



UNEP FI North American Task Force Report on “Green” Financial Products & Services

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Katie Sullivan, ICF International
Sustainable Retail Banking – Push or Pull?
UNEP FI 2007 Global Roundtable
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Green Financial Products and Services

Current Trends and Future Opportunities in North America

A report of the North American Task Force (NATF) of the
United Nations Environment Programme Finance Initiative



- Report prepared for UNEP FI North American Task Force in 2007
- The most comprehensive study to date on environmental banking products, detailing over 50 product designs
- Interviews and product research undertaken in early-2007
- Sectors covered: retail banking; corporate & investment banking; asset management; and insurance
- Regions covered: North America, Europe, Australia and Japan
- Available at www.unepfi.org

Key Questions:

- **What are the main drivers & trends behind green financial product/service development?**
- **What is the current & potential demand for green products/services?**
- **What green financial products/services are currently being offered around the world?**
- **What best practices & lessons learned can be identified?**
- **What are some key opportunities to consider in terms of the development & marketing of green financial products/services?**

Drivers & Trends

- Environmental Knowledge & Coverage
- Environmental Awareness & Public Opinion
- Environmental Regulation & Legislation
- Client vs. Board-Driven
- Disclosure Requirements
- Actions by Internal/External Stakeholders

“As environmental understanding and awareness grows in North America, so does the demand for products and services that advance environmentally sustainable lives, livelihoods, and communities.”

Recent Polls and Market Research

75% of Americans acknowledge their own behavior can help reduce global warming

81% of Americans feel it is their responsibility to take action against this environmental challenge.

According to a recent poll by Yale University:

75% of the public is willing to purchase solar panels, and 67% would consider buying a hybrid vehicle.

The Business Case

While green financial product and service opportunities vary across sectors and markets, a business case for these items is gradually taking shape. Benefits to “green” product/service development may include:

- ★ Improved market share
 - ★ Increased profits
- ★ Customer acquisition and loyalty
- ★ Higher employee satisfaction and retention
- ★ Reputational benefits (improved brand image)
 - ★ Positive media attention
- ★ Environmental awareness and benefits
 - ★ Improved license to operate
- ★ Strengthened relationships and partnerships with external stakeholders

Green Retail Product Areas

RETAIL BANKING	
Green Loans	Lower interest rates than market level for loans to purchase cars with low GHG intensity and high fuel efficiency, to purchase energy efficient appliances or solar, biomass and other renewable installations at homes
Green Mortgages	Lower interest rates than market level for mortgages to purchase new energy efficient homes, invest in retrofits and energy efficient appliances
Green Cards, Sales, Accounts	Deposit accounts and debit/credit cards linked to donations to environmental NGOs by the bank. Carbon neutral credit/debit cards (i.e. emissions due to production of the card are offset or emissions linked to the purchases made by the client are offset).
Green Leasing	Leasing of environmental and GHG abating technology
Green Insurance	Insurance premium differentiation on the basis of environmentally relevant characteristics.
Microfinance/micro-credits	Microfinance in developing countries of emission reduction technologies, practices or projects

Other Product Areas

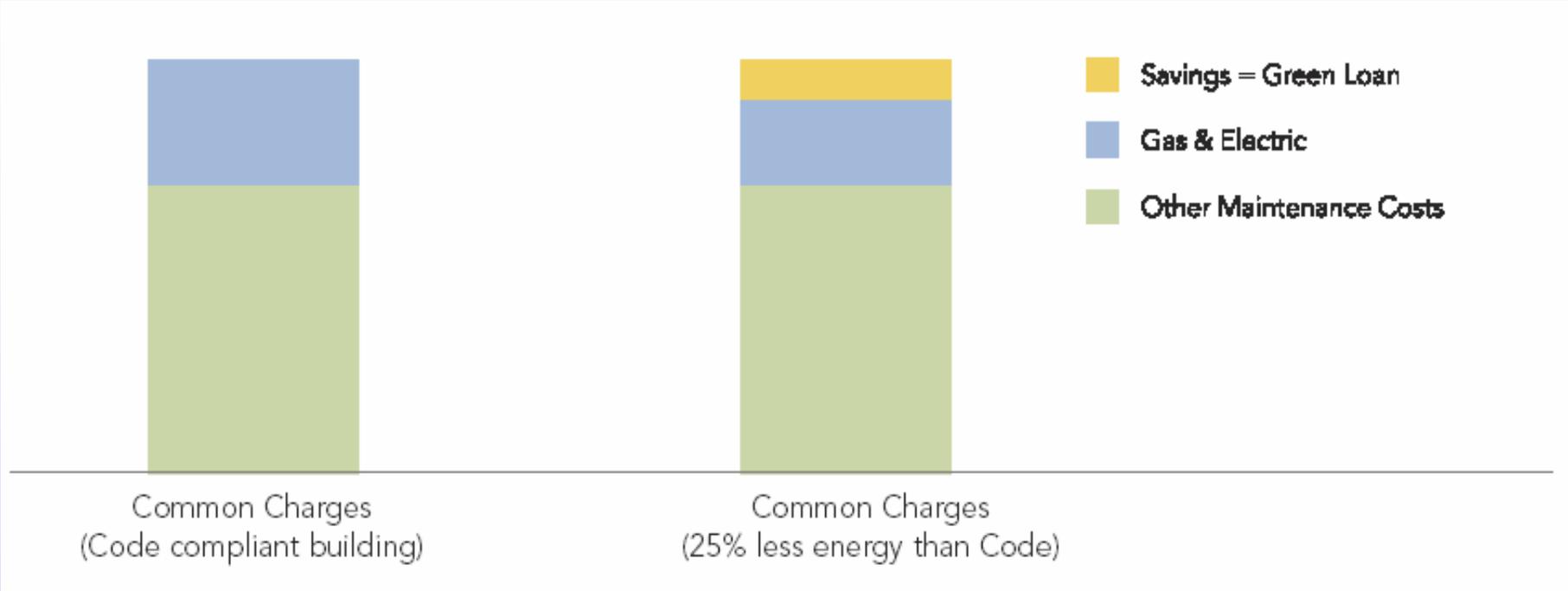
FINANCE & CORPORATE BANKING
Lending policies and measurement of GHG intensity of loans offered
Finance of emission reduction projects
Carbon finance to JI, CDM and voluntary reduction projects
ASSET MANAGEMENT
Carbon Funds
Green funds including private equity
Carbon-related certificates
Incorporating carbon in investment banking
Real estate investment trusts

