



ESPO Conference - 2024

Role of Commercial Banks in Financing Sustainable Port Projects



Arash Mojabi

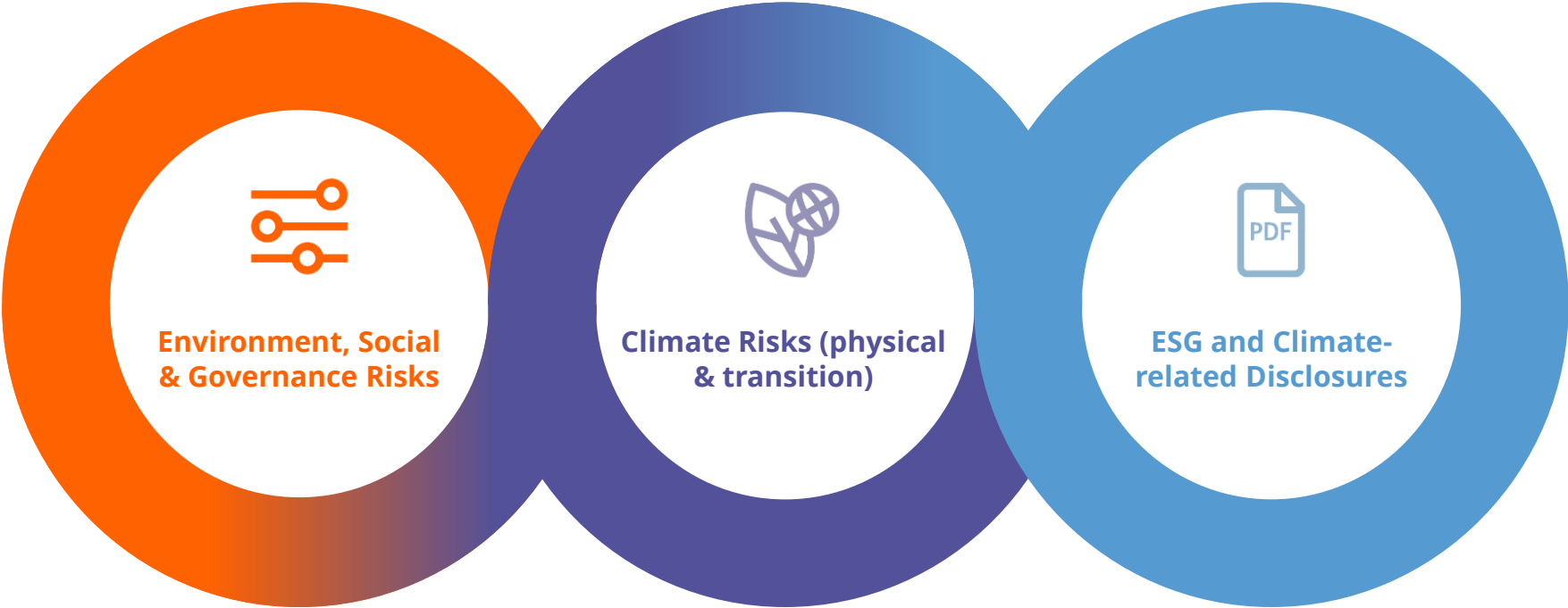
Director – Sustainable Finance (UK Lead)



do your thing

External Regulatory Pressure

From discretionary to mandatory and from risks to opportunities...



Bank Commitments

From an ING perspective...



Portfolio Steering

Client Engagement

Net Zero by 2050 (1.5°C Trajectory)

Focus on most carbon-intensive parts of our portfolio

Mobilise €125bn p.a. Sustainable Finance by 2025

- 144 banks (41% of global banking assets with \$74trn of assets)
- Must set interim 2030 targets with focus on priority sectors
- Publish progress annually

