

# **The Asia Leadership Program on Sustainable Development and Climate Change**

## **ACCELERATING GREEN FINANCING**

**Takejiro Sueyoshi**  
Chief Executive Officer, the Green Finance Organisation

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# Green Banks

# Emerging Green Banks

Green Investment Bank(**UK**)

Clean Energy Finance Corporation(**Australia**)

Green Tech **Malaysia**

**NY** Green Bank

**New Jersey** Energy Resiliency Finance

Green Fund(**Japan**), etc

# Finance Initiative to Build a Low-Carbon Society

## Political Leadership

- **Minister of the Environment**

## Concepts

- There is a **big funding gap** between the current funding level and the level required for building a low-carbon society.
- **Mobilizing private financial resources** into green investment is indispensable.



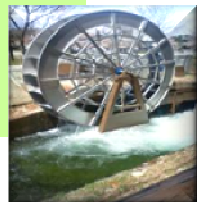
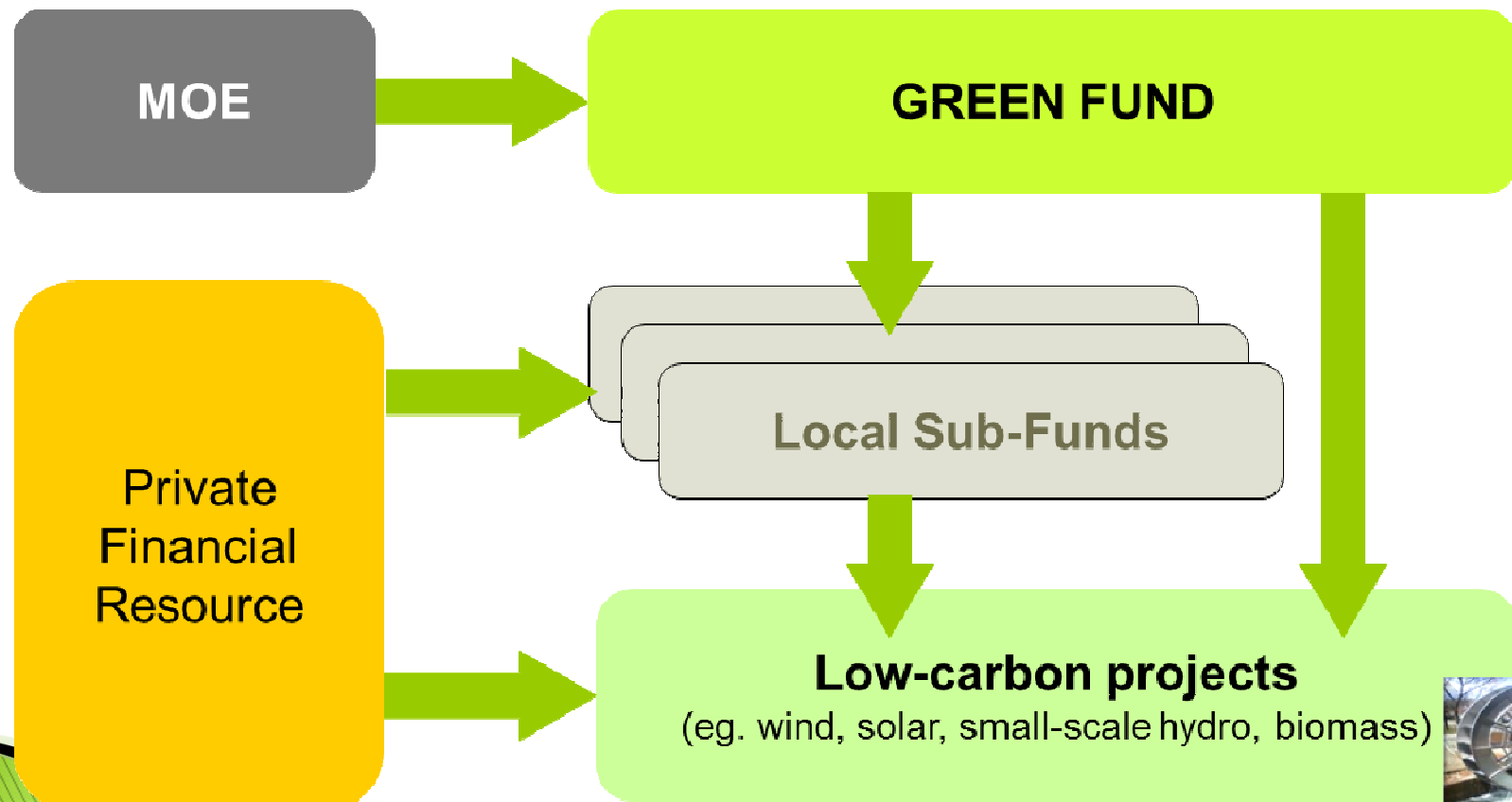
**GREEN FUND**

