

Banks should set aside capital to promote 'Green Banking': Top banker

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Banks, as socially responsible entities, should earmark capital for 'Green Banking' apart from capital for regulatory requirements to protect the environment and promote sustainable development, noted a leading Qatari banker at an event in the US recently.

Dr R Seetharaman (pictured), CEO of Doha Bank, speaking at 'The UAB - World Bank Breakfast' meeting at the World Bank Headquarters in Washington DC, said: "Green Banking promotes environment-friendly practices and reducing carbon footprint from the banking activities. The global financial crisis has made me rethink on Green Banking. Banks as socially responsible citizens should earmark capital for Green Banking apart from capital for regulatory requirements."

Dr Seetharaman added: "The areas which are related to Green Banking and impact sustainable development include Green economies, Food security, Corporate Social Responsibility, Public -Private Partnership, Climate Change Financing, Small and Medium enterprises, Global and GCC Sustainability and Human resources. The key themes are Green economies are the solutions to global sustainability, Green Banking encourages Green economies and thereby mitigate climate change, Effective Policies are required to attract Private Sector investment in climate change, Climate change mitigation is necessary to address Food Security Challenges, SMEs are critical for sustainable development of economies and Global Governance gives emphasis on sustainable development."

Commenting further on Green Banking Seetharaman said that 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 redefined and suitable buffers have also been developed taking into consideration the liquidity and systematic issues. However, 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 percent of Tier 1 capital subject to a cap of 10 percent of risk weighted capital towards Green banking or Clean development mechanism (CDM) or any Sustainable development projects taking into consideration the carbon emissions prevailing in the economy in which the bank operates.

He also said that 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 should be proposed to promote green economies such as lending for green projects, CDM scheme and paperless banking.