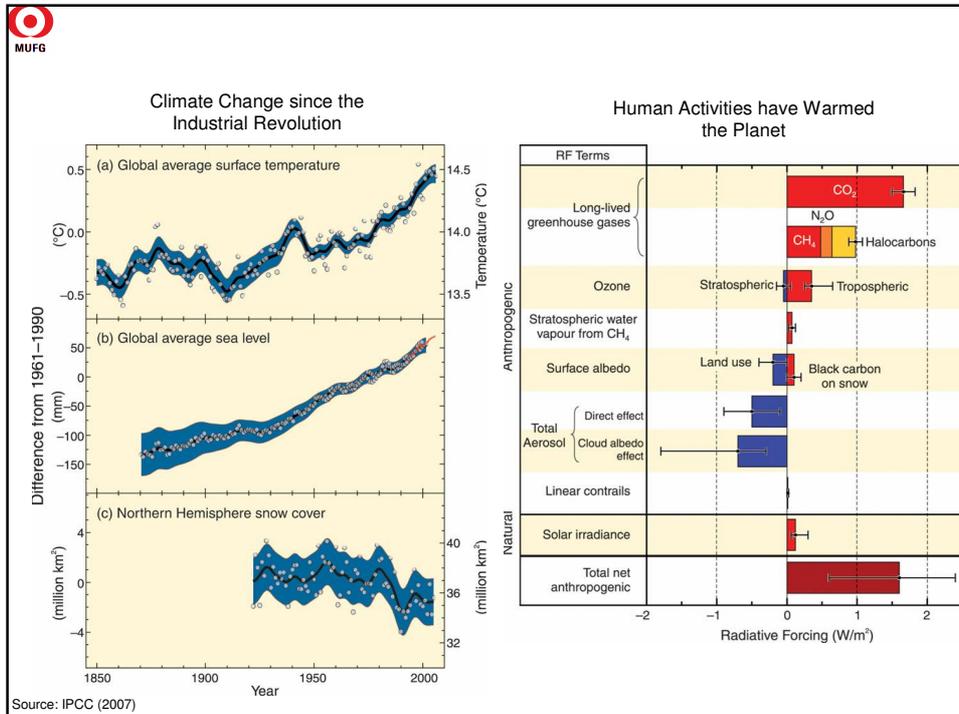
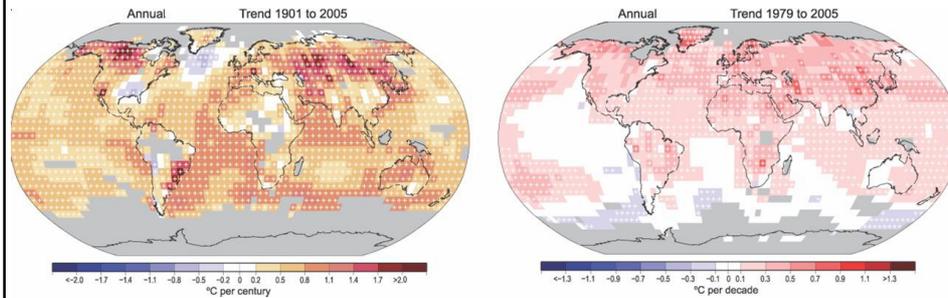


ABA General Meeting and Conference October 4, 2011  
 Plenary Session Three: Asia's Contribution to Sustainable Banking

# Banking in a Climate Challenged World

Takashi Morisaki  
 Managing Executive Officer  
 CEO for Asia & Oceania  
 The Bank of Tokyo-Mitsubishi UFJ, Ltd.





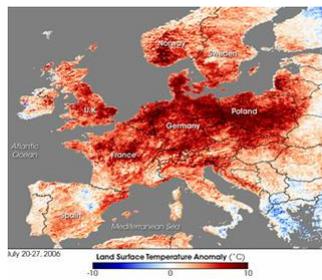
Source: IPCC (2007)



Source: Guardian UK (2010)



Source: Telegraph UK (2011)



Source: NASA (2006)

Up to a **5% loss in GDP per annum** on a business-as-usual (BAU) scenario



### ■ What will the future look like?

- Technology scenarios?
- Policy scenarios?
- Environmental impacts on investments?

