

Low Carbon Buildings - Eligibility & Guidance Document

CLIMATE BOND ELIGIBILITY & GUIDANCE DOCUMENT – LOW CARBON BUILDINGS | VERSION 0.9

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Forward

The **Climate Bonds Initiative** (“CBI” or “the Initiative”) is an investor-focused not-for-profit organisation, promoting large-scale investments that will deliver a global low-carbon economy. The Initiative seeks to develop mechanisms to better align the interests of investors, industry and government so as to catalyse investments at a speed and scale sufficient to avoid dangerous climate change.

A key component of the Initiative is the **Climate Bond Standard & Certification Scheme** (“**Certification Scheme**”). The Certification Scheme allows investors, governments and other stakeholders to prioritise ‘low carbon’ investments with confidence that the funds are being used to deliver a low-carbon economy. A Scientific Framework underpins the definitions of which projects and assets are consistent with a low-carbon economy and therefore eligible for inclusion in a Certified Climate Bond.

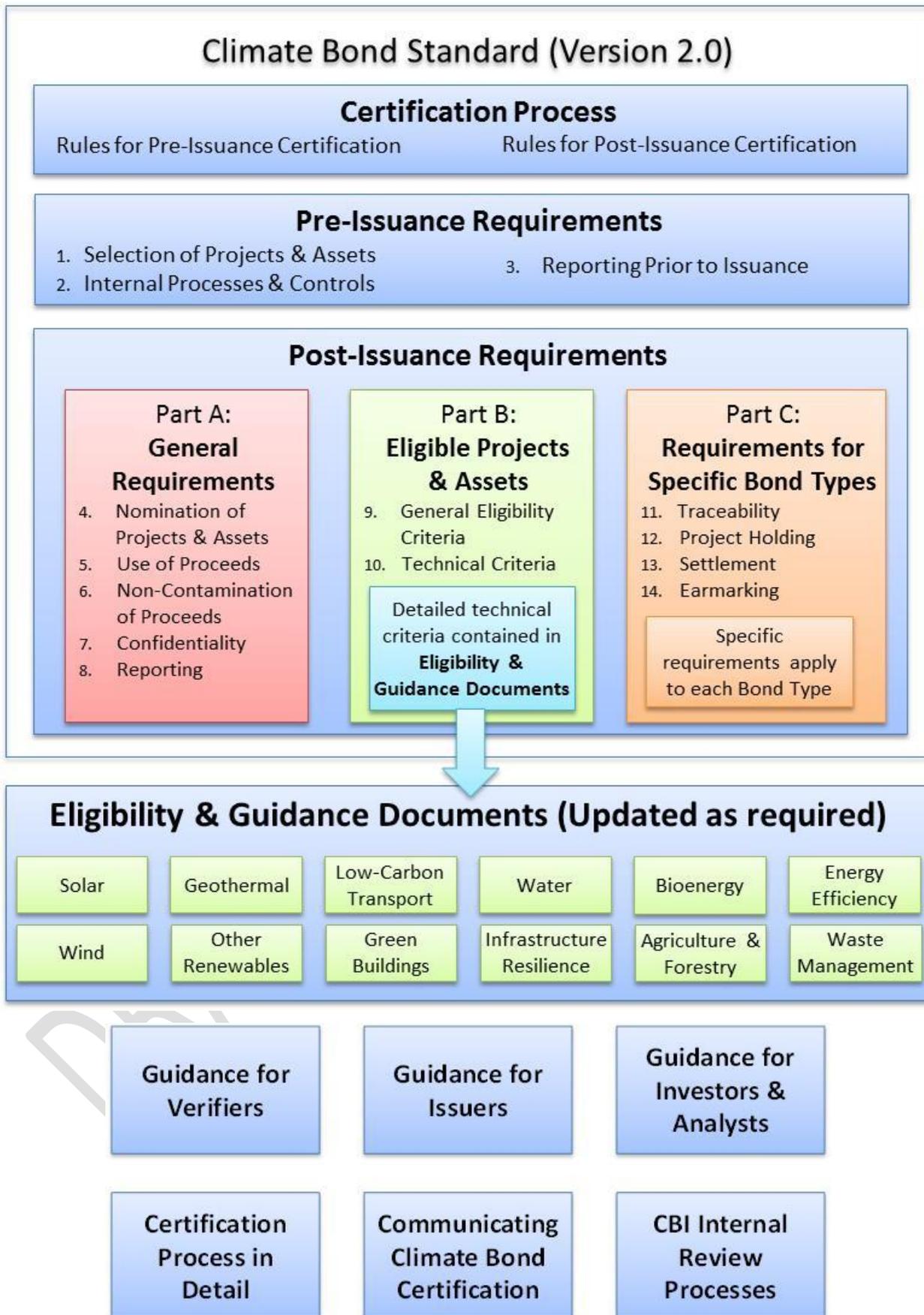
The Certification Scheme includes robust frameworks for monitoring, reporting and verification of conformance with the Climate Bond Standard. An international **Climate Bond Standards Board** comprised of large institutional investors and leading environmental NGOs provides ongoing oversight of the Certification Scheme as well as decisions on Certifications. Day-to-day operations and decision making is delegated to the **Climate Bond Standards Secretariat**.

