

BANKS ARE DIRECTLY RELATED TO CLIMATE CHANGE AND LOSS OF BIODIVERSITY

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Today's economy requires the accumulation of more and more monetary debt to finance economic growth, while we require future economic growth to pay off said debt. This '*debt-growth-debt...*' cycle is an inherent part of our economic system: **a necessary evil to keep afloat an unstable, debt-based system characterized by economic crises constantly.**

Despite the fact that global debt has reached historically unprecedented levels, little information exists about **the relationship between debt and environmental sustainability**. To what extent are banks, responsible for financing practices of some companies that harm the environment (through, for example, bank loans), are partly responsible for climate change or the loss of biodiversity? How many million euros do the main banks allocate to finance projects related to deforestation in the Amazon or Southeast Asia?

To answer these questions, [Julen González Redín](#), member of the [Naidier team](#) and PhD in Sustainable Development and Environment, has recently published [a scientific article](#) in the [Ambio magazine](#), where he analyzes the relationship between banks, debt and the environment.

The research uses Indonesia as a case study, since Southeast Asia in general, and Indonesia in particular, is one of the most biodiverse areas on the planet and also one of the largest emitters of greenhouse gases in the world.

The [article](#) shows that, under a *Business As Usual – continue to function as before – the production of goods and services that are most harmful to the environment – among which is [palm oil](#) – are highly dependent on international financing from some of the world's largest banks: Bank of China, BNP Paribas.... Under this business as usual scenario, the possibility that climate change and biodiversity loss will increase is considerably high. **Between 2010 and 2017 alone**, the largest international banks lent **US\$45 billion** in the form of bank loans to companies operating in different industrial sectors in Indonesia, including the wood industry, palm oil, cellulose pulp, rubber, among others. **These industries need up-front financing from banks to cover the operational costs of producing goods**, since, as in the case of palm oil, these do not start to turn a profit for several years.*

The model developed draws on the database called '[Forest and Finance](#)', an innovative platform that, for the first time, **shows information about banks and debt that has historically been hidden or hard to find**. In '[Forest and Finance](#)' we can find: which banks lend money to which companies (including names in both cases), the countries where this occurs, the amounts that are handled, and all this updated year after year.

On the other hand, the article highlights the positive side of debt: **if the debt is used responsibly** by the companies that receive the credits – or if the banks “force” them to do so – **it would be possible to continue producing palm oil** (a positive sector for certain developing countries, as it provides jobs and economic benefits) **while contributing to mitigating climate change and reducing the loss of biodiversity**. By “responsible”, the article cites, it is considered the use of bank loans to **create palm oil plantations in already degraded areas**, instead of creating them by deforesting virgin forests or drying up wetlands, which are vital to absorb greenhouse gases. Likewise, the debt could be **used to develop technology** that makes it possible to increase production efficiency in existing plantations, instead of deforesting to create new plantations. Along with these, the article proposes other keys to make responsible use of debt that achieves a *win-win* scenario regarding the economy and the environment.

In short, the [article](#) shows that **debt and banks are a negative factor for the environment in the current context, but might not be so if banks and companies used that money sustainably**.

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