

CLIMATE BONDS STANDARD & CERTIFICATION Newsletter

JAN-SEPT 2016 ISSUE 1

Welcome to the first edition of our Climate Bonds Standard & Certification Newsletter

2016 has been a whirr of activity for the Climate Bonds Standard & Certification Scheme. We've had a flurry of Certified Bonds issued; development of sector criteria has been ramping up and the list of approved verifiers is growing, including our first China based verifiers; SynTao, Lianhua EIA & ZhongCai. All very promising signs for the market.

To keep you updated with our progress we thought it was about time we started a regular newsletter from the Standards & Certification team. We'll be publishing one every quarter to keep you up-to-date.

Read on for all the recent news on Certified Climate Bonds as well as updates on the latest developments on the Standard and Sector Criteria.

Developments this year

2016: Rapid growth in bond certification

By the end of 2015 we had \$1.8 billion of Certified Climate Bonds issued.

At the close of Q3 2016 we've just tipped over the \$7 billion mark. In other words, Q1-Q3 2016 saw Certified Climate Bond issuance more than triple the 2015 total.

On a wider scale, more than 10% of all green bonds issued this year are Certified Climate Bonds.

Diversity on the rise

In the first three quarters of 2016 we've seen Australian semi-sovereigns, Indian renewable energy companies, German wind power developers, the first ABS for small-scale solar, and urban transportation authorities all bringing Certified Climate Bonds to market—more details on the next page.

Our list of [Approved Verifiers](#) is growing quickly

EY and KPMG have been on our list for some time, and PwC has just recently joined up. We're hoping to see the last of the Big Four on board soon.

We are also receiving increased interest from verifiers in emerging economies wanting to provide verification services in these dynamic markets.

India-based EVI and BDO joining is an indication of the potential for verification services in these markets.

See page 5 for the full list of recently approved verifiers or visit our [website](#).

New Criteria released

Criteria for [built water infrastructure](#) have been approved by the Climate Bonds Standard Board and released for use by issuers.

We've already seen a couple of certified bonds making use of the new Water Criteria

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What is the Climate Bond Standard?

A screening tool that identifies infrastructure for a future low carbon economy. Bond Issuers use it to confidently show the climate change credentials of their bonds. Investors use it to prioritise bonds they can be sure are delivering climate change solutions.

What is a Certified Climate Bond?

A green bond that has had its environmental credentials certified against the [Climate Bonds Standard](#), allowing it to be approved by the Climate Bonds Standard Board.

Verification can only be done by a Climate Bonds Approved Verifier.

(details on page 2) and we're expecting others to come flooding in!

There's more on water on our [website](#).

Work begins on Hydropower Criteria: new TWG launched

June saw the launch of the [Hydropower Technical Working Group \(TWG\)](#).

The TWG is working hard to develop Criteria for run-of-river, storage (reservoir), pumped storage & the newer in-stream technologies.

More details on page 4.

Have you seen?

Green bond definitions and assessments are being developed

In March 2016, **Moody's** published its **Green Bonds Assessment (GBA)** methodology. It provides a framework to evaluate green bonds in terms of their use of proceeds and reporting and refers to the Climate Bonds Taxonomy.