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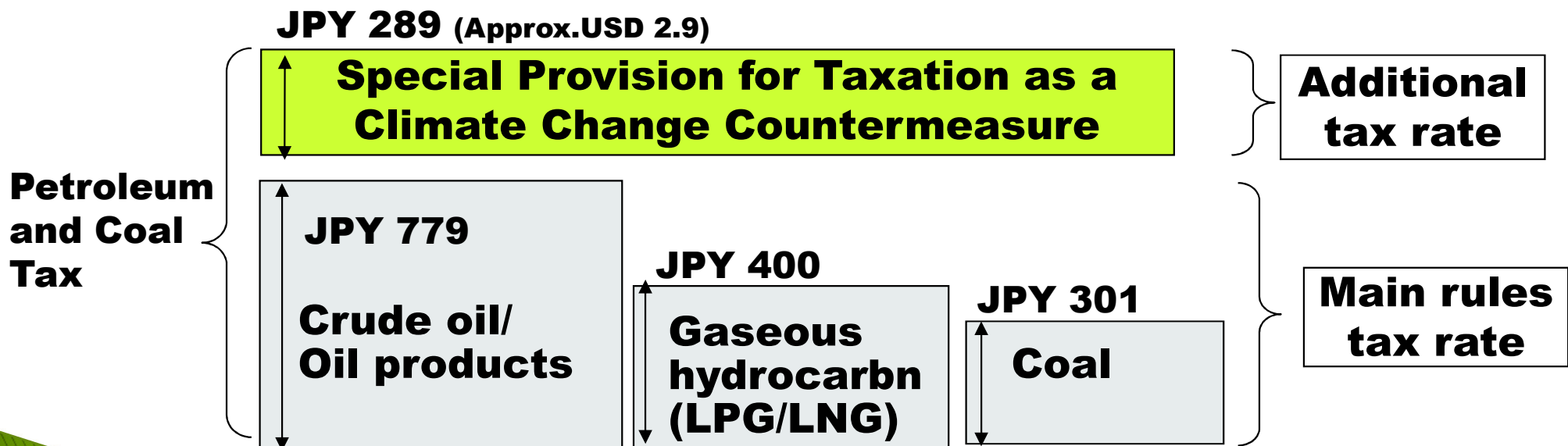
*Encourage private investment  
in domestic low-carbon  
projects*

# The Green Fund: Overview

◆ **The Green Fund makes investments in domestic low-carbon projects which reduce CO2 emissions and benefit the local communities with using the Carbon Tax revenue.**



- ◆ Enforced from Oct. 2012 and increases in the tax rate gradually over 3 and a half years
- ◆ Tax rate corresponding to the amount of CO2 emissions for all fossil fuels (JPY 289/t-CO2)
- ◆ All the tax revenue will be allocated for curbing energy-origin CO2 emissions



**Tax Revenue**

[1<sup>st</sup> year] JPY 39.1 billion



[Normal year] JPY 262.3 billion (about US\$2.62 billion)

# An example of transaction

## Solar power Project

- ◆ A solar power project by an enterprise which works for local communities
- ◆ Profit from the project is to be used for environmental protection activities by local NPOs

