Roles of Financial Institution on Adaptation of Climate Change

December 6th, 2007 Bali
Millenium Development Goals

IMPACT
- on farmers
- on fishing communities
- on coastal communities
- on urban dwellers

Cummulative pressures
- Increasing levels of poverty
- Damage to health
- Rising malnutrition
- Loss of water sources
- More frequent fires

Hindered by Impacts of Global Climate Changes

Poor People Adaptation
- Adaptation in Agriculture
- Adaptation in Coastal Zone
- Adaptation for Water Supplies
- Adaptation for Health
- Adaptation in Urban Areas
- Adaptation in Disaster Management
- Adaptation in Development Planning

Poor People of Developing Countries
Climate Change & Adaptation by Banks

Millenium Development Goals

ClimateChange Impact
- On Quality of Loan Portfolio
- On Reserved
- On doing things differently

Business As Usual or switch to SUSTAINABLE DEVELOPMENT FINANCING?

Adaptation by Bank
- Adaptation in Development Paradigm & Perspective
- Adaptation of Human Resource
- Adaptation for Lending Policy, Risk Mitigation
- Adaptation for Customers & Borrowers
- Adaptation for Operational Bank

Bank’s Support for reaching The Millenium Development Goals

ClimateChange Impact - On Quality of Loan Portfolio - On Reserved - On doing things differently

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Bank’s Support for reaching The Millenium Development Goals
Readdress Development Paradigm from the perspective of climate change, i.e. BNI became one of UNEP FI signatories on “Sustainable Development Statement” since December 2005 (among ±180 finance institutions all over the world) & Sharing the best practice on Financial Institution Initiative on Sustainability issues. Then involvement in the campaign through became a Member of Steering Committee UNEP FI Asia Pacific Region (appointed October 2007 in Melbourne Roundtable meeting).

International funding mechanism (Chiller Replacement-World Bank grant, Agence Francais de Developpement long term funding offers, JBIC, KfW)
1. Bank implement Sustainable & Responsible Investment
   a) A debtor should provide an Environment Impact Analysis (AMDAL), minimize & mitigate environment risk (part of Credit Policy & Procedures)
   b) Environment aspect as one of parameter (Risk Factor) in Internal Rating System (application of Environment Credit Risk Assessment/ECRA): Customer Risk Rating (Investment Grade & Non Investment Grade)

2. ADAPTATION IN LENDING POLICY & PROCEDURES
3. Adaptation for Human Resource Development

Capacity Building through training of Credit Officers / Relationship Managers on Awareness of Environmental issues i.e. Climate Changes, Alternative Energy, Renewable Energy Efficiency Industry, Recycle - Reuse - Reduce
4. Adaptation Ideas for Customers

- Customer to diversify their sources of income (i.e. Farmers to consider a different crop varieties)

- Utilize a cleaner production system, efficiency energy & natural resources, reuse products

- Coping with climatic change by making appropriate adjustment i.e:
  - the planting period relate to the new season pattern;
  - cultivate drought-resistant crops;
  - adjust commodity type which need less water (i.e. organic farming is more resilient to water shortages) or varieties that are suitable for a shorter wet season;
  - Using a more natural fertilizers & natural pesticide;
  - Replanting coastal zone with mangrove
- BNI Tunas Usaha & BNI Wira Usaha financing scheme the micro & SME (toward achieving MDGs) & reducing Lower Income Family from their economic vulnerability

- not to import an obsolete equipment/technology but a new cleaner production technology & more efficient energy/natural resources

- Re-engineering production system/technology to an environment friendly one (i.e. textile, cold storage, etc. any industry)

- Reduce carbon dioxide emissions/pollutants(greenhouse gases)

- Debtors in Coastal Zones apply 3 basic strategies: “Protect-Retreat or Accommodate”
5. Adaptation Ideas for Bank Operational

- Reuse paper (two sided printing)
- Going toward Paperless Report
- Local Area Network IT
- Efficient electricity
- Working area temperature: 23°C (the most efficient air condition temperature)
- Smart & casual official wear
- Waste management
BNI Experience

ENVIRONMENTAL CREDIT LINE / SOFTLOAN : JBIC & KfW

Industrial Efficiency and Pollution Control Program
KfW Germany
Pollution Abatement Equipment
Japan Bank for International Cooperation (Total IDR 74,73 Billion)

- Recycle Industry = IDR. 7,533 M
- Industrial Efficiency = IDR. 33,43 M
- Agribusiness = IDR. 9,62 M
- Textile Industry = IDR. 24,15 M
## SME Environment Financed by BNI Commercial Funding

<table>
<thead>
<tr>
<th>No</th>
<th>Business Sector</th>
<th>Borrower</th>
<th>Maximum Loan Facility (IDR)</th>
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<td>Recycle Industry (Plastic, water treatment, etc)</td>
<td>Budi Wijaya</td>
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<td>Industry Efficiency (Spring Bed, cleaner production wood industry, drinking water, food processing etc)</td>
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GREEN DIESEL–BATAM ISLAND
(decrease emission NOX 42%, CO 22.6%,
more efficient use of fossil fuel 25%,
cheaper 10%)
BNI

Poultry Cleaner Production
 ✓ Bio Fuel: Crude Palm Oil, Sorgum, Jarak
FISHERY INDUSTRY

Cold Storage with Ammonia/Non CFC Technology
Hydro Power Plant At Poso (corporate segment) & Some Mini Hydro (middle business)
Cleaner Production, Organic & Hygiene

Traditional Drink

Packaging Machine, Food Industry

Computerize Embroidery, None Rejected Product (Textile Industry)

Finger Joint Equipment for recycle wood, Wood Industry
Reuse Wood

Waste Wood → Mushroom Industry

WASTE RECYCLE
(PAPER, ELECTRONICS, ETC)
Involvement in Global Cooperation (Carbon Trading/ Clean Development Mechanism, with involvement of Local Expert)
Now, it is up to us to use our God-given ability to reason with one another about our future & make moral choices to change the policies & behaviors that would, if continued, leave a degraded, diminished & hostile planet for our children & grandchildren - and for human kind.

We must choose instead to make the 21st century a time of renewal. By seizing the opportunity that is bound up in this crises, we can unleash the creativity, innovation & inspiration that are just as much a part of our human birthright as our vulnerability to greed & pettiness.

THE CHOICE OURS. 
THE RESPONSIBILITY IS OURS. 
THE FUTURE IS OURS...

(quotation from An Inconvenient Truth p.298, by Al Gore, 2006)
References

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