to the notion of sustainable banking. Sustainable banking is essentially a banking system that contributes to the goals outlined above. Such a system looks not for the highest financial rate of return, but to the highest *sustainable* rate of return, while being profitable in the end.³⁷ This may involve financing projects with a higher risk, lower rates of return, and with longer payback periods. At the same time, this concept of sustainable banking becomes considerably more complex when applied to the various banking profiles and mandates, as well as to different banking models in assorted global regions.³⁸

Sustainable Banks are already operating in many member states throughout the EU and in North America. Some of the leaders include the European Savings Bank Group (various member states), Cooperative Bank (UK), and Tridos Bank (NL, BE, UK, E). However, the current scale and scope of

FINANCING OBJECTIVES 2020, MOBILISING PRIVATE CAPITAL *WORKING PAPER (DRAFT I)*

these banking models remains relatively small in comparison to the overall assets of the largest European banks. Furthermore, a framework to replicate these ESG banking models on a large scale and across a broader reach must be developed in addition to public policy mandates to encourage their development.

Green Banks.

A possible mandate for ESG banking has emerged from the Emission Trading System (ETS) targets. European Member States are allowed to use revenues from auctions to support Renewable Energy Sources (RES) from 2013 forward. Such revenues would represent 30-40 billion euros per year. In order to effectively allocate this money in a member states, enhanced cooperation between the public and private sectors will be required. For example, in Belgium, banks and the Belgian Business Associations are preparing proposals for a system of 'green banks' (to be embedded in mainstream banks) to manage this flow of capital.

Non-ETS target sectors (such as transport and buildings) are also acting as drivers for sustainable investments. This will require member states to adopt national and or regional financial mechanisms. Green mortgages and loans for residential and commercial upgrades and new construction have appeared in a number of EU and North American jurisdictions. (See Annex I) Furthermore, interesting new products for private transport (green auto loans) and consumer credit have also recently emerged.

4. MOBILISING INSTITUTIONAL INVESTORS

A majority of investors and environmental technology developers do not believe that market forces provide enough incentives to catalyze a large-scale shift in the financing of environmental technologies.³⁹ While many banks have voluntarily signed on to the Equator Principles to better assess the social and environmental risks in large project financing, it is important to recognise that the role of green, sustainable, or ethical banks is potentially far wider than a limited level of environmental responsibility. Government laws and policies are instrumental in commercializing environmental technologies, particularly with regard to resource efficiency and renewable energy. The financing of environmental and social solutions requires proactive lending and investment policies. Possible measures to better leverage policy mechanisms to align banking and public priorities may include:

- Establishment of green savings accounts and lending programs (currently in place in France and the Netherlands).
- Requirements for banks to report on the social and environmental impacts of their lending and investment practices.
- Referencing of appropriate social and environmental standards in bank authorisation, lending procedures, and statutory guidance.

FINANCING OBJECTIVES 2020, MOBILISING PRIVATE CAPITAL *WORKING PAPER (DRAFT I)*

Incentive and subsidy mechanisms offer another lever of better aligning public policy objectives and banking practices:

- Government-backed securitisation of green commercial and residential mortgages and development loans.
- Develop innovative residential energy efficiency retrofit packages.
- Financing bank activities for public-private partnerships and multi-sector partnerships for environmental technologies and green development, as well as greater incentives for private banks to act as intermediaries for public institutions and programs.
- Demand-side incentives to boost consumption of sustainable products and services, such as tax credits and subsidies for residential improvements, trade-ins for high mileage vehicles, and green public procurement policies.
- Incentives and subsidies with a longer timeline than they are presently allowed, providing greater stability over a longer period of time.⁴⁰

5. MOBILISING INDIVIDUAL INVESTORS

The development of a large-scale initiative to advance resource-efficient and low-emission technologies in the EU and member states must take into account the role of retail banking sector and its capacity to involve individuals, and SMEs in financing programs. In this sense, private banking institutions may indeed function as key participants for the creation of a multiplier effect in conjunction with public and institutional financing. Many of private banks with extensive client relationships on the local level have the potential to act as intermediary banks for the EIB and other public funding mechanisms.

- Green saving banks accounts (FR & NL): In the Netherlands and France, Green Savings Accounts Green Funds scheme linked with tax incentives raised Euro €1,039 M in 2005. Individuals in the Netherlands can receive a tax incentive of 2.5% and an earned interest of 1-1.5% on green savings accounts. Participating Banks use these savings to provide soft loans to environmental projects that include clean energy technology and project developers. The private money leveraged by the fund is approximately 40 euros for each euro from the savings funds.
- Eco-Checks (Belgium): in support to energy efficiency initiatives, by collective agreement to be implemented in 2010, an employer may issue 'eco-checks' to employee for the purchase of environmentally sustainable goods and services. France is developing a similar system as a part of the Carbon Tax.