### <SPC (trust account)>



**total project cost**  
**¥700 million**

**Electric power company**

**PLUS SOCIAL**

¥100million



※project developer

**Local companies**

¥50million

**Green Fund**

¥100million

**Commercial bank  
(through the PLUS  
SOCIAL)**

¥450million

Donation

**local NPOs**

Environmental-  
protection activities

Benefit  
the local communities

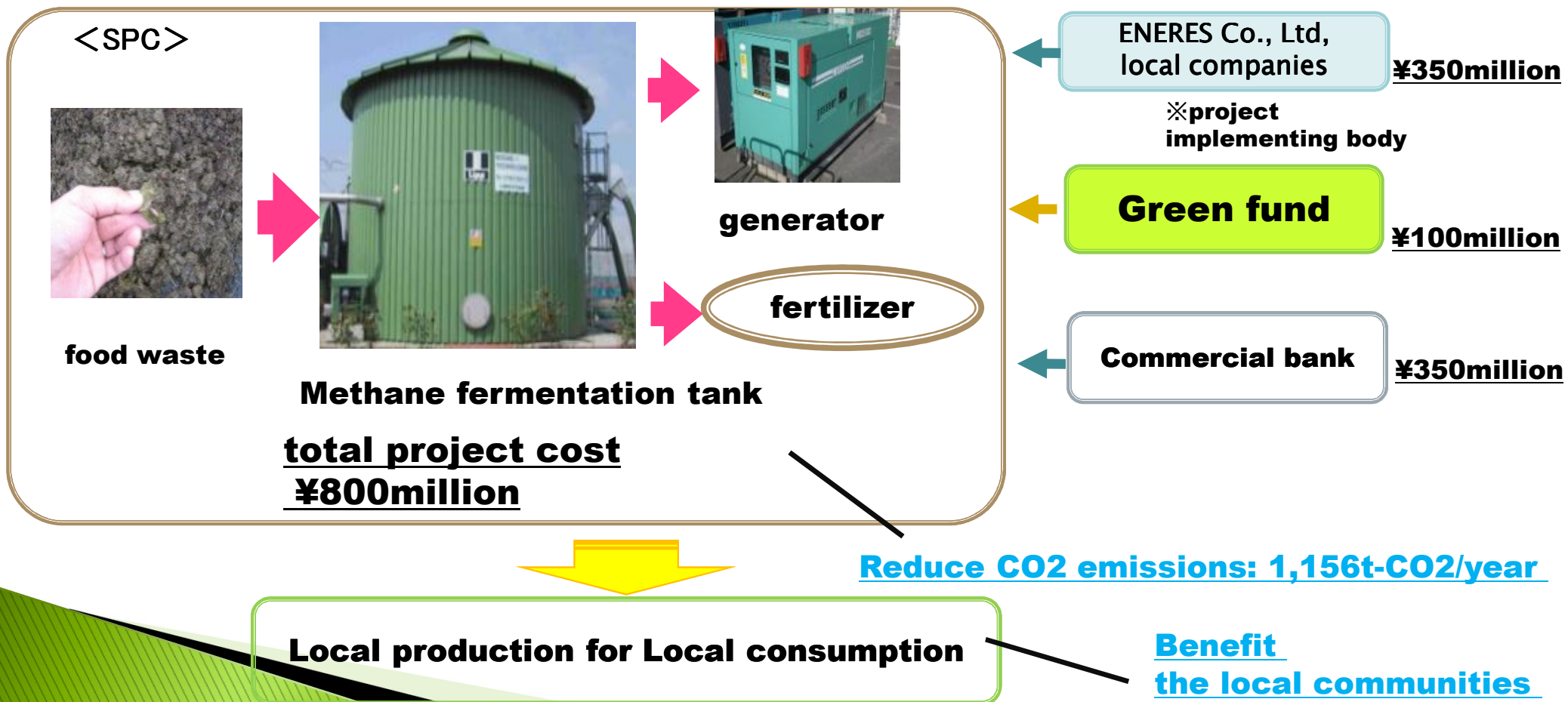
Reduce CO2 emissions: 1,156t-CO2/year



# An example of transaction

## Biomass power project

- ◆ A biomass power project at a beverage plant site
- ◆ Food waste which used to be incinerated is to be transformed into electricity and fertilizer for local use.





# We aim to....

**Develop many projects which reduce CO2 emissions and benefit local communities**

**Create a stream of private capital which realizes Green economy**



# My Suggestions

# The Role of Financial Regulators

The role of financial regulators is:

to ensure that **excessive risks including climate risks** that would threaten the stability of the financial system– and hence imperil the stability and sustainability of the economy– **are not taken by financial institutions.**

# How to regulate?

– **Inspection on-the-spot by FSA**

<soft law>

Inquiringly ask **Questions** on:

policy & strategy on climate change

achievement of environmental portfolio, etc

<hard law>

Introduction of **mandatory green portfolio**

a certain proportion(+1%/year up to 10%,

e.g.) of loan portfolio should be

shifted to green business/green borrowers

# Environmental risks missing ?

< Basel 3-5 ? >

Capital Adequacy Ratio

= Tier( 1 + 2 ) Capital / **Risk weighted assets**

The current Basel Capital Accord does not reflect environmental risks / carbon risks / climate risks in

**calculations of risk weighted assets.**

# Among others,,,

## **Pension Funds:**

Fiduciary Responsibility  
ESG(Sustainable) Investment

## **Principles for Responsible Investment (PRI)**

**1360 signatories with AUM of \$45trillion**

## **Green Bonds:**

green bond issuance:\$37b in 2014  
(\$53b of outstanding, climatebond.net)

the Green Bond Principles(Jan. 2014)

eligibility, disclosure, use of proceeds,  
independent assurance, etc



**THANK YOU VERY MUCH!**