

LIMA CLIMATE FINANCE WEEK, AUGUST 2014

Bonds and Climate Finance

Mobilizing debt capital markets for
climate change solutions

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The Climate Bonds Initiative

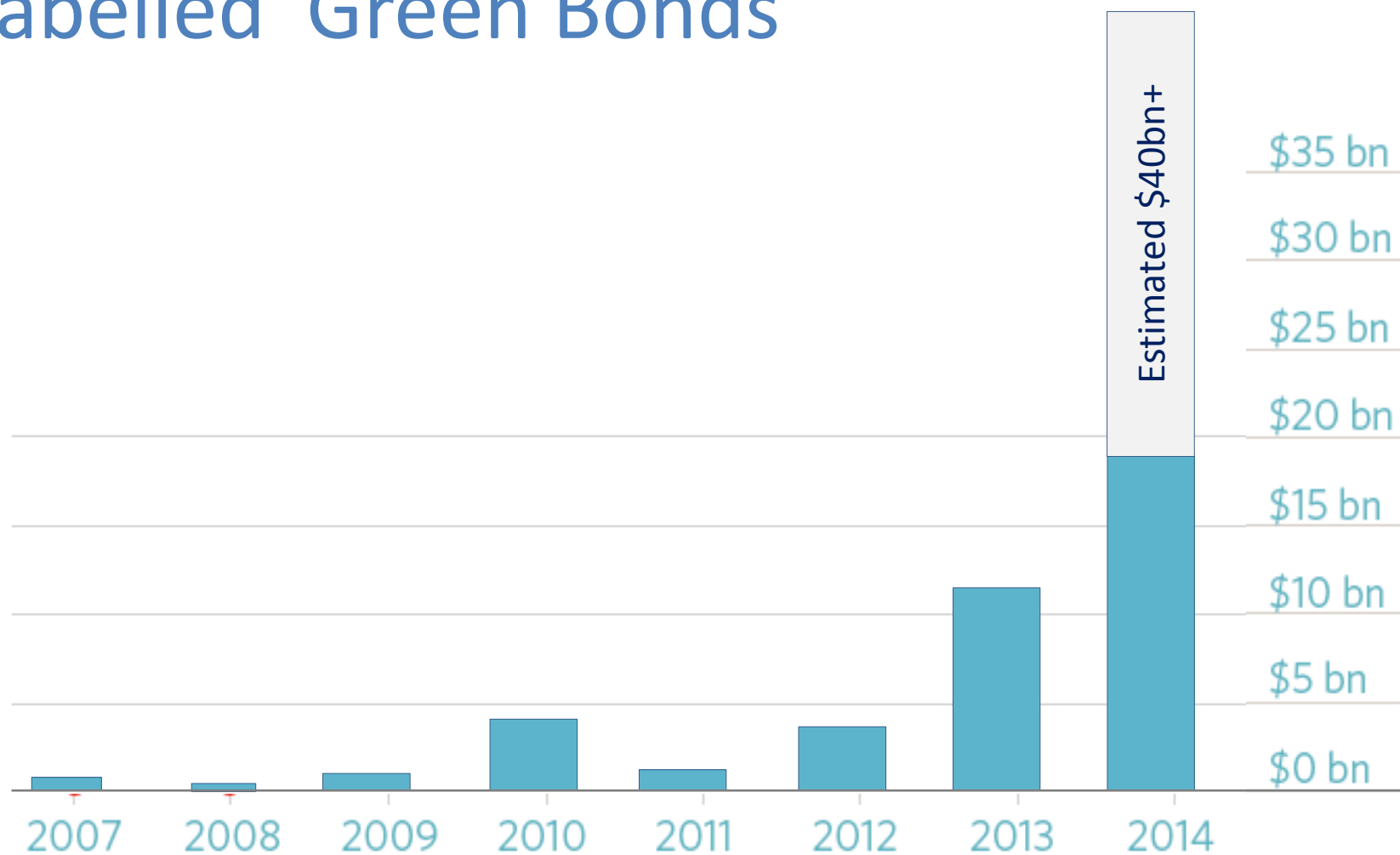
- Networking and Advocacy
- Climate Bond Standards
 - Definitions for investors and guidelines for bond issuers
 - Assurance through certification
- Policy Models and Government Advice
 - Incentivise private investment through regulatory measures
 - How to best leverage public sector finance
- Adapting Markets
 - Green securitisation
 - Covered bonds
 - China, India, Islamic finance