TRADING DESK SERVICES AND PRODUCTS
Market access to carbon credits and allowance markets, brokerage, intermediation on behalf of corporate clients
Risk management, hedging and speculative operations on behalf of EU ETS corporate clients – development of cross-commodity trading strategies
Clearing/escrow /custodian/trust services - Safekeeping and clearing of trades of EUA and carbon credits
Insurance of carbon transactions: Insurance products for EUA and project transactions
Emission indexes

Innovative Product Examples

- ◆ Green Building Loan (*TAF/Tridel®*)
- ◆ Fleet Loan (*Bank of America*)
- ◆ Home Equity Loan (*New Resource Bank*)
- ◆ Green Building Replacement and Upgrade Coverage (*California Fireman's Fund*)
- ◆ BarclayBreathe Card (*BarclayCard*)
- ◆ Power-Oriented Home Mortgage

Green Building Loan *(TAF/Tridel®)*



Retail Banking: Lessons Learned

- ◆ In terms of product development, there continues to be minimal environmental leadership in North America's retail banking sector.
- ◆ Opportunities in the retail banking sector seem to be the most diverse in terms of product innovation and strategic marketing.
- ◆ True innovation is not simply the introduction of new niche 'green' products for retail clients, but the integration of environmental incentives into mainstream offerings.
- ◆ A number of product designs can transcend eco-areas. For instance, a climate product can be tweaked to encourage water conservation or waste reduction.
- ◆ Ensure the products deliver real and verifiable environmental benefits.

Identified Opportunities

- ◆ **Emerging Opportunities**
 - *Green Commercial Real Estate*
 - *Carbon Market*
 - *Clean Technology*
- ◆ **'First Mover' Opportunity**
 - *Carbon Neutrality*
- ◆ **Stakeholder Alignment Opportunities**
 - *Manufacturers*
 - *Government*
 - *Non-Governmental Organizations*
- ◆ **Marketing & Strategy Opportunities**

Looking Ahead

As more quantitative and qualitative track records emerge for “green” financial products and services, some key questions should be asked when measuring product performance and promise.

For instance, does the offering:

- ★ Achieve high levels of financial performance?
- ★ Attract a particularly large number of customers?
- ★ Last over time, and is re-launched year after year?
- ★ Raise the environmental awareness among all stakeholders?
 - ★ Receive positive attention from the media and ENGOs?
- ★ Prompt the introduction of other eco-products and services?
 - ★ Improve brand recognition and corporate image among stakeholders?

Take Home Messages

- ◆ **Be Innovative**
- ◆ **Embrace Environmental Leadership**
- ◆ **Ensure Environmental Integrity**
- ◆ **Educate & Motivate Stakeholders**
- ◆ **Collaborate with Stakeholders**
- ◆ **Be Consistent**

Environmental Finance magazine named ICF International as the **leading advisory services** company in three relevant categories:

- Over **250 climate change specialists**
- Since 1987, ICF has provided integrated private-public sector solutions to climate change

	Best Advisor: EU Emissions Trading Scheme
	Best Advisor: North American GHG Markets
	Best Advisor, Runner Up: Kyoto Project Credits

Services include:

- ✓GHG inventory development and carbon footprinting (entity and product-level);
- ✓Carbon neutrality strategies and evaluation of offset options (entity and product-level);
- ✓Staff training & development;
- ✓Climate product benchmarking studies;
- ✓Carbon market analyses;
- ✓GHG protocol development and reporting guidance; and
- ✓Carbon tools (suite of climate change strategy tools).

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