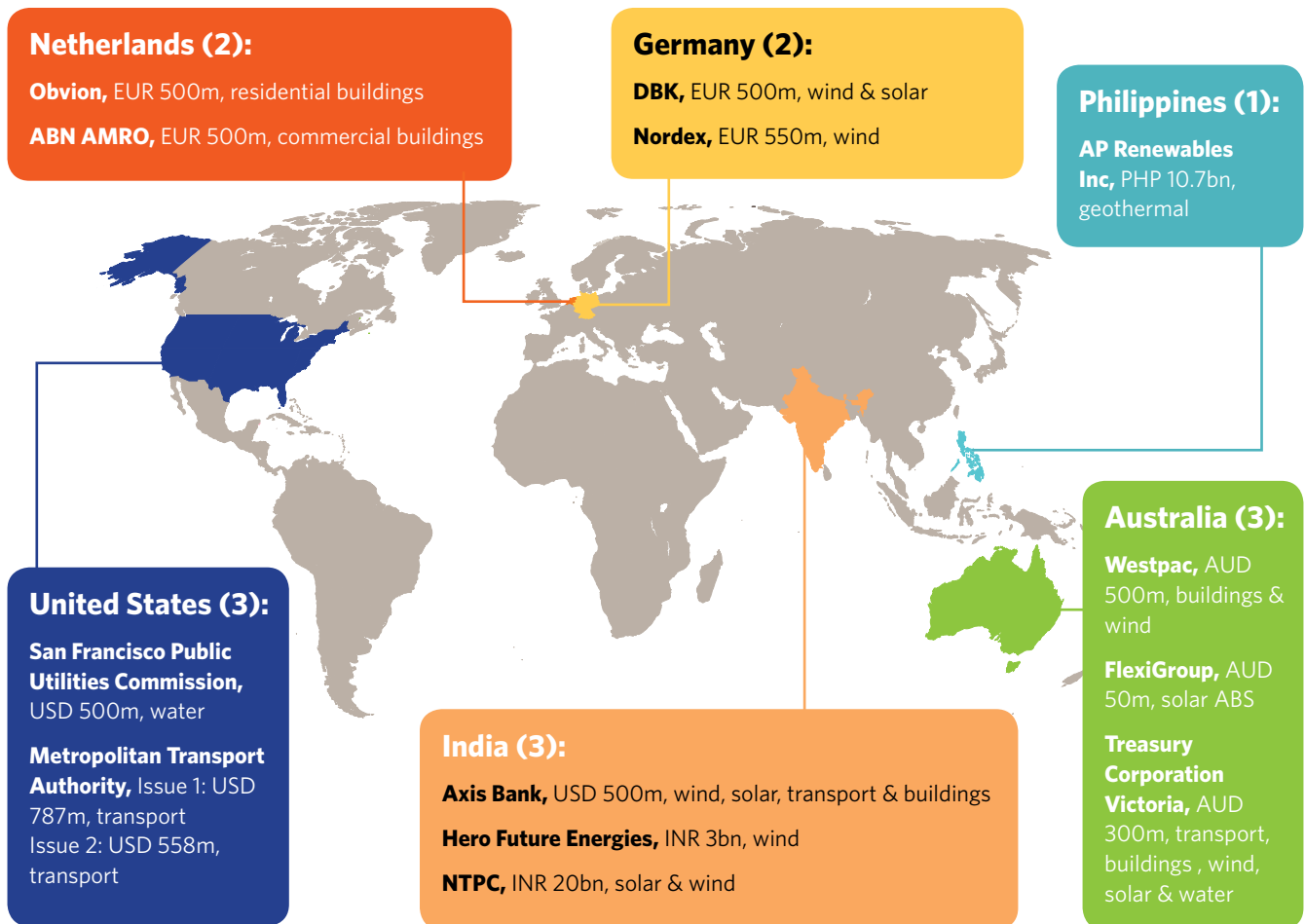
In September, **Standard & Poor's** released its **Green Bond Evaluation tool** for public consultation.

China's Green Finance Committee (GFC) published the [Green Bond Endorsed Project Catalogue](#) in Dec 2015, which sets the green definitions for the Chinese green bond market. Climate Bonds is a special member of the GFC, playing an advisory role in proceedings.

The ICMA **Green Bond Principles (GBPs)** were updated in June 2016, indicating that investors could refer to further criteria or standards for eligible projects. The Climate Bonds Standard remains fully aligned with the updated GBPs, building on the principles to establish a verification scheme.

Snapshot of Certified Climate Bonds

January – September 2016



Certified Climate Bonds 2016

As Climate Bond Certification grows in popularity it is also expanding in geographic reach; **2016 YTD has seen India, USA, Germany and the Philippines issue for the first time.**

Axis Bank, Hero Future Energies and NTPC have issued from India, mainly in the renewable energy space. The US has joined the ranks with issuance for public infrastructure projects from San Francisco Public Utilities Commission (water) and two bonds so far from New York's Metropolitan Transport Authority (public transport).