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Labelled 'Green Bonds'



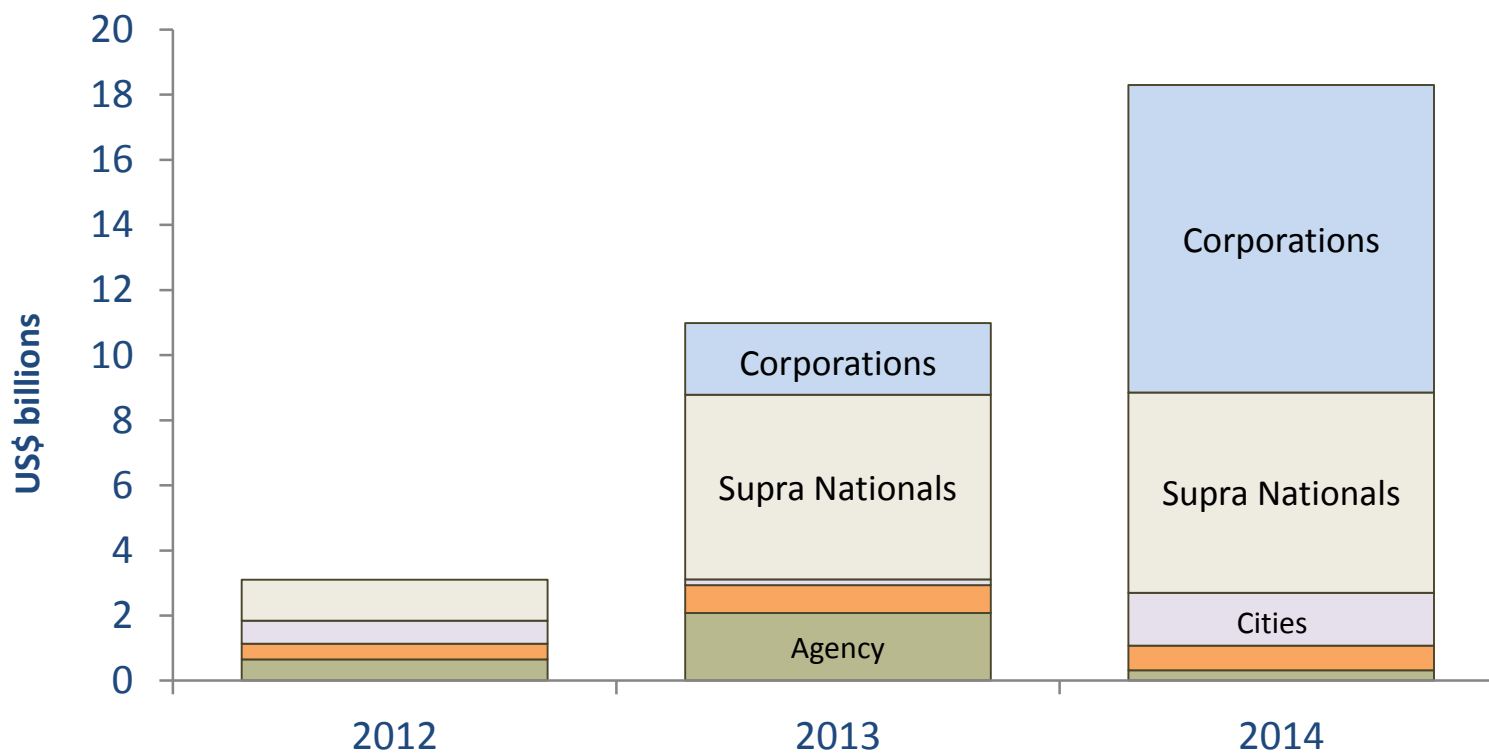
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\$502billion climate-themed bonds - 2014