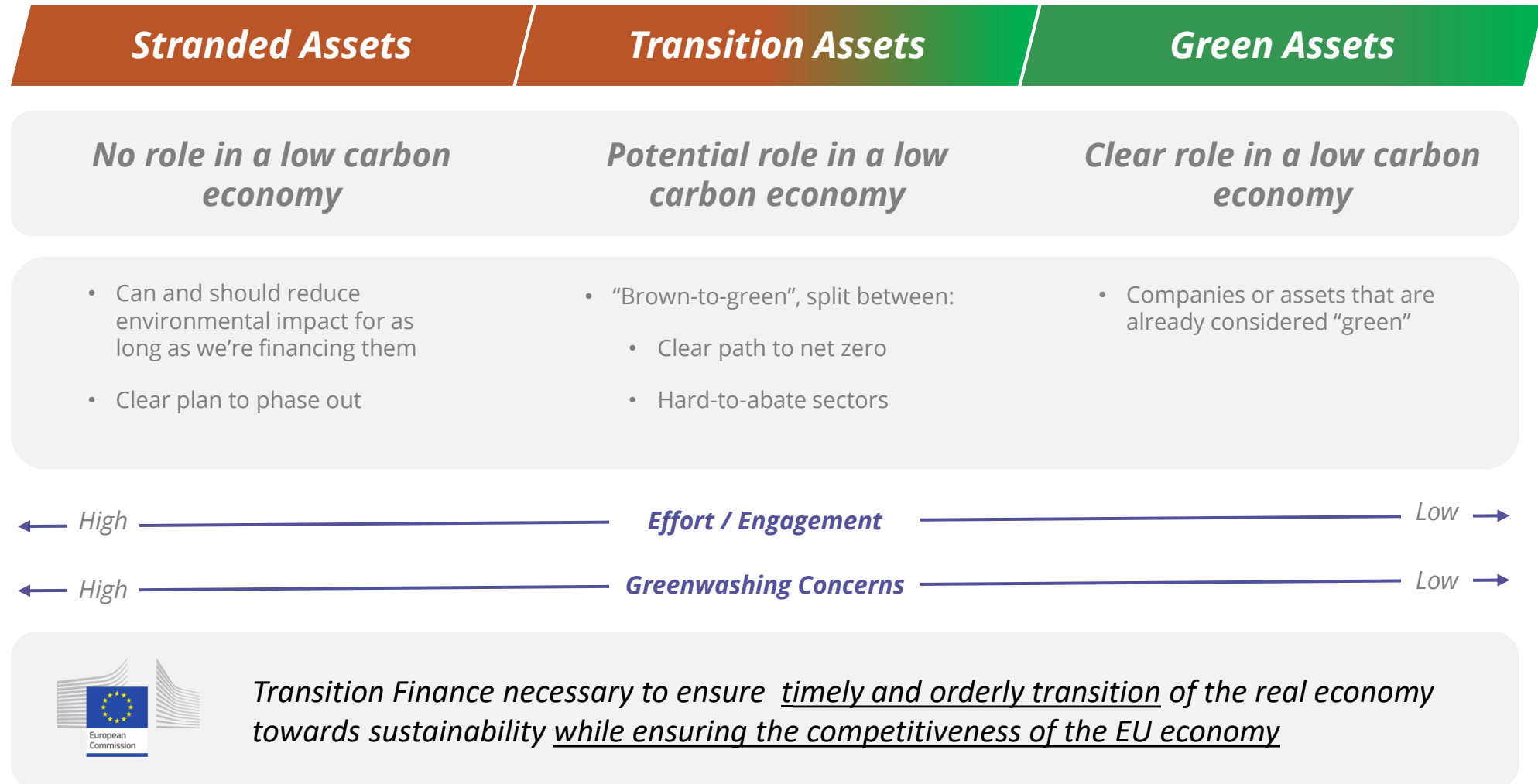
- Each sector has its own decarbonisation pathway, in line with most recent science
- Commitments include:
 - Phase out upstream oil & gas by 2040
 - 3x annual renewables financing by 2025 (vs 2022)

Oil & Gas: Upstream	on track
Power Generation	on track
Automotive	on track
Shipping	on track
Steel	close to on track
Aviation	close to on track
Cement	close to on track
Residential Real Estate	not on track
Commercial Real Estate	n/a: new reporting scope
Oil & Gas: Mid- and Downstream	n/a: newly included