Germany is the latest European country to see the value of Certification with bonds for wind and solar projects from DKB and Nordex. And we have even had a Certified Climate Bond issued in the Philippines. AP Renewables issued for geothermal power projects.

Who will be next? Hopefully more to announce next quarter!

“Our city’s sewer system was built to last a hundred years; it’s only fitting we use, the latest, most innovative financing techniques.” Harlan Kelly Jr, San Francisco Public Utilities Commission

Updates to the Climate Bonds Standard - V2.1 coming soon

We are working with the Climate Bonds Standard Board to add enhancements to the Climate Bonds Standard. These come in response to green bond market developments.

Programmatic Climate Bonds Certification

Larger scale repeat issuers of Certified Climate Bonds have indicated a desire to use

a programmatic approach to certification, allowing them to certify a designated asset pool and then issue multiple Certified Climate Bonds against them over several years.

This approach will streamline issuance whilst maintaining the confirmation of environmental integrity that our Standard provides.

Including other debt instruments; not just green bonds

Standards V2.1 will move beyond the four bond definitions included in the GBPs.

This will include expanding the range of different debt instruments that can be Climate Bonds Certified.

We plan to welcome instruments such as Yieldcos and Sukuk, and other types of transferrable instruments to the climate bonds family in the very near future.

Stay tuned for the release of V2.1 – you’ll see it on our blog first.

The Numbers: Certified Climate Bond Issuance is Growing: Total to Date

Issuance per financial quarter



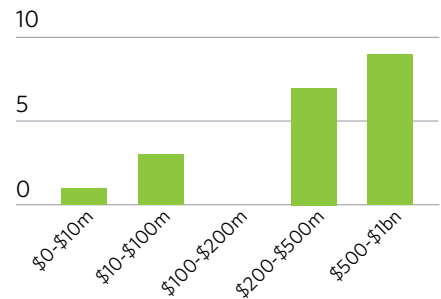
With Climate Bonds Certification growing we took a look at who is issuing them, what for, how big and in which currencies – see the results below!

N.B. these graphs look at total Certified Climate Bond Issuance to date, unlike the map on page 2, which shows issuance from January to September 2016.

Further information on all Certified Climate Bonds is available at www.climatebonds.net/standards/certification

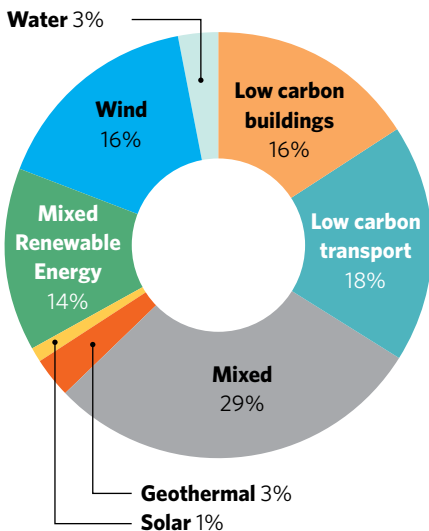
“We know that our network of electrified rail services is efficient...to be recognized for this by the investment community reinforces the essentiality of having a large and robust transportation infrastructure” Pat McCoy, Director, Finance MTA

The majority of Certified Climate Bonds are larger than \$200m



80% of certified bonds are larger than \$200m and 45% are larger than \$500m.

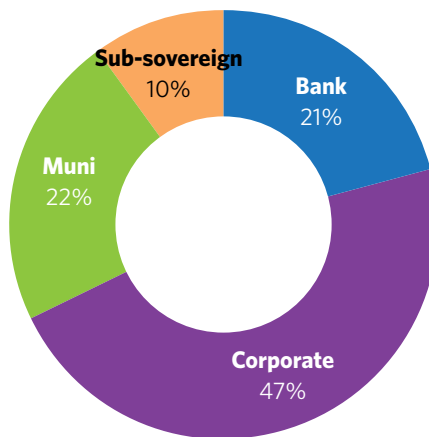
Certified Climate Bonds have been issued in all our criteria areas



We have had Certified Climate Bonds issued for solar, wind, geothermal, buildings, transport and water

Many bonds fund a mixture of a few of these categories and the sector criteria are designed to be used in conjunction with one another.