Transport
\$358bn



Energy \$74.7bn



Climate Finance
\$50bn



Buildings
& Industry \$13.5bn



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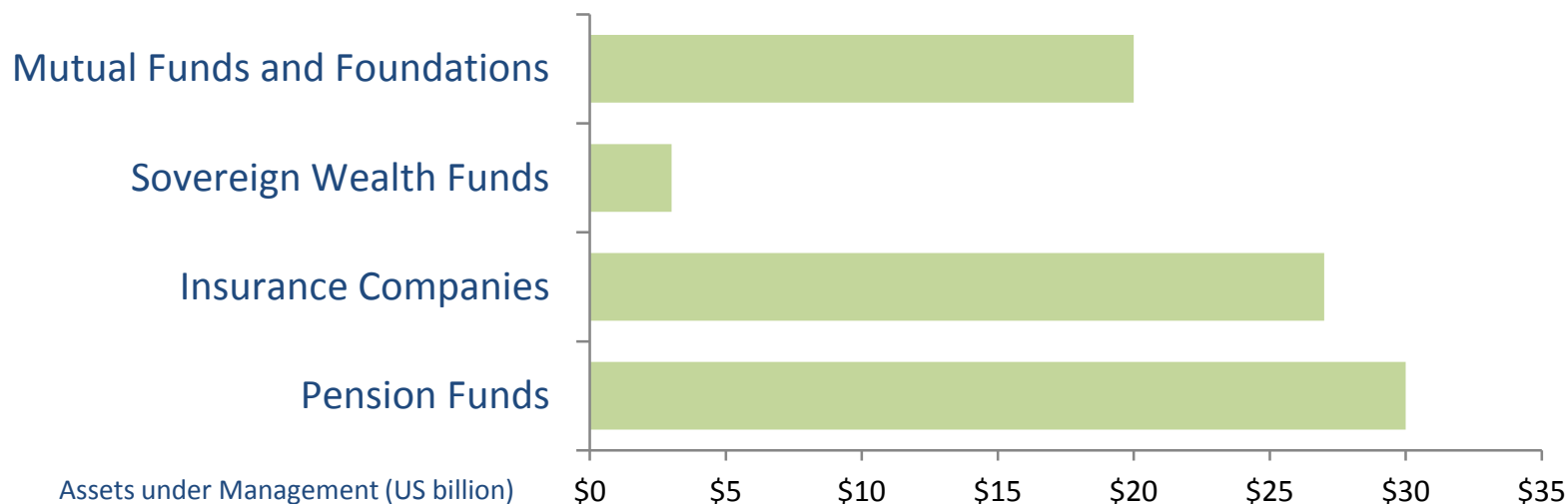
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Why bond markets matter

- Global bond markets are \$80 trillion in size (Equity markets total \$63 trillion)
- More than half of all money managed by institutional investors is in bonds



Investors care

“Failing to acknowledge, address and mitigate the significant economic risks raised by climate change...means a failure to meet our fiduciary duty”

Colin Purdie, Aviva (£230billion assets)



Investor Network on
CLIMATE RISK



Investor Group on
Climate Change



GLOBAL INVESTOR COALITION ON CLIMATE CHANGE



\$45 trillion of assets under management



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What makes a 'Climate' or 'Green' Bond?

It's about the *proceeds* going to Green projects

- Proceeds to ring-fenced green projects
- *Labelled market*: bonds marketed as 'green'
- *Unlabelled market*: bonds that meet the criteria but not labelled

Any issuing entity

- Governments and development banks
- Corporations: but asset-linked, or ring-fenced
- Asset-backed: PPPs, banks, utilities

Just three requirements...

- Meet those green definitions
- Get a credible 2nd opinion: Climate Bonds (DNV, KPMG, Bureau Veritas), CICERO, Vigeo, etc.
- Report on use of proceeds



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Scaling up



➤ Green Bond Principles – avoid ‘green-washing’

- Report use of proceeds and independent review



Climate
Bond
Certified

➤ Climate Bond Standards

- Open access guidelines define what projects qualify
- Certification gives investors assurance



➤ Public sector

- Start markets through cornerstone bond issuance
- Bridge risk e.g. guarantees, credit enhancement, subsidies, tax incentives
- Supportive policy and financial regulation



➤ Green securitization

- Free up bank capital for new lending



➤ City and sovereign green bonds

- Climate friendly infrastructure



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Recent highlights

Greenko	India	\$550m	B	5yr	Wind farm
KfW	Germany	€1.5billion	AAA	5yr	Renewable energy
British Columbia	Canada	C\$231m	A-	32yr	Sustainable hospitals
Advanced Semiconductor Engineering	Taiwan	\$300m	BBB	6yr	Green factories
City of Johannesburg	South Africa	R1.5billion	BBB	10yr	Renewable energy, waste, mass-transit