The Climate Bond Standard is not a financial standard —the obligation to perform financial due-diligence remains with investors, just as it does for other investments.

The **Climate Bond Certified Mark** (“**Certification Mark**”) is registered in multiple countries and is used to designate Certified Climate Bonds.



Figure 1: Suite of documents making up the Climate Bond Standard



Scope

This document consists of the technical eligibility criteria for Low Carbon Building projects & assets which are referred to in the Climate Bond Standard Part B: Eligible Projects & Assets. The full suite of documents for the Climate Bond Standard is illustrated in Figure 1.

This document also consists of guidance information for issuers looking to develop a Climate Bond to fund Low Carbon Building projects & asset and a verifier seeking to assure a Climate Bond against the Climate Bond Standard.

The purpose of this guidance information is to assist the issuer in understanding the application of the technical eligibility criteria in achieving Climate Bond Certification and assisting the verifier in identifying relevant risks and assurance procedures.

Technical Eligibility Criteria

1. Commercial Buildings (with CBI city emissions baseline)

1.1. For commercial buildings located in cities with an emissions baseline* established at the city level, buildings qualify under the Climate Bond Standard if

1.1.1. Their emissions performance meets the Climate Bonds hurdle** derived from the emissions baseline

1.1.2. They maintain that performance over the life of the bond or their carbon performance is improved over the term of the bond, to achieve a level of carbon performance equivalent to maintaining the Climate Bonds hurdle for the life of the bond.

1.2. Monitoring and verification is required annually for both pathways

*The emissions baseline is established at the city level from actual operational data and represents the top 15% of city-level emissions performance.

** The Climate Bonds hurdle is set at the midpoint of the bond term based on a linear trajectory from the emissions baseline to an aspirational target of zero carbon in 2050.

2. Commercial Buildings (without CBI city emissions baseline)

2.1. For commercial buildings located in cities where an emissions baseline cannot be established at the city level, or commercial buildings in developing economies, buildings qualify under the Climate Bond Standard if:

2.1.1. They have achieved LEED gold or platinum certification, or equivalent under other building standards such as BREEAM and Green Star, within the last 5 years

2.1.2. Achieve a minimum 30% emissions improvement against ASHRAE 90.1 criteria (a part of the LEED standard) or equivalent stringency of additional emissions improvements under other building standards or meet the carbon hurdles set in the IFC's Edge tool

2.1.3. The green bonds linked to the building has a maximum term of 6 years Ongoing monitoring but no ongoing verification beyond that required by the building standard used is required.