Individuals, as customers of banks, investors, and savers must also take some responsibility and play a role in this economic shift for three reasons:

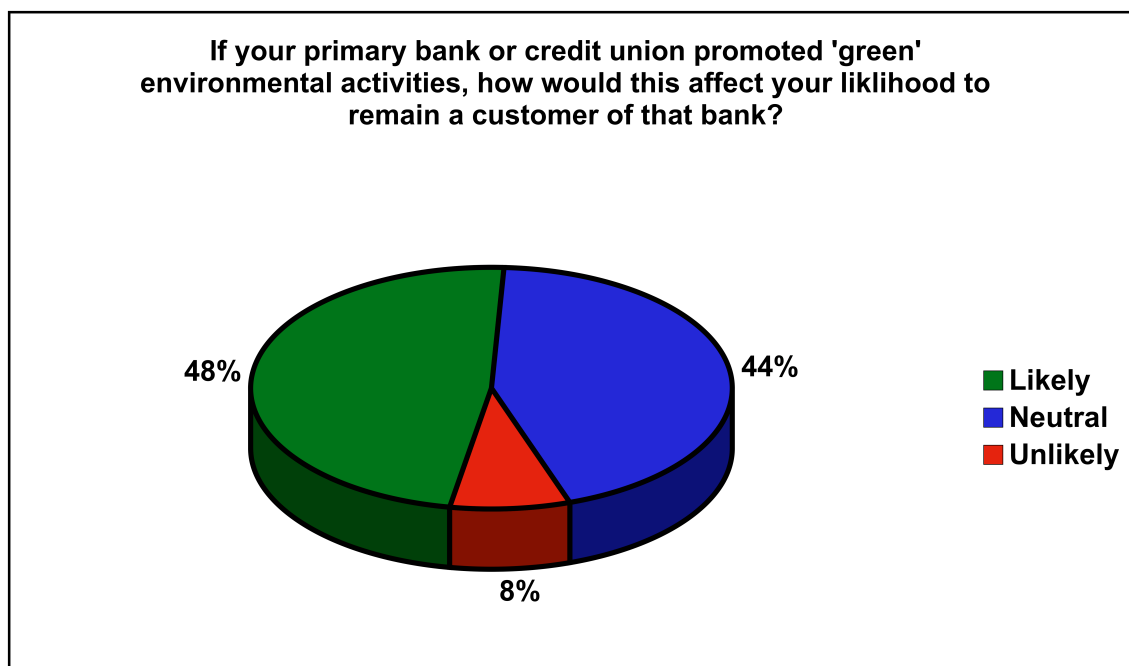
FINANCING OBJECTIVES 2020, MOBILISING PRIVATE CAPITAL WORKING PAPER (DRAFT I)

1. The banks are the testing ground of globalization. To act within the framework of the banking crisis it is to also influence the process of globalization. One can either be a victim of a poorly organized process of globalization or one can choose to participate as a citizen and a consumer of banking services.

2. The national debt created by the banking crisis gives citizens the right to participate in the debate. The taxpayer has a right to claim that the cost of this situation should provide an opportunity for the solutions to also improve society in addition to strengthening the balance sheets of the banking sector.

3. The interest of citizens is to accelerate the passage to a new economy and a new prosperity. A survey conducted in 2008 (see Figure 4.1) indicates that 48% of bank customers would remain with their current bank if that bank did more to promote environmental activities. With trust in the banking and finance sector at an all time low, most banks have failed to make any link between public perception and their performance on ESG issues.⁴³

Figure 4.1 – Survey of interest and robustness of 'green banking' services (March 2008)⁴⁵



Any discussion of individual investors must also consider the role of the individual consumer as well. Individual consumers have a significant role in the effort to meet the 2020 Objectives by purchasing and using energy and resource-efficient products and technologies, and by retrofitting their homes and adopting more sustainable consumption practices. In this sense, consumers are also investors in these objectives, through both their taxes and their purchasing decisions. While many member states have developed policies and incentives to encourage consumer participation in these efforts, better coherence is needed across these various programs to track and monitor progress to ensure that the

FINANCING OBJECTIVES 2020, MOBILISING PRIVATE CAPITAL *WORKING PAPER (DRAFT I)*

most effective measures and best practices can be assembled into a broader system of continuous improvement. This allows for the creation of a continuous feedback loop to promote further financing and effective public policy.

6. RECOMMENDATIONS (CO-ORDINATION MECHANISMS)

In light of the challenges and opportunities in developing a coherent public policy frameworks aligned with private-sector banking and finance leverages, an action plan should be immediately deployed in support of the 2020 Objectives. The economic and political difficulties emerging banking crisis, as well as the need to mobilise institutional and individual investors, requires a plan of action to better align public policy and private capital to finance the 2020 Objectives.

- (i) A Tripartite Sustainable Banking Forum: Greater coordination and coherence between investors, environmental technology developers and public authorities will be required to finance and achieve the 2020 Objectives. Much like the European Retailers Forum that was established earlier this year to promote sustainable consumption, the Tripartite Sustainable Banking Forum will work to secure a similar type of co-ordination to accelerate the shift in lending and investment required to reach the EU 2020 objectives and finance an overall shift to a resource-efficient economy. The Forum should be launched at the occasion of a European Conference “Financing the Green New Deal: Mobilising Private Capital” under the patronage of the Belgian EU Presidency and the Belgian Minister of Finance, President of ECOFIN during the second semester 2010 (requested). A European Observatory of financial products and services, incentives and regulations will monitor best practices in terms of financial mechanisms. *(See Appendix VII: Diagram Tripartite European Forum)*
- A. Forum Mission: Design and Implementation of the 5 years framework agreement: Up-scaling “bottom up” initiatives and best practices on financing EU 2020 priorities, The Forum partners should focus their joint efforts on how to create a scale effect and accelerate change. To this end, the Forum will serve as a platform to: The process will address how to mobilize private capital to:
1. Finance the implementation of EU Objectives 2020
 2. Contribute to a Global Sustainable New Deal
 3. Accelerate the shift to make European cities more “resilient” to climate change
 4. Build a more competitive European financial industry on the global “green market”
 5. Develop methods to finance more good environmental technology projects (95% do not receive funding from existing venture capital mechanisms)