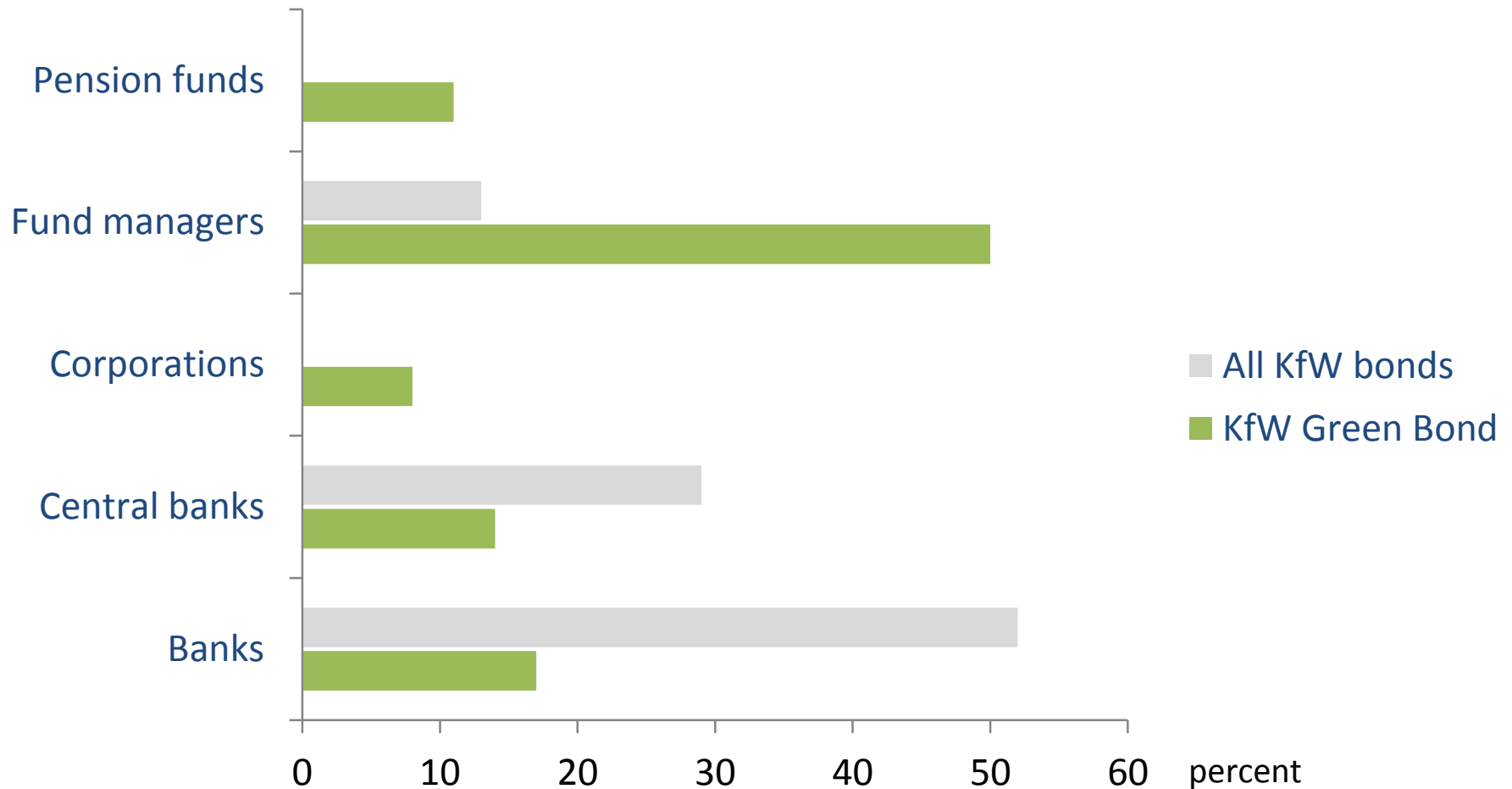
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€1.5billion KfW 5 year – July 2014