3. Residential Buildings

3.1. For residential buildings, buildings qualify under the Climate Bond Standard if:

3.1.1. They have achieved compliance with a building code that is deemed equivalent to moving the building into the top 15% of the market in terms of emissions performance.

3.2. No ongoing monitoring and verification beyond that required by the building standard used is required, due to the practical limitations.

4. Energy Efficiency Upgrades in Commercial or Residential Buildings

- 4.1. For energy efficiency upgrades in commercial or residential buildings, projects qualify under the Climate Bonds Standard if:
 - 4.1.1. The project specifies a percentage emissions reduction, or such a percentage reduction can be quantified for the project, relative to current performance of at least 50% for bonds with 30 year terms, and at least 30% for bonds with 5 year terms.
- 4.2. No verification beyond that required by the upgrade agreement or performance contract is required.
- 4.3. Annual reporting is required for commercial buildings; no ongoing reporting requirements apply to residential projects.

Guidance for Issuers

1. Guidance on Commercial Building Requirements (with CBI city emissions baseline)

- 1.1. The average of the portfolio needs to be in top % 15 of the local market to qualify where financing is attached to the underlying performance of the portfolio – Certification can be provided for a single project or for an aggregation (pooling) of projects where GHG improvements are averaged across the pool
- 1.2. An area weighted aggregation methodology will be used to enable aggregation of energy efficiency projects into larger scale opportunities
- 1.3. The ambition set under the methodology is an ongoing improvement trajectory calibrated from local market performance, (e.g. top 15%) towards zero carbon by 2050
- 1.4. A carbon intensity metric will be used with an area denominator (kgCO₂/m²), rather than an occupancy denominator, as area can be more easily and robustly measured and audited
- 1.5. The scheme will derive initial baselines from collection and analysis of actual operating building data for each asset type and geographical location where available, setting bespoke baselines for each group
- 1.6. Mandatory disclosure of performance through annual self-reporting required

2. Guidance on Commercial Building Requirements (without CBI city emissions baseline)

- 2.1. Certification can be provided for a single project or for an aggregation (pooling) of projects where GHG improvements are averaged across the pool. An area weighted aggregation methodology will be used to enable aggregation of energy efficiency projects into larger scale opportunities
- 2.2. GHG abatement attached to the Climate Bond will be deemed without additional verification requirements beyond those required by the building standard
- 2.3. No ongoing reporting requirements

3. Guidance on Residential Buildings Requirements

- 3.1. Certification is dependent on demonstrated compliance with approved building codes or rating schemes
- 3.2. Building codes or rating schemes will be assessed by the Climate Bonds Energy Efficiency Technical Committee to ensure sufficient stringency that any compliant residential building will be designed to achieve performance within the top 15% of the local market
- 3.3. Certification can be provided for a single project or for an aggregation (pooling) of projects where GHG improvements are averaged across the pool.
- 3.4. GHG abatement attached to the Climate Bond will be deemed without additional verification requirements beyond those required by the building codes or rating schemes

4. Guidance on Energy Efficiency Upgrades in Commercial or Residential Buildings Requirements

- 4.1. Certification can be provided for a single project or for an aggregation (pooling) of projects where GHG improvements are averaged across the pool
- 4.2. GHG abatement attached to the Climate Bond will be deemed without additional verification requirements beyond those required by the performance contract or financial upgrade agreement
- 4.3. Annual reporting will be as required by the upgrade agreement for commercial projects
- 4.4. No ongoing reporting requirements for residential assets

Guidance for Verifiers

[To be developed during Road-Testing & Consultation phase]

Development and Review

The criteria for inclusion of Low Carbon Buildings in Certified Climate Bonds was developed by the Low Carbon Property Working Group comprised of 17 international experts.

[Description of the development and consultation process]

[Expectations for review of the criteria (timing, extent)]



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<http://standards.climatebonds.net>