FINANCING OBJECTIVES 2020, MOBILISING PRIVATE CAPITAL
WORKING PAPER (DRAFT I)

- B. Forum Objective: Up-scaling “bottom up” initiatives and best practices on financing EU 2020 priorities, The Forum partners should focus their joint efforts on how to create a scale effect and accelerate change. To this end, the Forum will serve as a platform to:
1. Identify opportunities and barriers and identify key challenges ahead
 2. Share best practices and implement practical solutions
 3. Report on progress of partners actions towards the EU 2020 targets
- C. Governance: Such Forum should be designed together with the Commission and a multi-stakeholder group of interested parties and be co-chaired by one Commission official and one Bank delegate in the same way as the *European Retailers Forum*.
- D. Tasks: The Forum may on a range of tasks, including.
1. Sharing information on effective financial instruments and best practices through quarterly meetings and various stakeholder platforms
 2. Promoting the financing of sustainable, low-waste and resource efficient technologies and practices
 3. Mitigating the barriers, in public policy, private-sector investment practices and the technology development process that hinder the financing process
 4. Obtaining scientific information from relevant bodies to help evaluate the financial instruments pertinent to sustainable business practices, environmental technologies and resource-efficient manufacturing
- E. A Steering Committee is composed of the European Commission, the European Federation of Banks (EBF), the European Cooperative Banks Association (ECBA), the European Saving Banks Association (ESBA), the European Development Finance Institute (EDFI), the co-chairs of national platforms (one representative of the Government, one representative of Banks), the partners of the European Platform Financing Eco-innovation (Globe, Eurosif, EPE, TBLI/CG).
- F. Administration of the Forum: would be based on the terms of reference of the European Retail Forum, which would be reviewed during the exploratory meeting.
1. The European Platform on Financing Objectives 2020, Mobilising Private Capital will administer the Forum and will be responsible for:
 - a. Preparing the agenda together with the Commission
 - b. Ensuring the circulation of documents
 - c. Recording the summary of outcomes
 - d. Drafting the Roadmap
 2. The Commission is responsible for:

FINANCING OBJECTIVES 2020, MOBILISING PRIVATE CAPITAL
WORKING PAPER (DRAFT I)

- a. Enhancing visibility of the Forum and exploring high level political support through the presence of Commissioners and the participation of relevant services, as necessary
 - b. Disseminating information on best practices with Member States, and sharing information on relevant policy documents
 - c. Creating and maintaining a dedicated website on the appropriate DG website.
3. Consortium: A consortium of partners with leverage to mobilise coordinated efforts will identify a series of tasks to mainstream bottom-up initiatives.
- (ii) A Sustainable Banking and Finance Observatory: In tandem with the *Tripartite Sustainable Banking Forum*, a *Sustainable Banking and Finance Observatory* will work to monitor best practices in terms of financial mechanisms, public policy and emerging energy and waste reduction technologies.
- A. Focus: The focus of the observatory will be those financial instruments and technologies that can be evaluated and rapidly deployed across member states and regions in support of the EU 2020 Objectives.
- B. Neutrality: This ongoing ‘Observatory’ mechanism would be a fully independent and neutral body staffed by a combination of finance, banking, environmental technology, and public policy experts in support of the *Tripartite Sustainable Banking Forum*.
- (iii) Sustainable Banking Guidelines and the Post-Lisbon Process: Sustainable Banking Guidelines would provide much needed leadership, policy coherence, and better alignment between public and private efforts to implement the EU 2020 Objectives and finance a Green New Deal for Europe. In particular, guidelines on the following topics would provide the needed guidance:
- A. Bank Governance: Encourage a long-term perspective on investment, particularly among those banks and financial institutions where the State is present as a large shareholder. Short-term investment and banking perspectives, which have been identified as primary drivers of the recent financial crisis, must be better mitigated to lower future risk.
- B. Screening: Developing an inventory of ESG business and investment practices to better inform potential public and private investors about companies, projects and ventures that should be avoided due poor environmental records.
- C. Investment Focus: Mechanisms to evaluate effective environmental technologies, business practices, companies, projects and ventures that meet ESG criteria and show a

FINANCING OBJECTIVES 2020, MOBILISING PRIVATE CAPITAL WORKING PAPER (DRAFT I)

demonstrated contribution to meeting 2020 Objectives. This supports a more effective allocation government financial resources and better guides public investments.

