

IBF Climate Change Principles for the Financial Sector

MAY 2009



The Irish Banking Federation (IBF) is the leading representative body for the banking and financial services sector in Ireland, representing over 70 member institutions and associates, including licensed domestic and foreign banks and institutions operating in the financial marketplace here.

Background to the IBF Climate Change Principles

1. The following banks and financial institutions (“Banks”) wish to express our support for the adoption in Ireland of measures which help to promote environmental sustainability and mitigate climate change. We recognise a growing global imperative to make substantial cuts in greenhouse gas emissions and, in an Irish context, to encourage regulatory and legislative changes that address this issue.
2. As providers of banking and financial services, we recognise that we may be able to influence the promotion of environmental sustainability and climate change mitigation measures in Ireland. We wish to do so by voluntarily adopting, through the auspices of the Irish Banking Federation (“IBF”), certain guiding principles called the “*IBF Climate Change Principles for the Financial Sector*”.
3. These Principles are intended to provide a broad, common framework within which each Bank will seek – in accordance with its own commercial and other considerations - to operate in support of climate change mitigation and environmental sustainability. The Principles will guide each Bank in respect of the following areas of activity (to the extent undertaken by each Bank concerned):
 - (a) **Energy Financing** - investment in and financial structuring of commercially viable transactions in the areas of energy efficiency, clean energy technology and the carbon market;
 - (b) **Waste Management** - investment in and financial structuring of commercially viable transactions in the area of waste management infrastructure consistent with environmental sustainability;
 - (c) **Customer Services** - development of appropriate products/services that help or encourage customers in the area of sustainability; and
 - (d) **Operations Management** - management of own in-house policies and practices in support of environmental sustainability.
4. We believe that the adoption of these Principles will help to promote the climate change mitigation agenda to the benefit of all concerned, including for the banking sector in Ireland, their customers and other stakeholders. The IBF would welcome commitment from Government to ongoing engagement with the banking sector in support of the sector’s efforts, both individually and collectively, to promote the climate change mitigation agenda, and to keep the sector apprised of evolving Government policy and strategy in this important area. We note that the implementation of these Principles is much dependant on the applicable legal, regulatory, fiscal and policy framework in place from time to time in Ireland as related to environmental sustainability, climate change mitigation, waste management and energy use.

5. Through the IBF, and in consultation with relevant stakeholders, we intend to review these Principles from time to time in order to reflect ongoing learning and emerging good practice. Further, we intend that, as part of such review and depending on our experience of the operation of these Principles, the specific range of banking sector activities covered by these Principles may be expanded to cover other banking activities which have relevance to environmental sustainability and climate change mitigation.
6. These Principles represent broad principles which are to apply without prejudice to the right (and obligation under law) of each Bank to conduct its own business in whatever manner it considers fit in the ordinary course. These Principles do not constitute a Code of Conduct.
7. The adoption of these Principles is in addition to any other steps and measures which the IBF or any Bank may wish to adopt or promote in support of environmental sustainability and climate change mitigation.

IBF Climate Change Principles

(a) Energy Financing

Principle 1: Low-Carbon Energy Technologies

- We will seek viable projects and investments that positively encourage the development of increased renewable and low-carbon energy capacity in Ireland across a range of sectors which may include wind, biomass, ocean, solar and other technologies as appropriate.

Principle 2: Carbon Markets

- We recognise the role of carbon markets as a key element in the process of driving investment towards energy efficiency and renewable energy sources.
- We understand the importance of factoring in the future carbon-related costs associated with energy production and use, as well as other environmental impacts, when assessing the viability of energy production projects.
- We recognise the importance of research and development into Carbon Capture and Storage (CCS) technologies and projects.

Principle 3: Power Markets

- We acknowledge the importance of financing energy generation projects in Ireland, and of anticipating future risks of additional costs for the power generation businesses concerned; in particular, the risks relating to potential additional regulatory-driven emissions controls and changing demand dynamics.
- We will endeavour to underline the importance of minimising the carbon impact of new energy generation capacity in Ireland, with due regard to social and environmental factors.
- We recognise the importance of fuel diversity in Ireland's energy mix in maintaining long-term security of supply; it remains a matter for each Bank to decide whether or not to offer, or continue to offer, finance and investment support to a broad spectrum of sources and technologies, including power generators using fossil fuels.
- We will work with Government, regulators and market participants to support the development of efficient, sustainable and secure markets in Ireland in gas and electricity.

(b) Waste Management

Principle 4: Waste Management and Recycling

- We recognise the importance of increasing investment in waste management and recycling infrastructure across Ireland, and understand this to be a key element of the Government's environmental sustainability strategy.
- We support energy efficient methods of waste management and understand the importance of factoring in environmental impacts when assessing the viability of projects proposed for waste related project financing in Ireland.

(c) Customer Services

Principle 5: Customers

- We recognise the growing importance of environmental sustainability for our customers and we will individually consider the development of appropriate products and services that help or encourage customers in Ireland in the area of sustainability. As with all customer products and services, it remains a matter for each Bank to determine what environmental-related products or services it may offer or (as applicable) continue to offer to customers.

(d) Operations Management

Principle 6: Impact of Own Operations

- We recognise the importance of effective management of energy, water and paper consumption by, and of promoting recycling initiatives within, our respective organisations in Ireland, and we are committed to improving our performance in these areas.

Principle 7: Suppliers

- Suppliers play an important role in the management of our environmental impact, whether they are engaged directly in the provision of environmental services or indirectly through the provision of consumables and other services. We are committed to working with our suppliers in Ireland to encourage them to the extent practicable to incorporate environmental standards and practices into their processes and services.

Principle 8: Environmental Awareness

- We are committed to building on the growing awareness of the importance of environmental sustainability in Ireland among all stakeholder groups, and in particular through the promotion in Ireland of environmental sustainability among our customers, employees and other stakeholders as appropriate.

Principle 9: Environmental Risk

- We recognise the importance of good environmental risk management as part of our business activities in Ireland, and accordingly of giving proper and due regard to climate change risk issues.

Principle 10: Regulatory

- We are committed to the extent practicable, and whether individually or through the auspices of the IBF, to assisting Government and (as applicable) other stakeholders with respect to the development of policy, regulatory and legal changes in Ireland that would, directly or indirectly, facilitate the effective implementation of the Principles set out under (a) to (d) above, and in particular changes that support the promotion and viability of clean energy technologies as well as an appropriate waste management infrastructure in Ireland.

The following IBF-member institutions subscribe to the *IBF Climate Change Principles for the Financial Sector*.

- Aareal Bank AG Dublin Branch
- ABN AMRO Bank
- ACC Bank
- AIB Group
- Bank of America
- Bank of Ireland Group
- Bank of Scotland (Ireland)
- BNP Paribas
- Citibank Europe
- Dexia
- DZ Bank Ireland
- EBS Building Society
- Elavon Financial Services
- Helaba Dublin Landesbank
Hessen-Thuringen International
- HP International Bank
- HSBC Bank Ireland
- Intesa Sanpaolo Group
- Irish Nationwide Building Society
- KBC Bank Ireland
- LBBW Asset Management
(Ireland)
- MBNA Europe Bank
- Merrill Lynch International Bank
- National Irish Bank
- Northern Rock
- Permanent tsb
- Pfizer International Bank Europe
- PNC International Bank
- Postbank
- Rabobank Ireland
- TD Global Finance
- Tesco Personal Finance
(Ireland)
- Ulster Bank
- Unicredit Bank Ireland
- WGZ Bank Ireland