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ST. KITTS & NEVIS

Credit Union Green Lending

Promoting Sustainable Development and Financial Growth

CEO Roundtable

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Welcome

Welcome to the CEO Roundtable on Credit Union Green Lending. Today, we will discuss the importance and benefits of green lending for credit unions, communities, and members.

Inclusiv-Who We Are?

Inclusiv is a network of 507 Community Development Credit Unions and a CDFI intermediary. Our mission is to help low-income people and communities achieve financial independence through credit unions. We are in NY and have been in existence for 50 yrs.

Agenda

What is a green project → What is a green loan → Business proposition of CU green lending → The value to community when CUs offer green loan programs

The value to members when CUs offer accessible and affordable green loans → How will CCCU and Inclusiv help your CU to get involved in green lending → Q&A

Introduction: Significance of Green Lending in the Caribbean

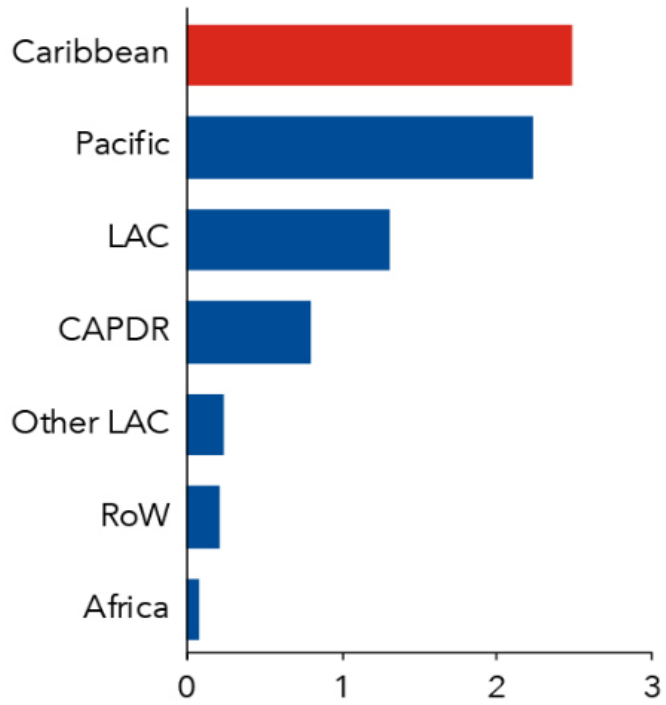
The Caribbean is Already Bearing the Brunt of Climate Change

- The Caribbean is one of the regions most vulnerable to the impacts of climate change. Its large coastal populations and exposed geographic location leave it at the mercy of rising sea levels, stronger storms, and worsening drought conditions. Increasing temperatures also pose a significant threat to the region's economy and unique biodiversity.
- According to a 2020 study by Climate Analytics, a Berlin-based nonprofit, climate damages in the Caribbean are projected to increase dramatically. These damages are expected to rise from 5 percent of regional gross domestic product (GDP) in 2025 to more than 20 percent by 2100 under current trends.
- This underscores the urgent need for effective climate adaptation and mitigation strategies to build resilience and support sustainable development in the region.
- Green lending is a critical tool to enable more climate action.

