



Climate Bonds Standards & Certification Scheme:

Assurance Roundtable
Beijing – 11 December 2017



Topics covered in the this session

1. Welcome
2. Introductions and updates from Verifiers
3. Recent certifications for Chinese banks
4. Update on Version 3.0 of the Climate Bonds Standard
5. Updating verification documents
6. Briefing on new sector criteria
7. Discussion and Q&A
8. Next Assurance Roundtable



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Big Chinese banks are choosing certification for international issuance

Industrial and Commercial Bank of China (ICBC):

- USD 2.1 billion, made up of EUR 1.1 billion, USD 850m
- Issued in Luxembourg
- Transport, solar power and wind power assets

China Development Bank:

- USD 1.6 billion, made up of EUR 1 billion, USD 500m
- Issued in Hong Kong and Germany
- Transport, wind power and water assets

Bank of China:

- USD 1.45 billion, made up of USD 500m, EUR 700m, CNY 1 billion
- Issued in France by BoC Paris Office
- Transport and wind power assets



Further certifications are expected

- Institutional investors outside of China are increasingly looking for investments with positive environmental impacts
- These international investors have capital available with relatively low interest rates and are an important source of capital to finance China's green transition
- Increasing the flow of international low-cost capital into Chinese green bonds is a key priority for the Chinese Government
- Changes were made to improve international access to China's interbank bond market and encourage cross-border green bond issuance and investment
- **So how can we help you to encourage issuers to apply for Certification?**



We are developing some marketing material for you

We are working on a short brochure on benefits of international certification for Chinese issuers

- We are gathering quotes and comments from Chinese issuers who have gone through the Certification process and benefited from it
- Interviews with ICBC, CDB, BoC to start with
- We want to describe the real benefits which these issuers value

What can we do to assist your marketing efforts?

- Brochure in Chinese and English
- Discussions with international investors
- Events to share the experiences of the issuers of Certified bonds
- ???



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Updating to version 3.0 of Climate Bonds Standard

- The changes will create a much more widely applicable approach to demonstration of good practice in issuing green debt instruments:
 - Clearer alignment with the terminology and pillars of the **Green Bond Principles** to minimise any confusion around competing approaches
 - A **simpler structure** with four sections: pre-issuance requirements, post-issuance requirements, green definitions, certification process
 - Intention is to eventually use a Global Taxonomy of Green Definitions as the basis for asset eligibility, but this is still in development. Until then, sector-specific criteria must be used in version 3.0
 - Focus on **post-issuance reporting** as per the Green Bond Principles, including **more explicit requirements on impact reporting**
 - Post-issuance verification is still mandatory, but enhanced guidance for verifiers should minimise the effort required for stable situations

Timeline from here until release

- 13 Dec:** Release draft document and cover note to GBP and CBI Partners
- 15 Dec:** Session in Paris with GBP and CBI Partners
- 18 Dec:** Release for consultation for 60 days
Public consultation and targeted consultation with key stakeholders
- 18 Feb:** Updating based on input
- 26 Feb:** Provide final draft of version 3.0 to the Standards Board
- 6 Mar:** Standards Board meeting to consider approval of version 3.0
- 12 Mar:** Global launch of Version 3.0 and associated documents
- 13 Mar:** Training on the updated Standard in Beijing
- 19 Mar:** Training on the updated Standard in London
- 20 Mar:** Annual Conference in London - session on Standards & Taxonomies

Training and discussions during second quarter of 2018



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The three key documents all need updating

1. Assurance Framework

- Provides the principles for assurance and lays out the governance and decision making structures for the Scheme
- Describes the role of the approved verifier in the certification process
- Defines the criteria used in the approval of verifiers and the maintenance of approval and the approach to the ongoing oversight of approved verifiers.

2. Guidance for Verifiers

- Provides the assessment methodology and verification procedures that verifiers must use in preparing, undertaking and reporting on verifications under the Scheme
- Describes the approaches to managing conflicts of interest and impartiality of verifiers.

3. Readiness Assessment Protocol

- Presents potential pre-issuance Agreed-Upon Procedures as well as an easy-to-use checklist for implementing these potential procedures.



Updating verification documents

- The Climate Bonds Secretariat will be revising the verification documents as part of a wider package to be released in conjunction with Version 3.0
- The three key verification documents provide details on the role and responsibilities of Approved Verifiers in the Climate Bonds Standard & Certification Scheme
- The Guidance Working Group will be the main driver of the updates

Focus areas for updating:

- Templates for verifier reports
- Insurance requirements for verifier companies
- Complaints and appeals policy and mechanism
- Structure of Readiness Assessment Protocol
- Use of ISAE3000 by verifiers who are not accountants
- Updating guidance based on lessons learned



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Marine Renewable Energy Criteria

- The potential for marine renewable energy to contribute to a low-carbon global economy by meeting existing and growing energy demands
- Embedded emissions and those associated with installation and operation are immaterial over the lifetime of the asset because of the output of clean energy of the facility
- Lack of accepted industry best practice standards in the marine renewable energy sector
- Importance of creating Criteria that can apply to emerging and future marine renewable energy technologies
- Necessity that the Criteria promote adaptation to climate change and facilitate increased climate resilience in the systems and areas where bond proceeds are used



Marine Renewable Energy Criteria: Scope

Assets and use of proceeds in scope:

- Establishment, acquisition, expansion and ongoing management of renewable energy facilities, and their dedicated infrastructure and component manufacture

These might include:

- Offshore wind facilities
- Offshore solar facilities
- Tidal facilities; including in-stream, lagoon and barrage
- Wave facilities
- Ocean current
- Ocean Thermal Energy Conversion
- Salinity driven energy facilities
- Hybrids of the above

Marine Renewable Energy Criteria: Structure

All bonds applying for Climate Bonds Certification must meet the requirements in all three components of the Marine Renewable Energy Criteria.

