Finance & Biodiversity

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Environmental Risk
ABN AMRO
What is an externality?
Clean river

Clean sand

Stable climate

Biodiversity

Clean air

Some externalities
Externalities now have prices $$$

Clean river
Clean sand
Stable climate
Biodiversity
Clean air
These costs will rise

- Cost of water
- Cost of *treating* water
- Cost of garbage disposal
- Cost of cleaning up contaminated land
- Cost of reducing air pollution
- **Cost of protecting biodiversity**
- **Cost of emitting greenhouse gases**
- Environmental fines of any kind
- Cost and *number* of indemnities to employees and clients
- Damage caused by NGO campaign against your company
Risks for a financial institution

Credit risk: default

Collateral: depreciated assets

Reputational risk

Shareholder risk: depreciation of stocks
ABN AMRO Global Policies

ABN AMRO has policies for sectors, including...

- Forests
- Mining
- Oil & Gas
Forests

- No cutting of native forests
- No projects on land where native forest was cut in last five years
Forests

Additional policy for Brazil

- Clients that extract native lumber must have eco-seal
- If no eco-seal, client must show credible evidence that company is on the way.
Global policies

ABN AMRO policies
Metals & Mining

- Specific Client Diagnostic Tool (CDT)
- Biodiversity is a factor
Global policies

ABN AMRO policies

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ABN AMRO Global Policies

• ABN AMRO co-author of “Equator Principles”
  – Lanchend June 2003
  – Under revision

• Any new project costing more than US$ 50 million must follow IFC / World Bank guidelines

• 47 financial institutions have signed so far
Brazil: long-term financing

• Loans using Brazil-based funding
• Loans using IFC funding
  – US$ 98 million line for general environmental improvements

FSC-certified clients have benefitted from both lines
Global Environmental Facility (GEF)

• **US$ 5 million IFC GEF line**
  – Terms are softer than regular commercial loans
  – Eligible projects must demonstrate promotion of...
  – ...biodiversity
  – ...mitigation of greenhouse gas effects

• **Available only in Brazil**
• ABN AMRO in the Netherlands requires FSC certification for wood products to be used in its facilities.

• ABN AMRO in Brazil working with furniture suppliers to implement FSC chain of custody certification.
Partnership

Since 2004, ABN AMRO has helped SPVS find sponsors to “adopt” areas to preserve *araucária* trees in Paraná state.