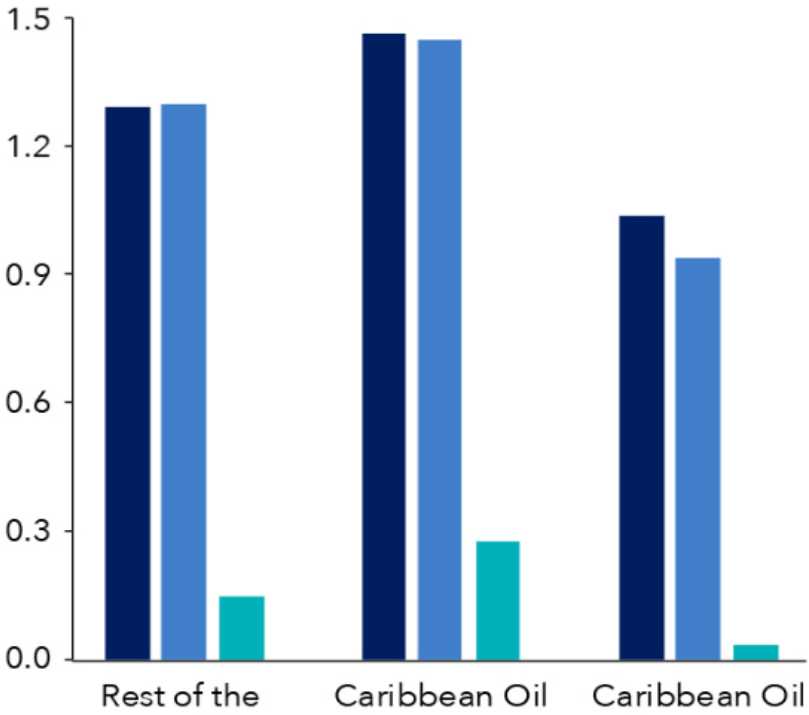
Twin Vulnerabilities

The Caribbean region is most vulnerable to natural disaster and has the highest energy prices.

Average annual cost of natural disasters, 1980-2020
(damage and loss, percent of GDP)



Energy Prices
(in US$/litre, US$/kWh)



Sources: EM-DAT, World Economic Outlook; and IMF staff calculations. globalpetrolprices.com. Prices for gasoline and diesel as on 20 February, 2023; electricity for June 2022.
Note: Left panel - Three subgroups are identified as weather-related natural disasters: climatological (incl. drought, wildfire), hydrological (incl. flood, landslide), and meteorological (storm, extreme temperature). Groups of WHD, Pacific and rest of the world are exclusive. LAC = Latin America and the Caribbean; CAPDR = Central America, Panama,and the Dominican Republic; RoW = Rest of world.