Green City bond issuers

City or
Sub-national
govt. entity

- 'General Obligation' – proceeds to green projects
- Modelled on Gothenburg, Ile de France, Massachusetts

Government or
development
banks

- Proceeds earmarked for city
- Utilise where city does not have bond-issuing power

City
infrastructure
entities

- Corporate bonds, or 'revenue bonds' backed by cash flow and authorised by city

Corporations
authorised by
city

- Public-private partnerships
- Green infrastructure
- Authorised by city



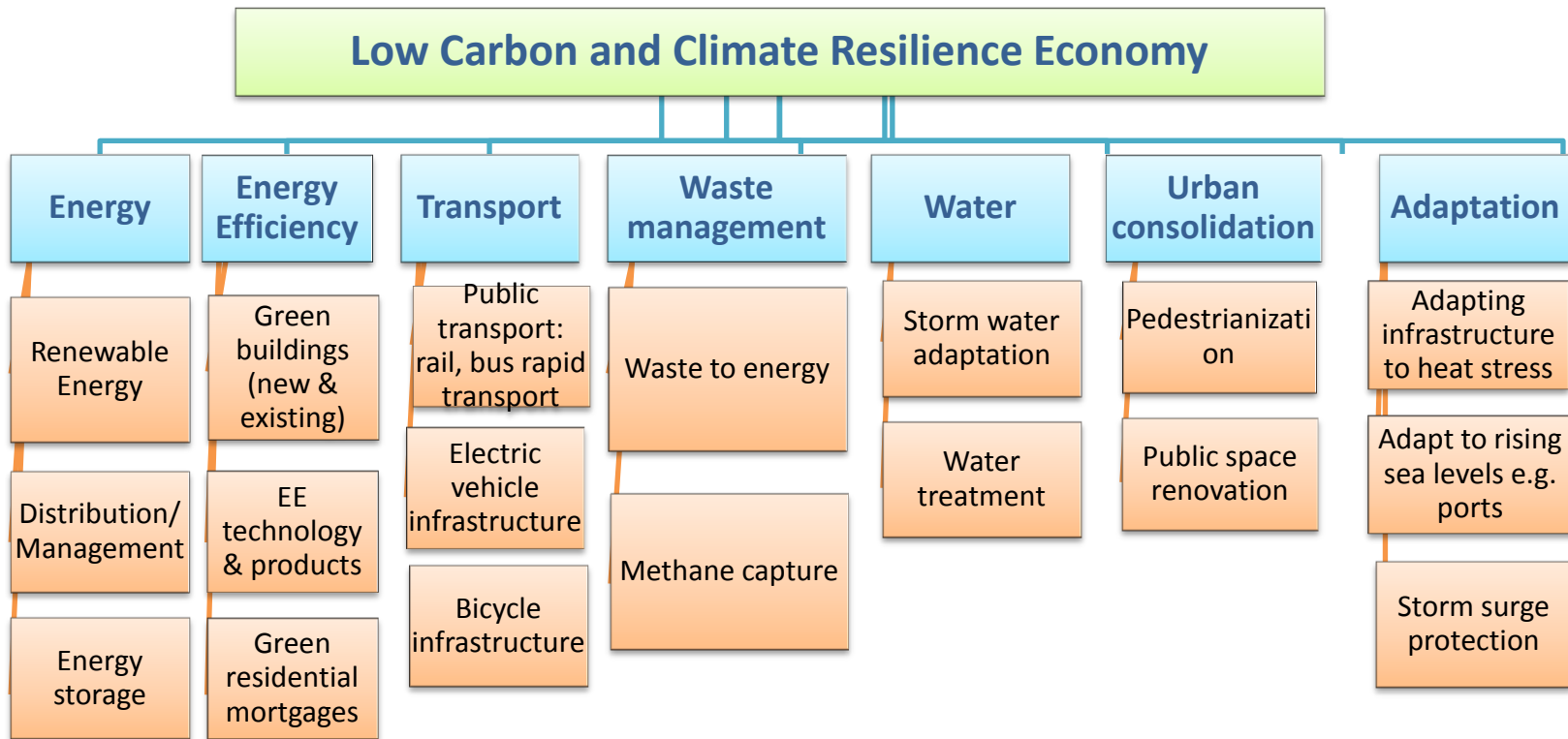
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Expert-led definitions



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