### ■ How should the Banking Sector respond?

- Responding with climate-sensitive products?
- Shielding from climate liabilities?

### ■ What about the specific Asian Context?



Likely Scenario

RD

#### • Regional Divergence

- Different regions and countries adopting different policy frameworks
- Requires a dynamic response based on strong regional partners

DA

#### • Delayed Action

- Business as usual until a strong global policy mandate appears later this decade

SA

#### • Strong Action

- Immediate adoption of a strong global policy combating climate change

DN

#### • Do Nothing

- Business as usual for the next 20 years



- What will the future look like?
  - Technology scenarios?
  - Policy scenarios?
  - Environmental impacts on investments?

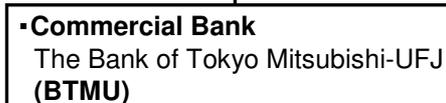
- **How should the Banking Sector respond?**
  - Responding with climate-sensitive products?
  - Shielding from climate liabilities?

- What about the specific Asian Context?



## Bank of Tokyo Mitsubishi UFJ Environmental Statement and Policy

- The two priority themes
  - Addressing Global Environmental Issues
  - Nurturing Society's Next Generation
- The Group Environmental Action Policy in June 2008
- Partnership with UNEP FI and adoption of Equator principles.



+





## Preferential financing for Environmentally Friendly Housing and Equipment.

BTMU has established financing that supports the plans of customers considering environmentally friendly housing purchases or remodeling by reducing their interest burden.

BTMU also provides preferential interest rates on housing renovation loans, for the installation of photovoltaic power and other environmental equipment.



## Eco-Friendly Corporate Loans

BTMU offers a variety of support to clients to help them reduce the emissions of greenhouse gases associated with their business activities.

In addition to offering low interest rate loans utilizing the Ministry of the Environment's interest subsidy program to a wide range of clients, BTMU provides financing by proactively offering funding for energy-saving equipment.

We have also developed products that support the environmental initiatives of small- and medium-sized enterprises (SMEs).



Hill's Walk Tokushige (Uny Co., Ltd.)



Nakano Shin-ten (provisional name, Marui Group Co., Ltd.)



## Climate-Sensitive Project Finance

BTMU has been involved in many renewable energy financing projects in Europe and North America.

In October 2009, BTMU closed the financing for portfolio of offshore and onshore wind farm assets, both as a financial advisor and a mandated lead arranger.

Despite the market turmoil, BTMU successfully brought together the deal with a total of fourteen banks from nine different countries.

BTMU is keen to contribute to the global development of renewable energy with its significant experience and knowledge of structured finance.



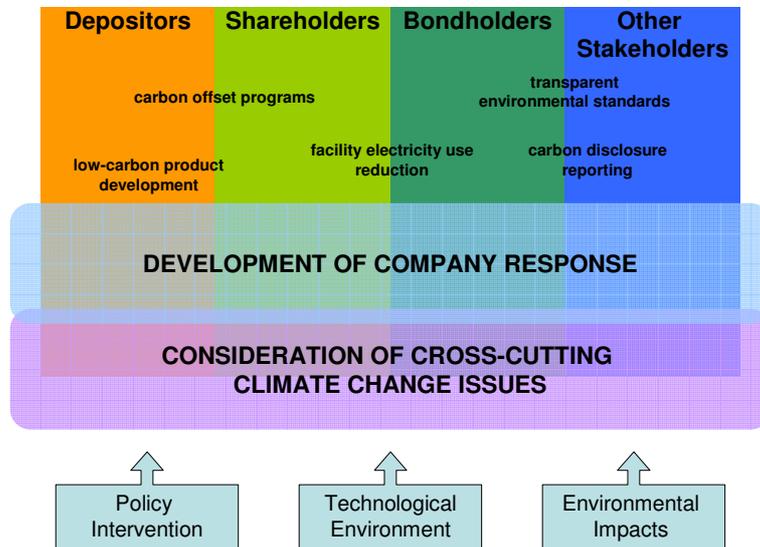
## Clean Energy Finance Division

- Leading developer of carbon finance projects and products
- Working with governments to develop new mechanisms
- Providing as a financial institution, services achieving profit, benefiting society, and increasing brand reputation

