Climate Bonds INITIATIVE

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Media release

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New rules for Green Property to deliver FairTrade-like Climate Bonds labeling in big cities like New York, Tokyo and London

19 June, 2014. London, UK. The Climate Bonds Green Property Working Group of sixteen international experts today published their proposed rules as to what buildings can be used to issue Certified Climate Bonds. Climate Bonds and Green Bonds are where the bond proceeds go to assets important to addressing climate change .The new rules will help investors better understand the *low carbon* integrity of green building investments. They are part of the Climate Bonds Standard, a FairTrade-like labeling scheme for bonds.

The rules require buildings for Climate Bonds to be in the top 15% of performers when it comes to emissions, or to achieve deep cuts in emissions when energy efficiency investments are made.

The International Energy Agency (IEA) warns that deep cuts in building emissions are needed to head off catastrophic climate change. The IEA's modelling allocates some 40% to emissions avoided from reduced energy consumption; buildings are the largest consumers of energy worldwide and so the biggest contributors to emissions from energy.

IEA says: *"*Deep renovation of inefficient existing buildings is a crucial way to achieve a much more sustainable future […] about 1% of buildings are renovated each year, but the overwhelming majority of these renovations do not lead to deep energy-use reduction*".*

Sean Kidney, CEO of the Climate Bonds Initiative, adds "If we're going to avoid catastrophic climate change we need to make deep cuts in our emissions from buildings; these new rules help investors identify green bonds that make a difference from paler green bonds, where the ambition levels are too low to make a real contribution to tackling climate change."

Tatiana Bosteels, Head of Responsible Property Investment, Hermes Real Estate and Chair of the Property Working Group of the Institutional Investor Group on Climate Change (IIGCC), agrees: "There is a huge opportunity to unlock the potential of energy efficiency in the built environment. But to do this effectively and at scale will require more confidence in the tools, standards and models available to measure green buildings and their financial performance".

She added: "The Climate Bonds Standard for Green Buildings through its standardized measurement, reporting and verification procedure, provides investors with a more accurate understanding of the investment risks for energy efficient buildings - setting the stage for best practice in the market."

Green property bonds have already been issued in France, Sweden and the USA. However, uncertainty remains about the level of energy efficiency that needs to be achieved to qualify a building as genuinely green.

What buildings will qualify under the Standard?

The Climate Bond Standard for Green Buildings covers three different types of assets pools:

· **Commercial buildings**: Bonds can be issued against the whole value of a commercial building, or a portfolio of commercial buildings. The buildings must be in the top 15% in any one market, in terms of relative emissions performance. Property portfolio owners planning to upgrade can also get certification as long as they report on improvements each year.

· **Residential buildings:** In the residential sector good building codes can be used as proxys for the 15% hurdle rate. Home mortgages for buildings in the higher levels of current rating systems, such as the "Code for Sustainable Homes Level 6 in the UK", Energy Commission Title 24 Building code in California and the BASIX tool in Australia will qualify.

· **Upgrade finance:** Building improvements that achieve emission reductions of 30- 50% would comply, for example LED lighting schemes.

Key markets for roll out include city of New York, Toronto, Tokyo, Sydney and London where a large pool of property already sits in the top percentile to qualify and where emissions performance reporting for buildings is well established.

The published green property criteria are now subject to a 30 day period of public consultation after which they will be submitted to the Climate Bond Standards Board for confirmation. The Board consist of investors from US, Europe and Australia representing some $22 trillion of assets under management.

Sean Kidney, CEO of the Climate Bonds Initiative: "In the long run we expect green property and urban improvement bonds to be more than 50% of the green bonds market. But this will depend on confidence among investors that the buildings are making a genuine contribution to the transition to a green economy we need to head off catastrophic climate change."

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About Climate Bonds Initiative: The Climate Bonds Initiative is an investor-focused not-for-profit, promoting large-scale investment in the low-carbon economy. For more information please visit www.climatebonds.net, http://standards.climatebonds.net, @ClimateBonds

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The criteria summary is attached with this email and can also be downloaded here.

Members of the Green Property Technical Working Group are:

- Che Wall, CEO 'Flux', former President World Green Building Council
- Oliver Rapf, Buildings Performance Institute
- Yamina Saheb, European Commission
- Peter Sweatman, Climate Strategy & Partners
- Tatiana Bosteels, Hermes Real Estate
- Maggie Comstock, US Green Building Council
- Bettina Redway, Deputy Treasurer, California State Treasurer's Office
- Brian Rice, California State Teachers Retirement System
- Tooraj Arvajeh, Arup
- Jonathan Pressman, Markit

- Jacob Halcomb, Ecofys
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- Cath Bremmer, ANZ Bank
- Bart Adams, DNV Environmental Services
- Niall McCarthy, Investor Group on Climate Change & Eureka Funds Management
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Kind regards,

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