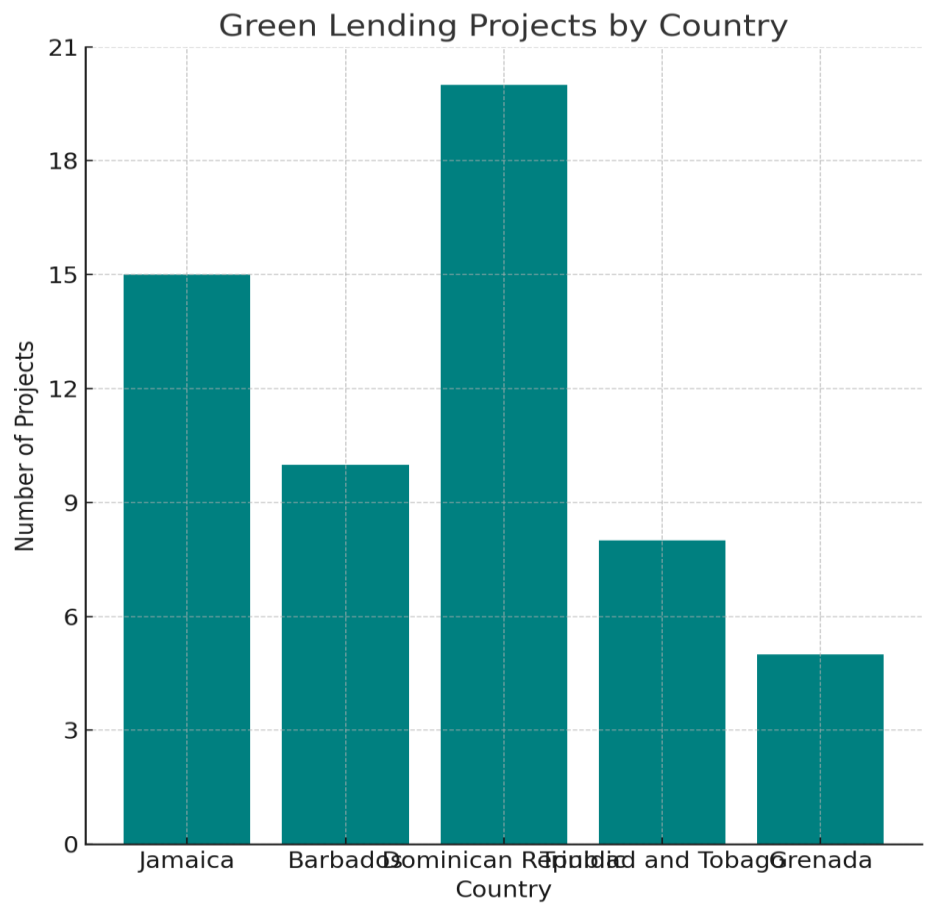
IMF

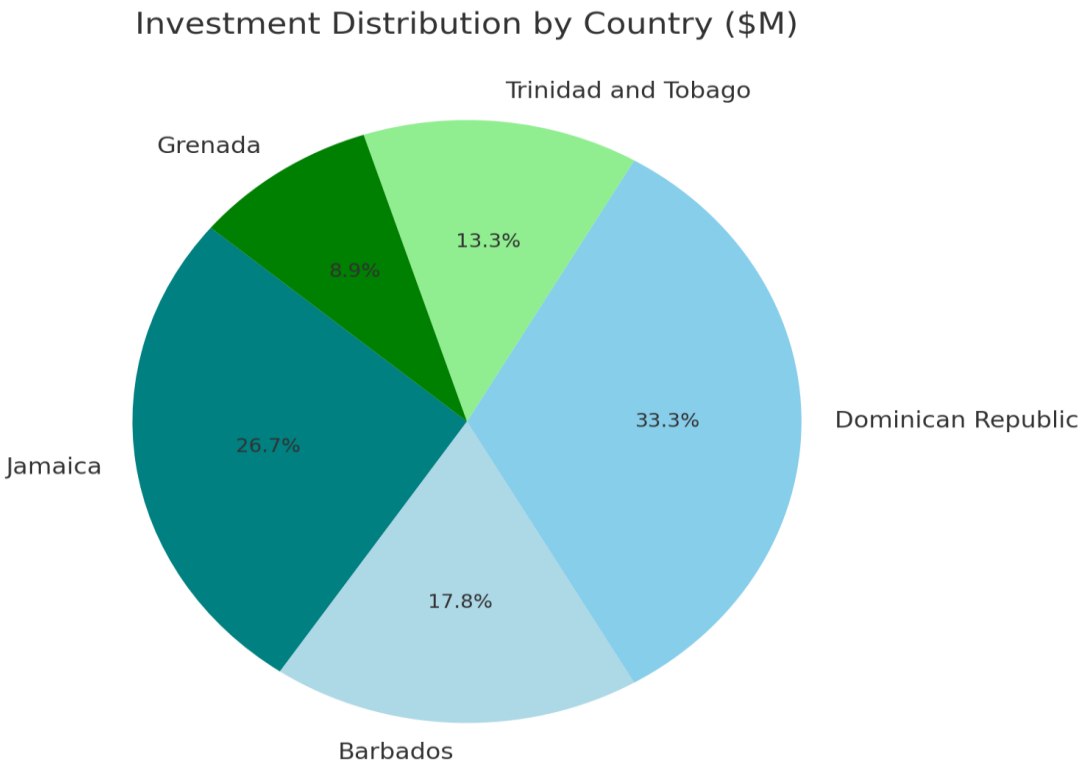
Current Landscape of Green Lending in the Caribbean

The Caribbean Development Bank (CDB)

- **Role**:
  - Support social and economic development in small island states
  - Promote sustainable economic growth
- **Key Participating Islands**
- Jamaica: Development Bank of Jamaica (DBJ) initiatives
- Barbados: Partnerships with international organizations
- Dominican Republic: Inclusive green finance strategies
- Trinidad and Tobago, Grenada, Other active participants

Investment Distribution by Country($M)





Green Project: Building Climate Resilience

Green Project: A project aimed at promoting environmental sustainability and reducing carbon footprint.

