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Lenders appear cool towards green projects

Environment

By Fiona Harvey in London

Financial institutions are among the most strident business voices calling for action to combat climate change, but a new report has found that they may be less willing to come forward with investment in the green economy.

A report from PwC, the professional services group, and the Climate Group, a body that advises business on climate change, which looked in detail at five of the most climate-friendly financial institutions, found they scored poorly on providing project finance for low-carbon companies.

Companies selling environmental goods and services have long complained that banks are reluctant to lend them the money needed to invest in their operations. Bloomberg New Energy Finance, a consultancy, found that investment in clean energy fell 6.5 per cent in 2009 compared with the previous year.

"I would give marks of three out of 10 on project finance," said John Williams of PwC, author of the report, which is to be launched in Davos today.

The five institutions assessed are banks Crédit Agricole, HSBC and Standard Chartered Bank and insurance groups Munich Re and Swiss Re.

Mr Williams said few banks were incorporating climate change into their decisions on whether to finance fossil fuel projects, such as coal-fired power stations, but that this was a mistake. "What banks should be doing is saying we know that there will be regulation of carbon, therefore why would you finance an asset that will become stranded in the next decade?" he said.

Francis Sullivan, adviser on the environment at HSBC, said the financial crisis and recession had hit green investment: "Last year was a very difficult one for many banks."

But he said banks might be doing more on project finance than they made known publicly, as they are wary of breaching client confidentiality.

Earlier this month, HSBC participated in a $350m (€250m, £217m) fundraising round for Better Place, a company specialising in setting up the infrastructure for electric cars.

In the US, banks and other investors may soon find it easier to judge their investments in green terms. The Securities and Exchange Commission voted this week to require companies to disclose information on how their business would be affected by climate change.

Ceres, a coalition of investors, welcomed the decision. Mindy Lubber, president of Ceres, said: "With this guidance, investors can make more sound decisions based on better information, and businesses will have a level playing field."


Vice-premier defends China policy