

Why lenders need to adopt 'green banking'



DOHA DATELINE

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ACCORDING TO US National Oceanic and Atmospheric Administration (NOAA) the October average temperature across global land and ocean surfaces was 0.98 degrees Celsius above the 20th century average of 14 degrees Celsius and setting 2015 on course to be the hottest year in recorded history.

The global warming and El-Nino are the contributors to the hottest year. As we burn fossil fuels and add more carbon dioxide to the atmosphere, we trap more heat on the earth's surface. But more than 90 per cent of that extra heat is absorbed by the oceans. So subtle interactions between the ocean and the atmosphere can cause fluctuations from year to year.

In the light of above climate change, banks as responsible corporate citizens should adopt 'green banking' as part of corporate social responsibility (CSR) and sustainable development. Green banking considers all the social and environmental factors with an aim to protect the environment and conserve natural resources.

Green Banking is also called ethical banking or a sustainable banking and promotes environmental-friendly

practices and reducing carbon footprint from the banking activities. It will blend customers' financial interests with the interests of the environment. Green Banking will also enable environmental sensibility to pay off for clients and for the planet. It is an innovative solution for sustainable development.

The banking environment operates within the global standards of lending or investing and such standards have been revised after the global financial crisis both in terms of liquidity and capital adequacy. The going concern and gone concern capital has been re-defined and suitable buffers have also been developed taking into consideration the liquidity and systematic issues.

In addition to above banks as socially responsible citizens have a role to play on protecting environment and contribute to sustainable development. Hence every bank should earmark minimum 10 per cent of Tier 1 capital subject to a cap of 10 per cent of risk weighted capital towards green banking or clean development mechanism (CDM) or any sustainable development projects taking into consideration the carbon emissions prevailing



Green banking considers all the social and environmental factors with an aim to protect the environment and conserve natural resources. — Getty Images

in the economy in which the bank operates.

The greenhouse gas (GHG) emissions need to be estimated for major economic sectors in areas of operation to determine the carbon footprint. Based on the carbon footprint in various economic sectors various initiatives be proposed to promote Green economies such as Lending for Green projects, CDM scheme and Paperless banking. The allocation matrix should be such that greater the carbon footprint in the relevant economic sector,

the higher the allocation of capital for Green Banking and Sustainable projects.

The carbon footprint will be different across various geographies and economic sectors and hence country wise and sector wise allocations should be explored. This forms the basis for Green banking and brings prudence into the capital framework.

GCC banks as part of green banking can promote paperless banking, Internet banking, SMS banking, phone banking, e-remittances and online bill Payments. They can also develop green accounts and credit cards and develop green banking websites. They can also lend for district cooling services and renewable energy projects.

GCC banks should also track the developments pertaining to various conference of parties (COP) meetings of United Nations framework convention on climate change. The conference of the parties to the United Nations framework convention on climate change) is underway in Paris and will aim to achieve a legally binding and universal agreement on climate, with the aim of keeping global warming below 2°C. With rising temperatures thrust should be on green banking initiatives to mitigate climate change.

The writer is the group CEO of Doha Bank. Views expressed are his own and do not reflect the newspaper's policy.