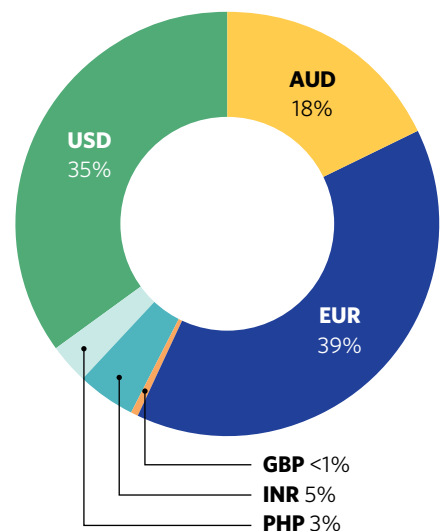
Approx. half the certified issuance came from corporates



Banks, corporates, munis & sub- sovereigns all see value in using Climate Bonds Certification

We've had the most certified issuance from Corporates but it's also from Corporates that we've seen the most green bond issuance so this is to be expected.

EUR and USD account for 74% of certified issuance



Certified Climate bonds have been issued in a variety of currencies

This year is the first time we have seen certified issuance in INR and PHP. EUR and USD make up the majority of the issuance; responsible for 39% and 35% respectively.

What's happening with our sector criteria

Hydropower



Status: TWG developing criteria

Hydropower can be a controversial technology. However, get it right and it can be an important contributor to the mix of clean renewable energy, particularly by providing base load power.

We've launched a new Technical Working Group (TWG) to examine what mitigation and adaptation & resilience criteria should be set to make sure that hydropower is socially and environmentally responsible.

We're looking into how we can leverage existing tools such as the CDM methodology, IHA G-res tool, the Climate Bonds Geothermal Criteria and the World Bank's guidance on GHG accounting.

On the agenda for future calls are adaptation & resilience issues and broader environmental and social impacts.

Water



Phase I Status: Criteria Approved

Phase II Status: TWG developing criteria

The Water Criteria focus on both mitigation and adaptation & resilience of water infrastructure assets, and their impact on the resilience of the system in which they are part.

We're rolling out the criteria in phases, covering engineered (Phase 1) and nature-based and hybrid (Phase 2) water infrastructure for the purposes of water collection, storage, treatment, distribution, or flood and drought defences.

In partnership with a consortium (Ceres, AGWA, CDP & WRI), we've just released Criteria for built water infrastructure.

Buildings



Status: Phase I Criteria approved – now being expanded

March marked the first meeting of the TWG this year, which has reconvened with new building specialists from BRE Group, Better Buildings Partnership, EDF's Investor Confidence Project, Geophy and UNEP Finance Initiative.

This year we've seen great uptake of the Buildings Criteria, with five Certified Climate Bonds funding buildings.

The reconvened TWG will focus on refining and expanding the buildings criteria to meet the demand we're seeing from issuers across Europe, including Germany, Spain, Sweden, and the UK.

Emission performance trajectories are now available for green commercial property bonds in Australia, Singapore and seven major US cities. We've also got an ambitious engagement program to expand the list in Europe.

Bioenergy



Status: post public consultation

When we put our first draft of the Bioenergy Criteria out for public consultation we had a fantastic amount of engagement and feedback.

We've recently reconvened the original TWG to address these comments.

The crucial issue that public consultation highlighted was the possibility of using a principles-based approach rather than requiring each bioenergy project to be certified under a specified list of current standards. Feedback was that this would be fairer and we're all for making this as inclusive as possible – if it remains environmentally robust of course.

Marine



Status: TWG developing criteria

What's a low carbon fishery? Is all marine renewable energy green enough for green bonds?

These are the sorts of questions we're tackling with our Marine TWG now.

We launched the Marine TWG in April 2016 and they're currently developing screening Criteria for marine green bonds.

The Marine Criteria straddle several sectors, including marine renewable energy, fisheries and coastal infrastructure.

Waterborne transport will be tackled with a separate TWG, which we aim to set up before the end of this year.