- D. Cooperation: Guidelines to encourage Public-Private Partnerships that better leverage public policy and private-sector banking expertise.
- (iv) ESG criteria and Audit Rules: Guidelines and audit rules around ESG criteria at the EU and Member State levels would provide greater transparency and clarity in the shift to a low emissions and resource efficient economy. Current rules regarding ESG criteria are not precise enough to ensure adequate levels of accountability and transparency. GRI and UNEP FI have already developed robust criteria and measurements along several metrics to better standardise ESG practices. Moreover, a survey exercise of public statements and actions by banks can help to establish a basis for guidelines and tools to benchmark progress. Accounting rules may also provide greater accountability and inform a reporting system.⁴⁶
- (v) Partnerships with Public Multilateral Banks: Partnership with the European Investment Bank (EIB) and European Bank for Reconstruction and Development (EBRD) as “Bank intermediary” for funds to be made available to SME’s
- (vi) A New EU Regulatory Framework and Basel II: The Basel II accord uses a “three pillars” concept to promote greater stability in the financial system. These three pillars are: minimum capital requirements (addressing risk), supervisory review, and market discipline. President Obama has agreed to present to the US Congress a bill for implementation of the Basel II guidelines by the USA. This is important in terms of competition rules. Guidelines related to credit risk management to increase lending for resource and energy efficient projects should be debated at the Basel II level and translated in EU Regulation or a EU Regulation related to credit risk management. Increased lending for resource and energy efficient projects should be adopted and then be proposed to Basel II as guidelines. A Transatlantic dialogue on Basel II and Climate Change and Energy Security should be launched soon. A similar process should also be launched with Chinese Banks.
- (vii) Public Policy Support to Financial Instruments: In light of the FUNDETEC report released in 2008, additional public policy support to financial instruments may address financing current financing gaps for sustainable, resource-efficient, and low-emission practices and technologies:
- A. State Guarantee and Competition Rules: Support is needed for some proportion of the of the viable resource efficient and low emission projects and ventures currently not able to obtain early stage investment capital or financing. (95% of viable environmental technology ventures are unable to reach adequate capitalization levels.) A guarantee

FINANCING OBJECTIVES 2020, MOBILISING PRIVATE CAPITAL

WORKING PAPER (DRAFT I)

fund system would allow access to equity and debt instruments currently not available through risk financing structures. Existing private lending structures can be utilized to deploy funds to qualified ventures and technology developers. Moreover, public-private partnership will reduce risk and ensure greater alignment with public policy goals and market signals.

- B. European Sustainability Saving Account: Green savings schemes currently exist in the Netherlands and France. Green savings funds provide a method to address the significant gaps and barriers faced by resource efficient and low emission projects, as well as other sustainable ventures in various development stages. A scheme offered across Europe, possibly through the EIB and EBRD structures, would multiply the effects.

Related Appendices

- V. Mapping of Selected Financial Instruments Supporting a Low Carbon, Resource Efficient Economy
- VI. Top 10 European Banks Ranked in Forbes Global 2000
- VII. Diagram of Tripartite European Forum

FINANCING OBJECTIVES 2020, MOBILISING PRIVATE CAPITAL
WORKING PAPER (DRAFT I)

PART THREE.

CONCLUSION: A ROADMAP FOR A TEN-POINT ACTION PLAN.

Roadmap.

A check list for the EU, Governments, Banks and Civil Society.

1. **Set up a National Platform “Financing Objectives 2020. Mobilising Private Capital”.**
 - **Coordinate Government, Public and Private Banks.**
 - **Design new financial schemes to collect and distribute funds**
2. **Government and Private Banks. State as Bank Shareholder**
 - **Fix the ESG mandate of Government Board Member and make them accountable.**
3. **Join a European Tripartite Forum “Financing Objectives 2020. Mobilising Private Capital”.**
 - **Shape a 5 Years Action Plan**
4. **Design a New EU Regulatory Framework**
 - **ESG Criteria and Financial Audit rules**
 - **ESG and Reporting**
 - **ESG and Basel II ratio**
5. **Design modus operandi of Green banks managing ETS allocations.**
6. **Design new banks business model and governance**
 - **Training Banks agencies**
 - **Dialogue with banks clients/members at local/regional agency level**
 - **Dialogue with stakeholders on ESG at Bank headquarter level. From Bank Parliament to Bank SRI Advisory Committee**
7. **Mobilise Institutional Investors. (Push & Pull)**
 - **Joint action plan for resource and energy efficiency investments in CEE Countries.**
 - **Europe in the World. The Green Growth Global Agenda.**
 - **Governments should stop doing business with banks that do not take part in the mobilisation efforts. Structural bonds will be directed to participating banks.**
8. **Partner with EIB and EBRD**
 - **Intermediary bank(s) for SME’s**
9. **Mobilise individual investors and buyers**
 - **Mobilise retail investors : a EU Green Savings Account.**
 - **Mobilise the SRI Community**
 - **A Partnership with youth, students, young entrepreneurs**
 - **Support to SME’s**
 - **Support to Cities**
 - **Micro-finance for Europeans**
 - **Micro-finance outside Europe**
10. **Report to EU and Member States Parliaments**
 - **Government report on ESG progress within banks supported financially by the State**
 - **Government report on structural bonds business made with banks**
 - **EU report on “mobilising private capital in support to objectives 2020”**

FINANCING OBJECTIVES 2020, MOBILISING PRIVATE CAPITAL
WORKING PAPER (DRAFT I)

Appendix I: Financial Sector Rescue Packages, Europe and America

Country	Amount (billions)	Description
United States of America	1,300	Troubled Asset Relief Program (TARP), commercial funding paper facility, Fannie Mae/Freddie Mac, AIG, Bear Sterns, FDIC Bank Takeovers
United Kingdom	743.0	The UK bailout was the first announced and largely served as the model for other European rescues. Half of the pack-age is for guaranteeing inter-bank lending, 40% for short-term loans and 10% for recapitalization.
Germany	636.5	The bulk is to guarantee medium-term bank lending, with 20% for recapitalization.
France	458.3	The bulk is to guarantee bank debt, with about \$50 billion for recapitalization.
Netherlands	346.0	To guarantee inter-bank loans.
Sweden	200.0	For credit guarantees.
Austria	127.3	For bank buyouts, interbank lending, and bank bond issuance guarantees.
Spain	127.3	For bank buyouts, interbank lending, and bank bond issuance guarantees.
Italy	51.0	To purchase bank debts
EU-27 & ECC Rescue Packages	110.6	Cross-national packages.
Total European	2.8 trillion	
Total European and USA	4.1 trillion	