Will your project meet the Marine Renewable Energy Criteria? It's as easy as **1 2 3**

**STEP
1**

Comply with Disclosure Component

Information required:
project location

and size, lifespan, key stakeholders, description of activities (e.g. installation, operation, decommissioning, facility capacity and generation), details of where the energy generated is going and avoided GHG emissions

For most issuers this information is readily available and already public. To show compliance it should just be a matter of collating the information.

**STEP
2**

Comply with Mitigation Component

Marine Renewable Energy projects

automatically pass the mitigation component, provided fossil fuel back up is only used for restart capability and monitoring / operating / resilience measures in the event of no renewable power in the system.

For most issuers, proving compliance with this checklist will often be a matter of pointing to the Adaptation Plan and/ or Environmental Impact Assessment.

**STEP
3**

Comply with Adaptation & Resilience Component

Complete checklist to show:

- 1.** Climate related risks to the asset are understood
- 2.** The impacts the asset has on the resilience of stakeholders and the environment are understood
- 3.** Strategies exist to mitigate and adapt to climate risks
- 4.** Strategies exist to promote resilience of the wider system
- 5.** Assets or projects have no negative environmental impacts

Water Criteria Phase 2: Nature-based and Hybrid Infrastructure

Phase 1: Engineered water infrastructure

- Covers *engineered* water infrastructure for water collection, storage, treatment or distribution, or for flood protection or drought resilience.
- Released to the market in October 2016
- Five bonds with engineered water infrastructure have been certified so far

Phase 2: Nature-based and hybrid water infrastructure

- Extends the Water Criteria to incorporate nature-based solutions
- Includes green and hybrid water infrastructure for water collection, storage, treatment or distribution, flood protection, and drought resilience
- **Now open for public consultation**



Water Criteria Phase 2: Scope

Assets	Examples
<i>Water storage such as snowpack runoff and groundwater recharge systems</i>	Active snowpack management program; Using parks, natural areas for storm water management; Creating groundwater recharge areas for aquifer storage
<i>Flood defences</i>	Restoration of riparian wetlands for flood storage; Creation of safe delta flood zones as natural habitat for the river to expand into; Altering flow mechanics to reduce the force of flood stage flows
<i>Drought defences</i>	Use of pumps to transfer waters to / from natural aquifers; Planting trees, other vegetation explicitly to reduce water temperatures, evaporation rates
<i>Water treatment</i>	Construction of nature-based wetland using native plants for water filtration, nutrient management
<i>Storm water management</i>	Removal of pavement, creation of new substrate to improve groundwater absorption & reduce runoff; Creation of wetland retention ponds
<i>Ecological restoration / management</i>	Development of an environmental flows regime; Sediment transport to reduce / restore downstream deposition

Water Criteria Phase 2: Structure

Will your project meet the Water Criteria? It's an easy two-step

STEP
1

Comply with Mitigation Component

GHG emissions from water projects do not increase and comply with business-as-usual baseline or aim at emission reduction will be delivered over the operational lifetime of the water asset or project.

STEP
2

Comply with Adaptation & Resilience Component

Water infrastructure and its surrounding ecosystem are resilient to climate change, and have sufficient adaptation to address climate change risks.

To demonstrate that, issuers should complete a **scorecard** made up of five sections:

Section 1. Allocation: Addressing how water is shared by users within a given basin or aquifer.

Section 2. Governance: Addressing how/whether water will be formally shared, negotiated, and governed.

Section 3. Technical Diagnostics: How/whether changes to the hydrologic system are addressed over time.

Section 4. Nature-based Solutions: (for nature-based and hybrid infrastructure only) addressing whether issuers have sufficient understanding of ecological impacts at/beyond project site with ongoing monitoring and management capacity.

Section 5. Assessment of the Adaptation Plan: Checking the completeness of the coping mechanisms to address identified climate vulnerabilities.



Forestry Criteria: Still in development

- Forestry related bonds make up around 90% of the green bonds issued in the land use sector and we anticipate high demand for forestry related criteria in the market
- There is significant potential for carbon sequestration and avoided emissions across forestry, conservation and restoration activities
- The first sub-sector to be covered by Climate Bonds criteria will cover commercial forestry, conservation and restoration forestry.
- We will then move on to other land conservation and restoration and also the agriculture sector

Industry Working Group for the forests criteria will be convened in January 2018 – please let us know if you would like to join.

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Thank you