Clean Development Mechanism (CDM) Project Development	New “Post-Kyoto” Mechanisms Project Development
<ul style="list-style-type: none"> <li>–CDM methodologies approved: 10</li> <li>–Registered projects: 54</li> <li>–Currently Undergoing Validation: 33</li> <li>–Buying/Selling Carbon Credits</li> <li>–And many more in the pipeline</li> </ul>	<ul style="list-style-type: none"> <li>–Japanese Government Bilateral Mechanism Projects: 12</li> <li>–Nationally Appropriate Mitigation Actions (NAMA) Projects: 1</li> </ul>
Climate Change Government Capacity Building	Consulting for International Donor Projects
<ul style="list-style-type: none"> <li>–Governments including: People’s Republic of China, Ecuador, India, Kazakhstan, Latvia, Macedonia, Mexico, the Philippines, Serbia, Sierra Leone, Tajikistan, Ukraine, and Uzbekistan</li> </ul>	<ul style="list-style-type: none"> <li>–Clients include primarily JICA, GEC, and JBIC</li> <li>–Also consulted by Japanese Government Ministries on relevant overseas projects</li> </ul>



## Climate Change Liabilities



- What will the future look like?
  - Technology scenarios?
  - Policy scenarios?
  - Environmental impacts on investments?

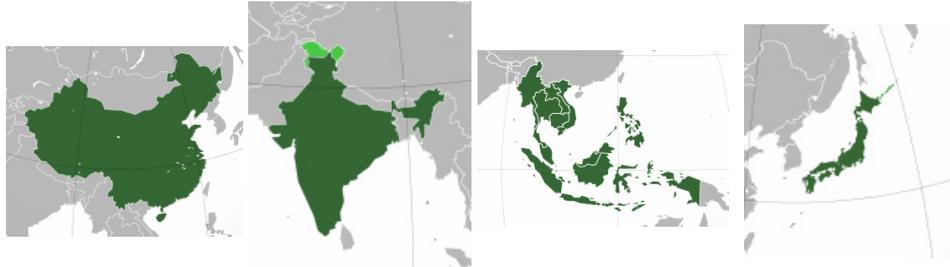
- How should the Banking Sector respond?
  - Responding with climate-sensitive products?
  - Shielding from climate liabilities?

- **What about the specific Asian Context?**



## Asian Context

- High incidence of poverty
- Generally high capital inflows
- Advanced state of industry
- Diversified policy responses to climate change
- Recognized need to switch to renewable energy



Note: maps not to scale



## China

- Strong domestic renewables sectors (wind turbine, solar PV, hydro turbine, generators, etc.)
- Strong government support mechanisms—clean energy considered a key industry
- Strong clean development mechanism (CDM) presence
- Unclear future role in a post-Kyoto Protocol international binding scheme
- Rural poor impacted by agricultural climate change
- Expensive infrastructure on coast





## India

- Some domestic renewables sectors with the lack of international competitiveness
- Government support mechanisms in place for renewables, but implementation problems
- Strong CDM presence
- Unclear future role in a post-Kyoto Protocol international binding scheme
- Rural poor impacted by climate change
- Most industrial centers inland away from sea level changes



## Southeast Asia

- High growth market
- Generally governments very supportive of low carbon future
- Some government support mechanisms in place for renewables
- CDM presence generally weak
- Future potential with bilateral schemes
- Unclear future role in a post-Kyoto Protocol international binding scheme
- Large areas of coastal and mountain population vulnerable to rising sea levels and land slides





## Japan

- Growth market for high-end technology
- Renewable sectors facing tough international competition
- Government very supportive of a low carbon future, with a lack of clear implementation methods
- Recovering from disaster to build a low-carbon future
- Leading edge of new carbon finance support mechanisms



- Climate change is a real issue with real consequences.**
- Investment now in low-carbon technology and green-growth is vital.**
- The impact will be felt not just by us, but by billions of people around the world.**
- Let us return the world we have borrowing from our grandchildren to a state better than that which we found it.**

Thank you!



Takashi Morisaki  
Managing Executive Officer  
CEO for Asia & Oceania  
The Bank of Tokyo-Mitsubishi UFJ, Ltd.

Image source: [jpsfoundationsrilanka.org](http://jpsfoundationsrilanka.org)