FINANCING OBJECTIVES 2020, MOBILISING PRIVATE CAPITAL
WORKING PAPER (DRAFT I)

Appendix II: Joint Statement, Global Alliance for Banking on Values

4 March 2009 - Eleven of the world's leading sustainable banks have created a new alliance to build a positive alternative to a global financial system in crisis. The banks, which have assets of over \$10 billion and serve over seven million customers in 20 countries, came together for the first time at a special meeting in the Netherlands from 2 - 4 March.

The Global Alliance for Banking on Values was launched at an event which included speeches from Her Royal Highness Princess Máxima of The Netherlands, a former banker and former member of the United Nations Group on Inclusive Financial Sectors, and Achim Steiner, Executive Director of the United Nations Environment Programme. The banks in the Alliance range from BRAC Bank - part of the BRAC Group, the world's largest microfinance institution - to ShoreBank, a community bank based in Chicago, and Triodos Bank, Europe's leading sustainable bank.

Speaking at the launch, Peter Blom, CEO of Triodos Bank, said, "Unlike their enormous mainstream contemporaries, these banks are profitable, growing and crisis resistant. When it was unfashionable to do so they stuck to simple, core banking services that balance people, planet and profit. There's no one single answer to the global financial crisis. There are many. But the leaders of these organizations, acting on an international stage, hold many of them. Together they are an extraordinary force for change".

The new partnership plans to develop new ways of working, build organizations better suited to long-term sustainable thinking, and new forms of ownership and economic cooperation. And, given the financial crisis, and its profound and lasting influence, the new Alliance believes its timing is crucial.

According to Fazle Hasan Abed, Founder and Chairperson of BRAC, "We are increasingly dependent on each other economically, wherever we live in the world. If we are to tackle the global problems we face, we are going to need international action to do it. We believe these banks have the potential to change the architecture of the financial world, and start delivering lasting solutions for unserved and underserved communities and sectors."

Founded by BRAC Bank in Bangladesh, ShoreBank in the United States, and Triodos Bank in The Netherlands, the Alliance's members are senior bankers, seven of whom are founders of the institutions themselves.

"We will promote responsible finance - supporting existing banks and helping to develop new ones," says Mary Houghton, President of the ShoreBank Corporation. "We will lead the debate on the banking models we think could inspire profound changes in the mainstream financial industry. We won't just talk about change, we will work together to deliver it. Given the need for a healthier, more sustainable economy - and the current failure of the mainstream to provide it - establishing the Global Alliance for Banking on Values could hardly be more important."

The Global Alliance for Baking on Values consists of the following members:

Alternative Bank ABS, Switzerland	www.abs.ch
Banca Popolare Etica, Italy	www.bancaetica.com
Banex, Banco del Exito, Nicaragua	www.banex.com.ni
BRAC Bank / BRAC Microfinance Programme, Bangladesh	www.brac.net , www.bracbank.com
GLS Bank, Germany	www.gls.de
Merkur Bank, Denmark	www.merkurbank.dk
Mibanco, Banco de la Microempresa, Peru	www.mibanco.com.pe
New Resource Bank, United States	www.newresourcebank.com
ShoreBank Corporation, United States	www.shorebankcorp.com
Triodos Bank, The Netherlands	www.triodos.com
XacBank, Mongolia	www.xacbank.com

FINANCING OBJECTIVES 2020, MOBILISING PRIVATE CAPITAL
WORKING PAPER (DRAFT I)

Appendix III: FT/IFC Sustainable Banking Award Winners

Sustainable Bank of the Year	
2009	Triodos Bank, Netherlands
	Standard Chartered, UK (Runner-up)
2008	Banco Real, Brazil
	Rabobank, the Netherlands (Runner-up)
2007	ABN Amro, Netherlands
2006	HSBC

The Sustainable Banking Award recognises banks and other financial institutions that have shown leadership and innovation in integrating social, environmental and corporate governance considerations into their operations.

FINANCING OBJECTIVES 2020, MOBILISING PRIVATE CAPITAL
WORKING PAPER (DRAFT I)