Examples of Green Projects:

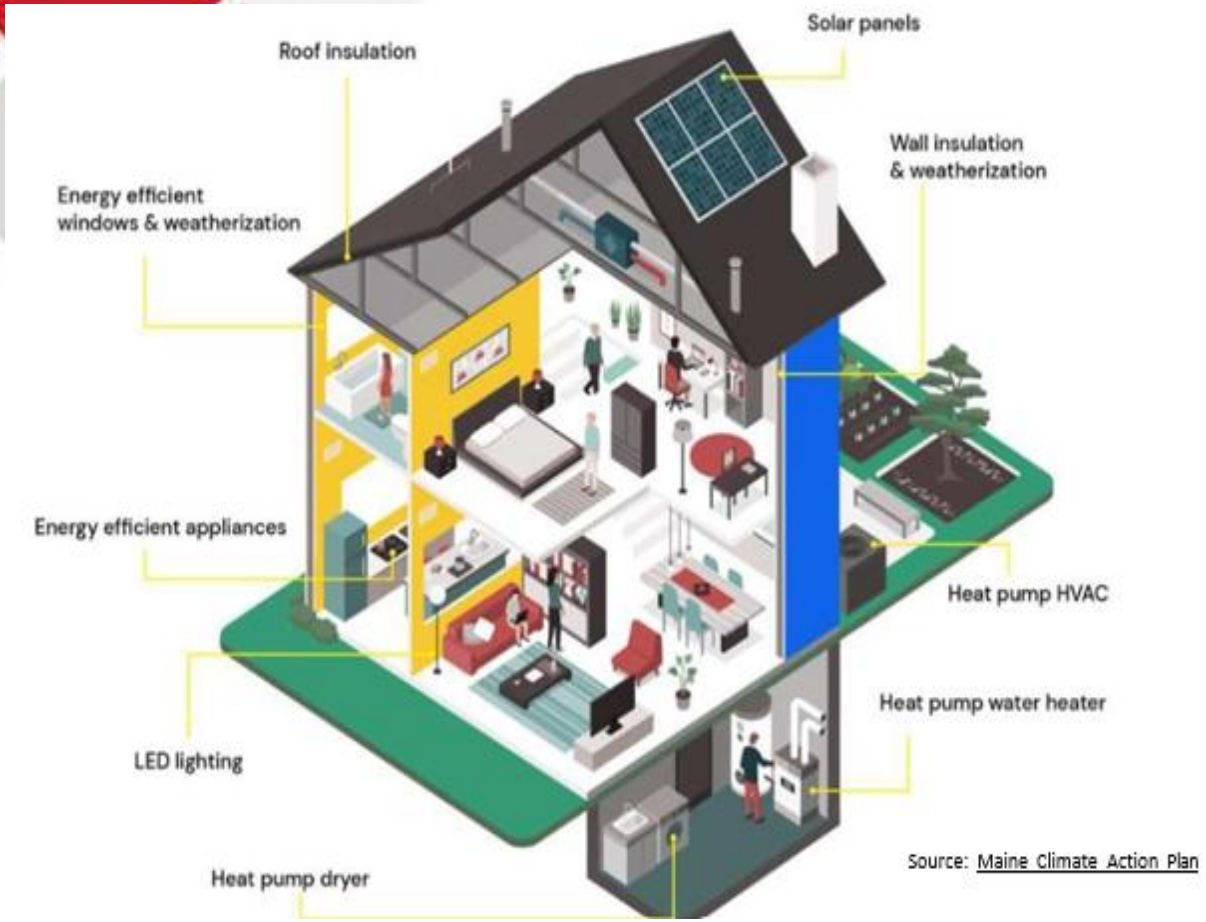
- Renewable energy installations (solar, wind turbines).
- Energy-efficient home improvements.(appliances, insulation, LED lighting)
- Electric vehicle (EV) purchases.
- Sustainable agriculture practices.
- Waste management and recycling initiatives.