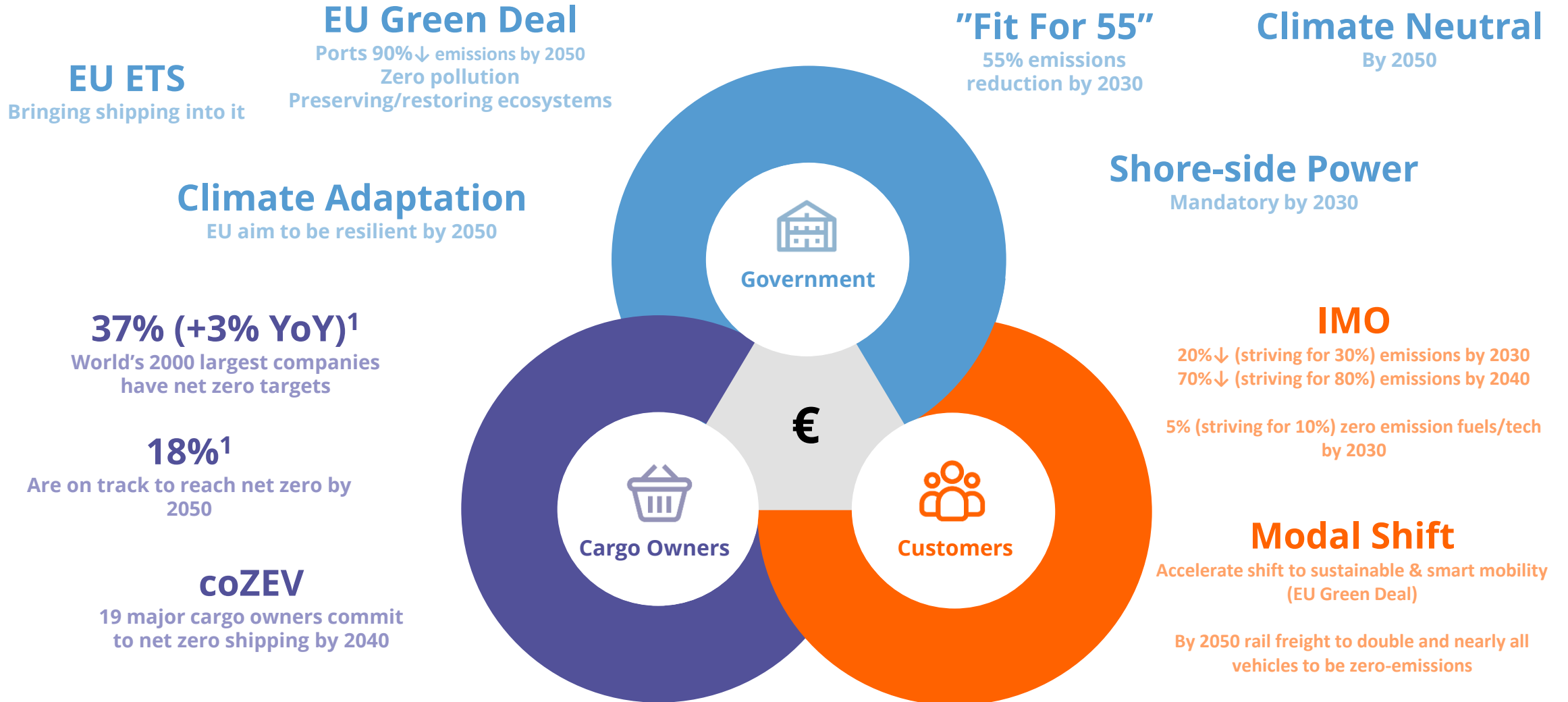
- In 2023 we mobilised €115bn across a broad range of financial products linked to sustainability criteria
- Contribution to improving sustainability profile of our clients and supporting transition to net zero

Financing the Transition

Baskets of borrowers...