Appendix IV: State Interventions on Specific Banks (Work in Progress)*

Bank Name	Member State	Government Share %	Amount	Notes
Hypo Alpe Adria	Austria			"
Volksbanken	Austria			received funding from the Austrian Government
BNP-Paribas-Fortis	Belgium	25.0%		75% owned by BNP Paribas
KBC	Belgium			The Belgian and the Flemish Government are shareholders
Caisse d'Epargne-Banques Populaires	France			The French Government is shareholder
Credit Agricole	France		3.0b euro	Debt stakes
BNP-Paribas	France	17.0%	5.1b euro	Mainshareholders French and Belgian Governments
Dexia	France-Belgium	25.0%	9.2b euro	French, Belgian and Luxembourg governments
Societe Generale	France	7.2%	3.4b euro	Total of EUR 3.4 billion from the
BayernLB	Germany		10b euro	10b euro capital, 19.8b euro guarantees
Commerzbank	Germany		8.2b euro	8.2b euro capital, 15b euro guarantees
HSH Nordbank	Germany		1.3b euro	1.3b euro capital, 30b euro guarantees
Hypo Real Estate	Germany			30b euro guarantees, 50b euro in liquidity assistance
AIB	Ireland			
Anglo-Irish,	Ireland			
Irish Nationwide,	Ireland			
Irish Life & Permanent	Ireland			
Bank of Ireland	Ireland	25.0%	3.5b euro	
Bristol and Western Bank	Ireland			
Fortis	Luxembourg	25.0%		Only in relation to luxembourg operations. 75% owned by BNP Paribas
ABN Amro	Netherlands	100.0%	€16.8b euro	Sale to RBS and Fortis in 2007, Dutch govt' maintains full control of Fortis in Netherlands.
Fortis	Netherlands	100.0%		Only in relation to Netherlands operations and holdings.
RBS-Netherlands	Netherlands			
Abbey	UK			
HBOS	UK	43.4%		
Lloyds Banking Group PLC	UK	43.4%		Preferred shares, non-voting
Nationwide Building Society	UK			
Royal Bank of Scotland	UK	57.0%		
Standard Chartered	UK			

* Due to the complexity of the financial rescue packages within Member States and across the European Union, as well the regularly changing status of the terms in regards to specific banks, the data presented here may not be up to date or accurate. If you would like to contribute information to make this data presentation more accurate, please contact the consortium research office at: research@tblicq.com

FINANCING OBJECTIVES 2020, MOBILISING PRIVATE CAPITAL
WORKING PAPER (DRAFT I)

Appendix V: Mapping of Selected Financial Instruments Supporting a Low Carbon, Resource Efficient Economy⁴⁷

Financial Instrument	Description	Bank / Company	Country Regions
Home Mortgage	Government led 'green' mortgage initiative. 1% reduction on interest for loans that meet environmental criteria.	Various Banks	Netherlands
	Offers free home energy rating and offsets carbon emissions for every year of loan. Will soon launch added features into portfolio.	CFS	UK
	Green mortgages have only been announced by these banks, some of which are the largest mortgage providers in the country.	Various Banks	UK
	Green Power Oriented Mortgage. Provides an incentive for homeowners to use renewable power. Design focuses on sustainable behaviour or customer, rather than on physical infrastructure of their residence.	N/A	N/A
Commercial Building Loans	Building Loan Green Loans for new condos. Developer (Tridel®) repays loan with funds that would otherwise be spent on operating costs using conventional equipment and material. Buildings must demonstrate 25%+ energy savings over conventional designs.	TAF/Tridel	Canada
	Provides first mortgage loans for building and refinancing LEED certified commercial buildings. Developers do not have to pay an initial premium for "green" commercial buildings, due to features such as: lower operating costs and higher performance.	Wells Fargo	US
	Provides 1/8 of 1% discount on loans to green leadership projects in the commercial or multi-unit residential sectors.	NRB	US
Home-Equity Loan	Loan One-Step Solar Financing. Takes place over a 25-year term, equal to the same period of time as the solar panel warranty.	NRB	US
	Environmental Home Equity Program. For customers using line of Visa Access Credit, bank will donate to an environmental NGO.	Bank of America	US
	Bank signed a joint marketing agreement with Sharp Electronics Corporation to offer customers easily accessible and convenient financing options to purchase and install residential solar technologies. Enables users to take out a home equity loan or line of credit rather than access savings or take out a general loan.	Citigroup	US

FINANCING OBJECTIVES 2020, MOBILISING PRIVATE CAPITAL
WORKING PAPER (DRAFT I)

Auto Loan	Clean Air Auto Loan with preferential rates for hybrids. Product recently redesigned to cover all low-emitting vehicle types.	VanCity	Canada
	goGreen Auto Loan product has achieved worldwide recognition as a successful "green" product. Since launch, the bank's number of car loans has increased by 45%.	mecu	Australia
Fleet Loan	Small Business Administration Express loans, with rapid approval process, no collateral and flexible terms, are offered to truck companies to finance fuel efficient technologies. Helps to purchase SmartWay Upgrade kits that can improve fuel efficiency by up to 15%.	Bank of America	US
Credit Card	Climate Credit Card. Bank will donate to WWF. Sum of donation depends on the energy-intensity of the product or service purchased with the card.	Rabobank	Netherlands
	GreenCard Visa is the world's first credit card to offer an emissions offset program. Cards will soon be made available in Germany and parts of Scandinavia. Product developers are now working bring this type of product to US customers, in 2007.	Tendris Holding B.V. Europe	Netherlands
	BarclayBreathe Card to include discounts and low borrowing rates to users when buying "green" products and services. 50% of card profits will go to fund emissions reduction projects, worldwide.	Barclays	UK
Deposit / Savings Accounts	Landcare Term Deposit. Australia's first environmental deposit product. For every dollar spent, bank lends equivalent to support sustainable agriculture practices.	Westpac	Australia
	EcoDeposits. Fully-insured deposits earmarked for lending to local energy-efficient companies aiming to reduce waste/pollution, or conserve natural resources. EcoCash™ Checking Account allows for 5 free paper checks a month, with US\$3 per check fee applied. A portion of this fee goes to The Climate Trust.	Shorebank	US
	Green Savings Accounts: Established through government legislation. Deposits are directed to loans for environmental technology ventures and projects that meet legislated requirements.	Various	France, Netherlands
Sales	Consumers can offset CO2 emissions associated with air travel, with no funds being channeled to the bank. This new initiative is in partnership with the offsetting organization Climate Care.	Barclays, HSBC	Europe