Green Project: Building Climate Resilience

Benefits:

- Reduces environmental impact.
- Promotes sustainable development.
- Enhances community resilience to climate change.
- Home improvements can make homes ***more resilient*** in the face of extreme climate events
- Strengthening and modifying structures to survive high winds and floods
- Rooftop solar, battery storage, and energy efficiency to provide power during blackouts
- Reflective surfaces and shading to reduce heat

What does Credit Union Green Lending Look Like?



- Loan to finance projects that lower utility bills, reduce air pollution, energy and water usage.
- Credit Unions already lead in loan products that could be adapted for green lending.
- We have seen in U.S. credit unions, 80-90% of green loans go to borrowers that are new to CU and joined just for the green loan.

Business Proposition of Credit Union Green Lending

- Green Loan portfolios show strong performance
  - 2022 report by Lawrence Berkeley National Laboratory analyzed **52,511** energy efficiency loans across four states
  - The report found that **annualized loss rates** are low compared with unsecured consumer loans and are comparable to the rates for prime auto loans
- Membership Growth
  - **Demand for solar is growing:** Solar Energy Industries Association (SEIA) reported that in 2023 solar accounted for **53%** of all new electricity-generating capacity
  - **New member referrals:** Solar installers and energy efficiency contractors can drive new members to your credit union through member referrals (or become members themselves)
  - Tends to draw a younger borrower population, supporting membership growth / building longer-term paths to strong membership
- Market Differentiation
  - Stand out in the market by offering specialized products that support sustainability.
- Member Loyalty/Enhanced member engagement and satisfaction
  - Build stronger relationships with members who value environmental responsibility.

Business Proposition of Credit Union Green Lending

Financial Benefits:

- Reduced Default Rates
  - Green loans often have lower default rates due to high commitment from borrowers.
  - Green loans can be structured to reduce energy bills. So borrowers have more cash to repay the loan.
- New Revenue Streams
  - Tap into a growing market of eco-conscious consumers and businesses.
- Enhanced Reputation
  - Position the credit union as a leader in sustainability and community development.
- May create access to international funding and grants

Value to Community

Community Impact:

- Environmental Benefits
  - Lower carbon emissions, reduced energy consumption, and improved air and water quality.
- Economic Development
  - Job creation in green sectors, local economic stimulation through investment in green projects.
- Social Well-being
  - Improved living conditions and health outcomes from environmentally friendly initiatives.

Community Programs:

- Partner with local governments and organizations to support large-scale green projects.
- Educate the community on the benefits of sustainability and available green loan products.

Value to Members

Member Benefits:

- Cost Savings:
  - Lower energy bills and maintenance costs from energy-efficient upgrades.
- Accessibility
  - Affordable financing options make it easier for members to invest in green projects.
- Health and Comfort
  - Enhanced living and working environments through sustainable improvements.

Support Services:

- Offer advisory services to help members identify and implement green projects.
- Provide financial literacy programs focused on the long-term benefits of sustainable investments.

Case Studies and Success Stories

Even before Hurricane María hit Puerto Rico, frequent climate events motivated Cooperativa Jesús Obrero to build resilient infrastructure that can provide lower utility bills and alternative power to its members. Cooperativa Jesús Obrero President Aurelio Arroyo González describes that the cooperativa is part of the “critical infrastructure” of the community, meaning that the cooperative can help the community function on a day-to-day basis as well as prepare for and recover from natural disasters.

Cooperativa Jesús Obrero was an early adopter of solar-generated energy, exploring the possibilities of using solar as an alternative energy source in 2011, running a pilot solar loan program in 2013, and creating solar loan lending guidelines for the Cooperativa in 2014.

In 2015, the Cooperativa installed a 96.5 kW solar array at its branch in Guaynabo, PR. There, solar car ports provide shaded parking structures that reduce the branch’s energy costs by 86% annually. In total, the solar system has generated 831 mwH since 2015 and offset 649 tons of CO2 emissions.