Direction of Travel



1) Accenture research (Nov'23)

Ports at the heart of a sustainable future

As funders of the real economy banks will be lending across all sectors, and are already engaging across a ports' key stakeholders



Sustainable Finance Targets

Many of the largest lending banks have set ambitious targets around increasing sustainable financing



Support our customers in their transition to net zero and a sustainable future with \$750bn to \$1tn of sustainable finance and investment by 2030



€350bn in sustainable loans and bonds covering environmental and social issues for corporate clients by 2025



(From 2019) Raise €120bn in green finance by 2025 and €220bn by 2030



Facilitate \$1trn of Sustainable and Transition Financing between 2023 and the end of 2030



€300bn of sustainable finance by 2025



€500bn of cumulative ESG financing and investment volumes from 2020-2025



€125bn p.a. of sustainable finance volumes by 2025



€150bn cumulative ESG volumes from 2022-2024



£100bn in sustainable finance and funding between H2 2021 and the end of 2025



Mobilise \$300bn in Sustainable Finance by 2030



€300bn of sustainable finance by 2018-2025



€300bn of sustainable finance by 2025



mobilisation of JPY50 trillion toward sustainable finance by 2030



Extend c.JPY100 trillion in sustainable finance by 2030, of which c.JPY50 trillion is climate and environmental finance

Maximising Access to Financing for Sustainable Projects

Key risks must be well mitigated, with a clear ESG and climate narrative to effectively maximise lender interest

Credit



Long-term stable predictable cash flows

- Experienced and competent project parties with strong financial positions
- Key risks mitigated and transferred to those best positioned to manage
- Residual risks to be limited to maximise access to private financing

Climate Risk



Physical Risks

- Resilience to climate change and extreme weather events



Transition Risk

- Project aligns with national, regional and international net zero strategies



Alignment with EU Taxonomy



Financed in a green format

ESG Risk



Robust Sustainability Strategy and Approach

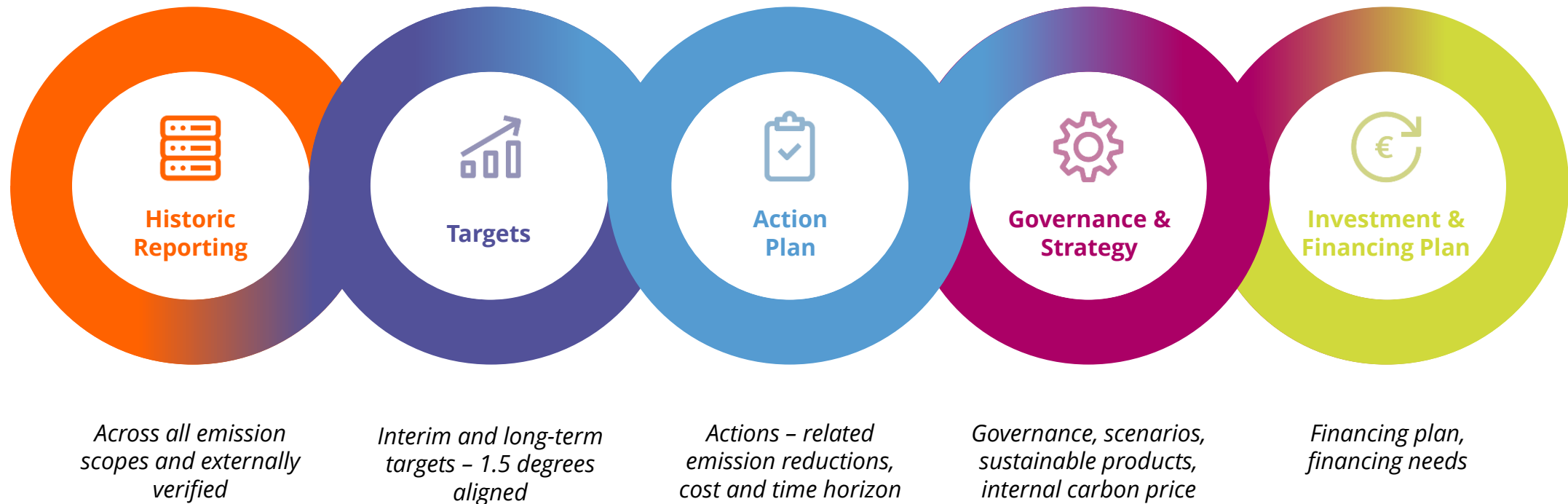
- Material sustainability risks and opportunities identified and addressed
- Annual reporting with performance tracked against material and quantifiable ESG metrics



Sustainability-Linked Financing

Credible Transition Plan

Every borrower will need to demonstrate the role it plays in the transition to a net zero economy and where relevant must provide a credible transition plan underpinned by actions and investment



Two Types of Sustainable Financing Product

Use-of-Proceeds and Sustainability-Linked



'Use-of-Proceeds'

'Sustainability-Linked'

Types?

