Green Bonds Policy: Highlights from Q1-Q2 2017

Public sector green bond developments from around the world

1. The year of sovereign green bonds

In our 2016 policy roundup, we highlighted 2017 as the year of sovereign green bonds.

France has set an excellent precedent for 2017, issuing an impressive USD7.5bn bond in January, following Poland’s first-ever sovereign green bond at the very end of 2016.

Nigeria’s anticipated green bond issuance has been delayed, but is expected to come to market soon. There are a dozen other countries who are considering green sovereign issuances.

“The green OAT was a great success in financial terms […] We hope that other sovereign countries will come to this market in order to issue their green bond, and also, what’s more important, to show that this is coherent with their national environmental policies.”

Dorothée Stik, Green OAT Project Leader, Agence France Trésor, Climate Bonds Annual Conference 2017

2. New guidelines from governments and regulators

So far this year green bond guidelines have been released by regulators in India and China.

India: In May 2017, the Securities and Exchange Board (SEBI) released a final version of their guidelines following consultations with the Ministries of Finance and New and Renewable Energy.

China: The China Securities Regulatory Commission, which regulates listed companies, has issued green bond guidelines following the lead of other regulators. The green definitions are those adopted by the PBoC with a provision excluding high-polluting companies in conflict with the national planning policy.

Other developments include:

Japan: Japan’s Ministry of Environment released green bond guidelines in March 2017, which form a foundation for future guidelines from Japan’s financial regulators.

Luxembourg: Luxembourg’s Ministry of Finance has endorsed a new green bond label scheme launched by the independent non-profit Luxembourg Finance Labelling Agency (LuxFlag).

Taiwan: Taipei Exchange, with oversight from the Financial Supervisory Commission, has issued guidelines endorsing the Climate Bonds Standard and Green Bond Principles (GBP) to identify green bonds.

The ASEAN Capital Markets Forum, the Financial Services Authority in Indonesia, the Johannesburg Stock Exchange in South Africa and the Nigerian Securities Exchange Commission are also progressing with the development of guidelines.

3. Beyond sovereigns: issuances from sub-sovereigns and DFIs

The first half of this year has seen a flurry of issuance from different types of public sector actors (see map p2).

Canada, Australia and Argentina set leading examples of how provinces and states can lead on green bond issuance. Several municipal aggregators came to market with green bonds, including new entrant KommuneKredit in Denmark.

We also saw the first green bond from the Middle East, issued by state-owned National Bank of Abu Dhabi. Other notable firsts are a green bond from a Chinese local government financing vehicle and one from Brazil’s giant development bank BNDES.

4. Central banks green bonds incentives

Central banks can play a leading role in green bond market development thanks to the huge amount of assets they can leverage.

Singapore: Green Bond Grant Scheme

In March, the Monetary Authority of Singapore, announced a green bond grant scheme that will absorb the full cost of getting an external green bond review in order to support new issuers to enter the market.

China: Green Monetary Policies

Since early April, the People’s Bank of China (PBoC) has begun exploring the possibility of allowing green bonds as collateral for borrowing from the Central Bank, and the inclusion of exposure to green lending in banks’ macro-prudential assessment frameworks.

“Green bond guidelines are being developed across a range of jurisdictions, in various forms and driven by diverse institutions. Along with other policy efforts, in Asia in particular, these are addressing specific barriers identified by the G20 Green Finance Study Group last year.”

Christopher Kaminker, Head of Sustainable Finance Research, SEB and author of a recent OECD report on green bonds
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5. International and domestic collaboration on green bonds
China at the centre of international partnerships
China’s green bond leadership position has attracted others for collaboration:
- A joint initiative has been launched by the People’s Bank of China (PBoC) and the European Investment Bank (EIB) to develop a clear framework for analysis and decision-making in green finance.
- The EIB and China Green Finance Committee have committed to look at harmonisation of green bond guidelines between EU and China.
- A LATAM delegation led by the Inter-American Development Bank visited China’s various finance bodies, such as FRO and CBRC, to gain insight into China’s green finance sector.

Big Picture – The 2020 milestone
A large and liquid green bonds market can support countries in achieving the targets (NDCs) set out in the Paris Climate Agreement.

3. Renewable energy growth and policy support remain in place
This is true for both Red and Blue states; Texas, the largest consumer of coal in the country, saw over half of its power demand supplied by wind energy for the first time ever at the beginning of June that the U.S. would withdraw from the Paris Climate Accord and stop all implementation measures of the agreement immediately.

5 reasons to remain optimistic about the US green bond market
To the international community’s dismay, President Trump announced at the beginning of June that the U.S. would withdraw from the Paris Climate Accord and stop all implementation measures of the agreement immediately.

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