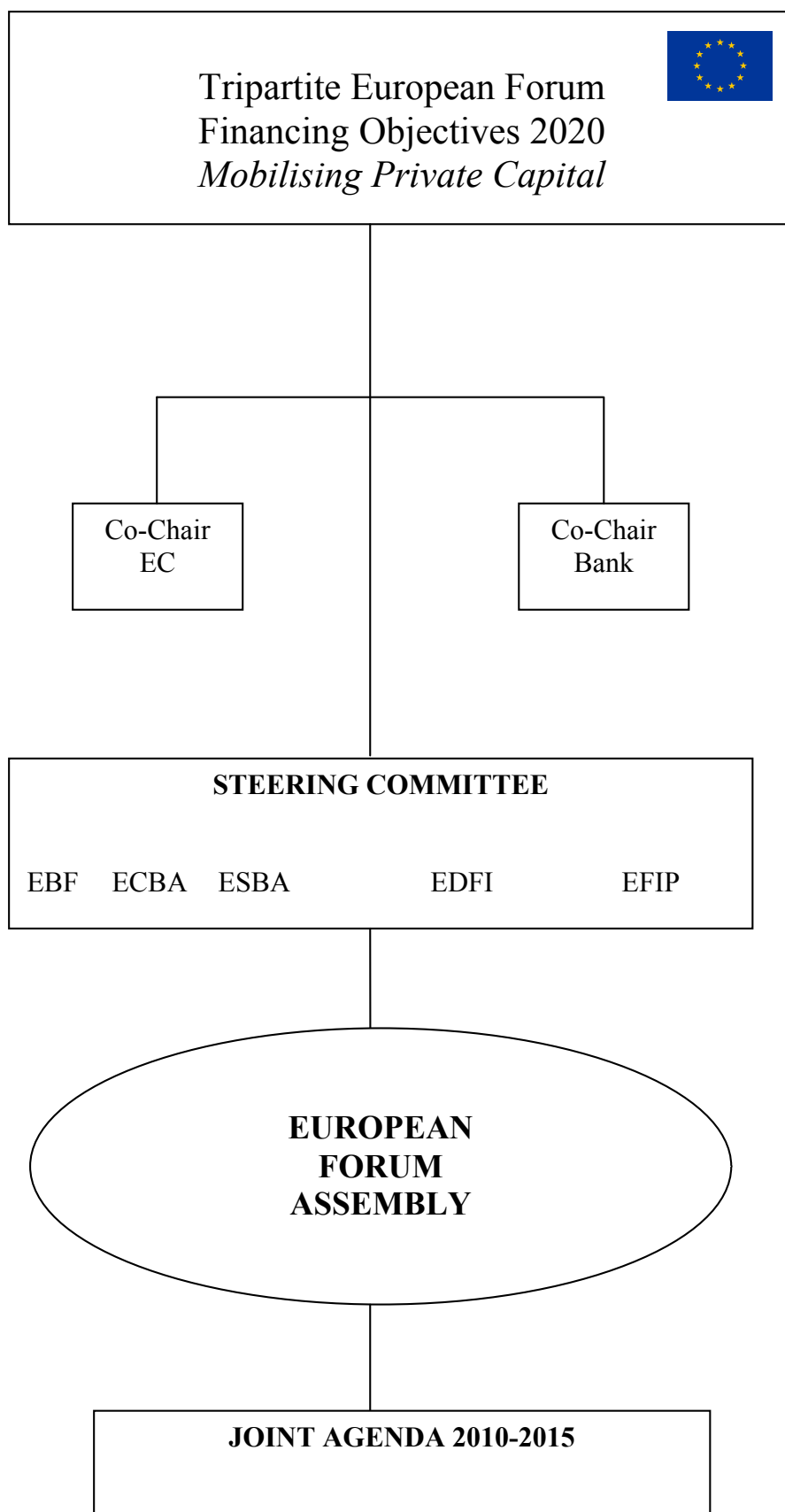
FINANCING OBJECTIVES 2020, MOBILISING PRIVATE CAPITAL
WORKING PAPER (DRAFT I)

Appendix VI: Top 10 European Banks Ranked in Forbes Global 2000

Sample Rank	Forbes Ranking	Bank	Country	Profits (\$bil)	Assets (\$bil)	Market Value (\$bil)
1	6	HSBC Holdings	UK	5.73	2,520.45	85.04
2	9	Banco Santander	Spain	13.25	1,318.86	49.75
3	29	BNP Paribas	France	4.2	2,888.73	29.98
4	34	Crédit Agricole	France	5.9	2,064.17	21.91
5	37	Intesa Sanpaolo	Italy	10.58	835.15	31.43
6	40	BBVA-Banco Bilbao Vizcaya	Spain	6.99	747.99	27.56
7	44	UniCredit Group	Italy	8.7	1,482.98	18.37
8	60	Société Générale Group	France	2.8	1,572.73	17.77
9	77	Barclays	UK	6.4	2,947.84	11.15
10	116	Nordea Bank	Sweden	3.72	659.72	13.04
Total				68.27	17038.62	306