"Green", "Social" and "Sustainable" Products

KPI-Linked and ESG Rating-Linked Products

Use of Proceeds?

Funds must be used for "Green" and/or "Social" activities

Funds can be used for general corporate purposes, (i.e. limited restrictions)

Key Features

- ✓ Commitment to green/social investment
- ✓ Annual reporting on use of proceeds until funds fully deployed and (ideally) annual impact reporting
- ✓ Potential cost advantage for Borrower (for green loan/bonds)

- ✓ Flexibility on use of proceeds
- ✓ Margin adjustment (two-way and tested annually) linked to sustainability performance against ESG KPIs
- ✓ Ideally tackles material ESG issues (beyond just the 'E')

Sustainability-Linked

Important engagement tool, focussing on most material sustainability topics and holding yourself accountable to your long-term commitments

Selection of KPIs



- Must be **relevant, core & material**
- Measurable or quantifiable

Target Setting



- **Annual targets** which are **ambitious, challenging** and beyond BAU

Margin Ratchet



- **Economic outcome** is linked to whether predefined targets are met

Reporting



- Should report **KPI performance** at least once per annum

Verification

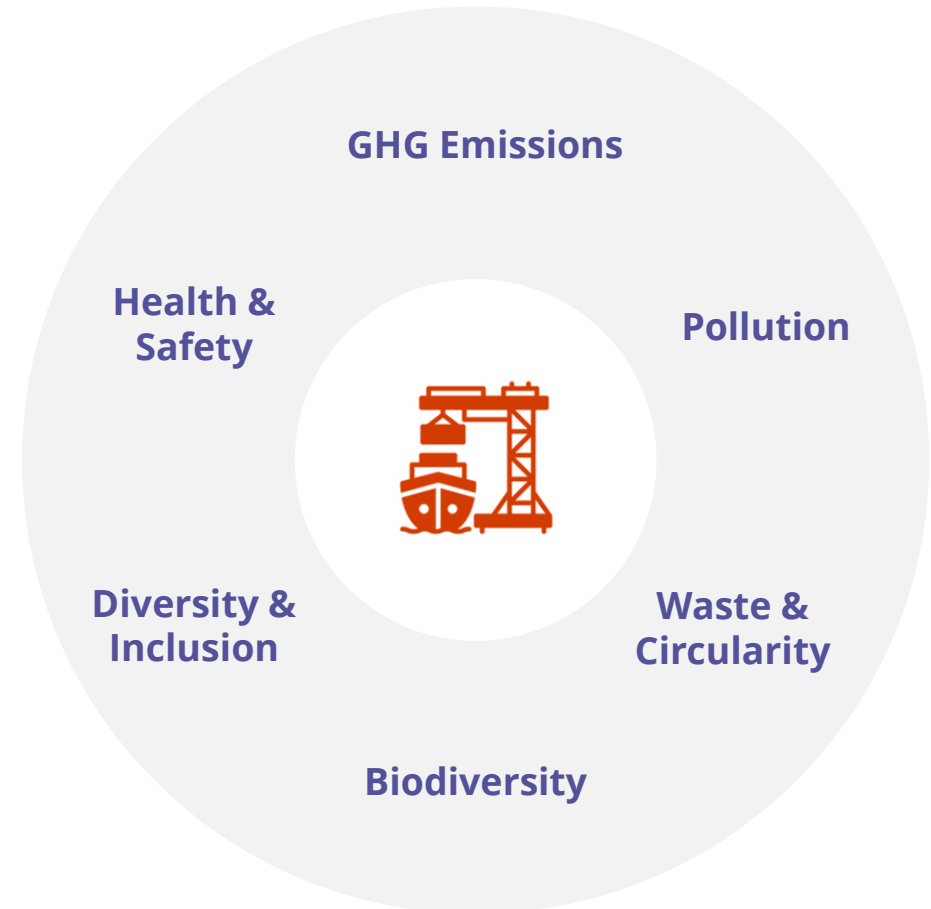


- KPI performance must be **externally verified annually** (limited assurance)