Case Studies and Success Stories

Spurred further by Hurricane María and the blackouts it created; Cooperativa Jesús Obrero expanded its solar loan program to support commercial solar development. The goal is for solar to be able to provide decentralized and consistent access to electricity if the electrical grid is impacted by a natural disaster.

Since 2011, Cooperativa Jesús Obrero has financed 450 photovoltaic (PV) solar systems in 26 municipalities across the island, and its renewable energy financing makes up 10% of its total loan portfolio. These solar loans have the potential to reduce energy costs for the Cooperativa's members. For example, a residential PV system installed in Guaynabo and financed by Cooperativa Jesús Obrero in 2016 reduced the customer's monthly energy bill from $250 to just $3.

- Jesus Obero Cooperativa (JOC) has financed over 450 PV Systems in 26 municipalities around the island
- Today, the renewable energy financing portfolio accounts for approximately 10% of the total loan portfolio

- Residential PV system installed in Guaynabo
- Financed by JOC in 2016
- Produces 5 KWh of clean energy
- Due to the net metering system, reduces utility bill to $3 monthly

- JOC Building Solar Photovoltaic System
- Since inception in 2015, has produced 831 MWh.
- Avoided 649 Tons of CO2 Emissions.
- Saved 86% in cost of energy.

Two "solar carports" on Jesús Obrero premises.

Steps for Launching a Green Loan Program

- Assessing community needs and opportunities
- Develop/modify loan products and criteria
- Train staff and educate members on the benefit of green lending
- Develop a Marketing strategy
- Measuring and reporting impact

Partnerships:

- Collaborating with local governments, regional and international partners for technical and financial support.

Green Lending Program: Lessons Learned

- Clearly define strategy with the leadership and keep them apprised of important updates in a consistent but concise manner. But… stay out of the weeds.
- Start with a pilot loan/program so you leave room to make some adjustments.
- Document process and keep track of program adjustments.
- Include data fields in your LOS to track program/vendor loans.
- Document the progress, challenges and wins so you have information to share, especially during annual report time.
- If you need to make changes to a product, consider seasonality and make changes when it has the least impact on the members and vendors.
- Mistakes happen – in underwriting, booking and program execution. Be transparent and own the mistake and the resolution.
- Keep in touch with the industry, partners, vendors, stakeholders and keep informed of renewable energy and efficiency policy changes.
- Keep your frontline staff informed of the program and the resources available for them to answer member questions.
- Stay positive – there will be set-backs and it's important to remember that the program benefits members, the credit union, the community, and the climate.

How will CCCU and Inclusiv help your CU to get involved in green lending

- Launching in late 2024, and continuing throughout 2025, offering a series of Climate Finance Trainings specifically for CCCU members
- Goal is to help your credit union develop a new green lending product, or enhance an existing one, specific to your market and borrower needs
- Trainings will be conducted virtually, and span 5 weeks, working with a live instructor and Caribbean clean energy subject matter experts
- For interested CUs, suggest 2 team members who can work together
- Free of charge for CCCU members!

Conclusion

Summary:

- Green lending is a strategic opportunity for credit unions to support sustainability while driving business growth.
- It benefits the environment, strengthens communities, and offers tangible value to members.
- **Call to Action:**
- We encourage you here today to explore the opportunity presented by CCCU and Inclusiv to implement green loan programs in their own credit unions.
- Foster collaboration and knowledge sharing throughout your perspective Island to enhance the effectiveness of green lending initiatives.

Q&A

- **Open Discussion:**

  This is my Invitation to questions and discussion from you all!

Thank you!

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Resources and References

- List of resources for further reading and support:
  - Inclusiv and CCCU
  - Caribbean Development Bank
  - OECD Government at a Glance: Latin America and the Caribbean
  - Alliance for Financial Inclusion
  - Caribank.org: The State of the Caribbean Climate Report
  - AFI-Inclusive Green Finance(IGF)
  - https://www.imf.org/en/Blogs/Articles/2023/06/27/caribbean-climate-crisis-demands-urgent-action-by-governments-and-investors