Sustainability-linked loans provide opportunities for chemical firms

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Spurred by calculations showing that companies with a lower environmental impact are less of a financial risk, banks are beginning to offer cheaper loans if chemical firms hit agreed-upon levels of environmental performance. In this way, companies and banks can obtain a mutually beneficial relationship through green finance, according to an article in *Chemical and Engineering News* (*C&EN*), the weekly newsmagazine of the American Chemical Society.

Companies such as Stora Enso, Indorama Ventures, DSM and Solvay became some of the first to take sustainability-linked loans, Senior Editor Alex Scott writes. Kemira, a specialty chemical firm, agreed to meet three criteria to obtain a sustainability-linked loan: reduce greenhouse gas emissions by 20% by 2020, ensure at least half its revenue is from products that improve customer resource-use efficiency and maintain its gold-standard sustainability rating from the environmental assessment firm EcoVadis. This sustainability rating determined the initial loan interest rate, which will rise if the firm fails to meet environmental targets.

Ecoloans have mostly been adopted by a handful of European companies, but the approach could easily be used in Asia, especially in China and Southeast Asia, where sustainability in the supply chain is critical. In general, the financial sector is becoming more interested in environmental, social, government and sustainability issues, which may eventually lead some banks to deny loans to firms with poor environmental track records. This is only the beginning of chemical

firms linking loans to environmental sustainability, experts say.

More information: "Chemical makers sign up for sustainability-linked loans," cen.acs.org/environment/sustai … bility-linked/97/i25

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