LMA | Loan Market Association

Sustainability-Linked Loan Principles

Minimum standards to support the integrity of the sustainability-linked product



Use of Proceeds

Financing used to drive environmental outcomes

LMA - Green Loan Principles

1 Use of Proceeds

- Proceeds to be used to fund green assets or expenditures
- Should provide clear environmental benefits

2 Process for Project Evaluation and Selection

- The borrower should communicate to its lenders:
 - Environmental sustainability objectives of the Green Project
 - Process by which eligible green projects are selected
 - How environmental and social risks are managed

3 Management of Proceeds

- Proceed should be tracked by the borrower
- Borrower is encouraged to establish an internal governance process to track the allocation of funds

4 Reporting

- Borrower should keep readily available up-to-date information on the use of proceeds (annually) until fully drawn
- Impact reporting on expected/actual impact to be provided annually

EU Taxonomy



- ✓ Infrastructure dedicated to:
 - ✓ Zero emission vessels
 - ✓ Shore-side power
 - ✓ Zero emission operations of the port
 - ✓ Transhipping between modes

Infrastructure must not be dedicated to the transport or storage of fossil fuels

Renewables



- ✓ onsite renewables

Clean Transport



- ✓ Shore-side power
- ✓ EVs
- ✓ Purchase of zero emission vessels

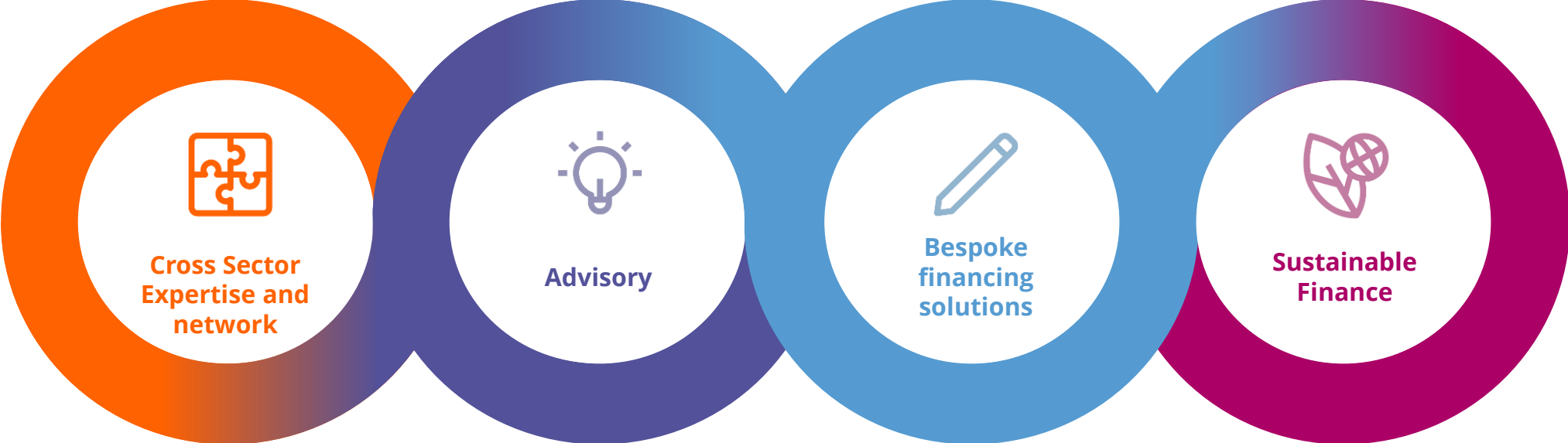
Energy Efficiency



- ✓ Electrification of equipment
- ✓ LED lights

The role that banks can play

Banks as a partner in your sustainability journey





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