FINANCING OBJECTIVES 2020, MOBILISING PRIVATE CAPITAL
WORKING PAPER (DRAFT I)

Appendix VII: Diagram, Tripartite European Forum



FINANCING OBJECTIVES 2020, MOBILISING PRIVATE CAPITAL
WORKING PAPER (DRAFT I)

ENDNOTES

-
- ¹ Political Guidelines for the next Commission. President Barroso.
Shell International Petroleum. Jack Jacometti. Vice-President. Future Fuels & CO2.
- ³ Council conclusions on efficiency of economic instruments to reach energy and climate change targets, 2847th ECONOMIC and FINANCIAL AFFAIRS Council meeting, Brussels, 12 February 2008
- ⁴ Funding the Development of Environmental Technologies (2008) Study for DG Research.
- ⁷ See Appendix I: Financial Sector Rescue Packages, Europe and North America
- ⁸ EIRIS News Release, 20 April 2009, <http://www.eiris.org/>
- ⁹ Graeme Wheeler, Managing Director, The World Bank, Lunchtime Address: Sovereign Debt Management Forum, Policy Challenges for the Financial Sector
- ¹⁰ See Appendix II, Joint Statement, Global Alliance for Banking on Values
- ¹¹ Environmental Finance, 11 Jun 2009
- ¹² Peter Blom, "The Upside of the Downturn: How Sustainable Banking Can Deliver a Better Future", Innovations: Social Innovation in a Post-Crisis World, Special Edition for the World Economic Forum Annual Meeting 2009, MIT Press
- ¹³ UNDP, Scaling Up Efforts to Meet the Climate Change Challenge, May 2008
- ¹⁴ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, Brussels, 23.1.2008, COM(2008) 30 final
- ¹⁵ 'Council conclusions on efficiency of economic instruments to reach energy and climate change targets', 2847th Economic and Financial Affairs Council meeting, Brussels, 12 February 2008
- ¹⁶ Yadong Luo, Global Dimensions of Corporate Governance, Blackwell Publishing, 2007
- ¹⁷ 'European investors balk at director pay', K. Burgess and R. Milne, Financial Times, 1 June 2009
- ¹⁸ FUNDETEC: Comparison and Assessment of Funding Schemes for the Development of New Activities and Investments in Environmental Technologies (<http://www.fundetec.eu>)
- ¹⁹ The possible loss of a subsidy may discourage many consumers and investors from sustainable products and investment, as well as limit the participation of private sector intermediaries in related lending, guarantee and securitisation programs.
- ²⁰ Examples include: a proposed directive on alternative investment funds, hedge funds and private equity funds, reforms of financial supervision, and capital requirements for financial institutions.
- ²¹ UNEP (2009). Global Green New Deal Policy Brief, www.unep.org/pdf/A_Global_Green_New_Deal_Policy_Brief.pdf
- ²² Wuppertal Institute (2009) A Green New Deal for Europe: Towards green modernisation in the face of crisis. (Commissioned by the Greens/European Free Alliance), <http://www.greens-efa.org>
- ²³ ENDS 10/11/2009. IEA World Energy Outlook 2009.
- ²⁴ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, Brussels, 23.1.2008, COM(2008) 30 final
- ²⁵ EurActiv 23/11/07, FUNDETEC
- ²⁶ EURACTIV, 7 October 2009: <http://www.euractiv.com/en/energy/eu-invest-billions-energy-research/article-186164#>
- ²⁷ Target Markets for the Lead Market Initiative: eHealth, construction, protective textiles, bio-based products, recycling, and renewable energy. "Communication from the Commission to the Council, the European Parliament, The European Economic and Social Committee and the Committee of the Regions: A lead market initiative for Europe" Brussels, 21.12.2007, COM(2007) 860 final
- ³⁰ EurActiv 11/12/08
- ³¹ Forbes, Global 2000, published 8 April, 2009
- ³² International Energy Agency (2009) World Outlook Report
- ³⁴ According to the ICBA, International Cooperative Banks Association
- ³⁵ Aspen Institute,
- ³⁶ Reference source?
- ³⁷ Jeucken, Klinkers, Bouma, and Deloitte & Touche (2001) Sustainable Banking: The Greening of Finance, Greanleaf Publishing, p. 34
- ³⁸ Bank Track Manual, 'The dos and don'ts of sustainable banking'
- ³⁹ FUNDETEC: Comparison and Assessment of Funding Schemes for the Development of New Activities and Investments in Environmental Technologies (<http://www.fundetec.eu>)

FINANCING OBJECTIVES 2020, MOBILISING PRIVATE CAPITAL
WORKING PAPER (DRAFT I)

⁴⁰ The possible loss of a subsidy may discourage many consumers and investors from sustainable products and investment, as well as limit the participation of private sector intermediaries in related lending, guarantee and securitisation programs.

⁴³ Jess McCabe, 'Back to business as usual?', Environmental Finance, 6 June 2009, <http://www.environmental-finance.com/2009/0906jun/sustainablebanking.html>

⁴⁵ March 2008, n=2350, Javelin Strategy & Research

⁴⁶ A law on ESG reporting standards is already scheduled to go into effect in France in 2010/2011.

⁴⁷ Mapped instruments were derived from the FUNDETEC Report (2007), the UNEP Green Financial Products and Services Report (2007), and research completed by members of the Sustainable Banking and Public Policy Consortium