Land Use



Phase I Status: post public consultation

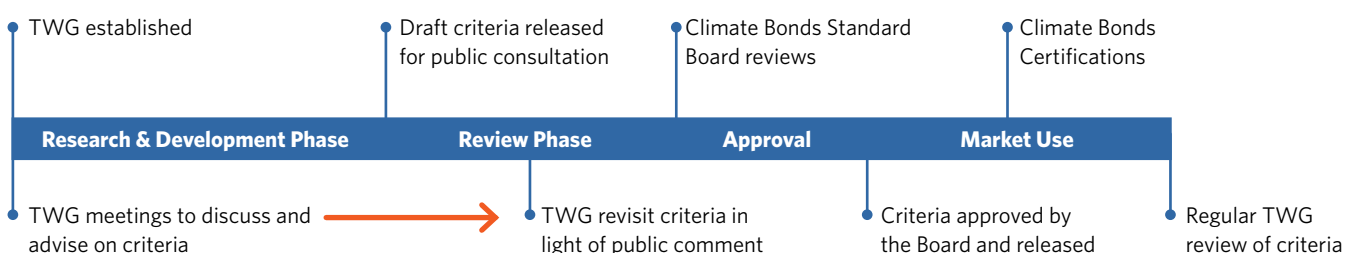
Phase II Status: TWG developing criteria

Land Use criteria are being developed in two phases; mitigation, and adaptation & resilience.

Phase 1 Criteria are currently being refined and we aim to approve and release them shortly.

The Phase 2 TWG was launched in April 2016 and we expect to release criteria for public consultation in early 2017.

FAQ: How are Climate Bonds Sector Criteria set?



In other news...

Approved Verifiers

This year we've had many new approved verifiers from around the world joining the current ranks. We've welcomed SynTao Green Finance, Vigeo, BDO India, ZhongCai Green Financing, Carbon Trust, Emergent Ventures India, Lianhe EIA and PwC.

Verifiers are approved based on geographic scope (where they can verify) and technical scope (what they can verify). Check out our [full list for all the details](#).

We've got others in the pipeline too, so look out for new names in next quarter's newsletter!

Building China's green bond market

We've been doing a lot of work in China over this year to help build its green bond market. This includes advising China's Green Finance Committee, publishing our [Roadmap for China](#) reports (helpfully in English and Chinese) and we've worked with CCDC and CECEP to build the [ChinaBond China Climate-Aligned Bond Index](#).

For the rest of this year and into next we will continue our efforts to help China build a robust green bond market. Visit the [Chinese version](#) (in Chinese) of our website to find out more about our activities in China. And look out for our China newsletter - coming out very soon.

Upcoming - watch out for further info in the next newsletter

Look out for our next quarterly newsletter for the latest news on our sector criteria, certified bonds, and other initiatives.

Next time we'll be diving into the Water Criteria, Phase 1 and Phase 2. Sign up to [our blog](#) to be sure not to miss out!

Climate Bonds events

State of the Market reports and roadshow goes global

We launched our annual report, [Bonds and Climate Change: State of the Market 2016](#), in London this June. This was followed by a series of launches and country editions of the report - more than ever before! We've now released editions for [Brazil](#), [China](#), [France](#), [Canada](#) and [Mexico](#). India will be next!

Join us at our launch of the India edition on 24 Oct in Mumbai and 27 Oct in Delhi.

The Green Infrastructure Investment Coalition (GIIC) rolls out

Dedicated to reducing investment barriers to green infrastructure, the GIIC is an exciting new initiative we're running in partnership with ICMIF, LTIA, PRI and UNEP Inquiry.

The GIIC launched in June with an event bringing together Indian issuers and investors at the London Stock Exchange. It will next hold a similar event focused on Brazil in the week of 8 Dec.

Webinar series up and running

We've recently held webinars on the Green Bond market, Solar, Wind and Transport criteria that included guest presentations from certified issuers Deutsche Kreditbank, Hero Futures Energy and Nacional Financiera. Webinars on the Buildings Criteria are coming up in November.

If you've missed out on these webinars, you can visit our [webinars page](#) to check out the recordings. Our next webinars will be announced via the [Climate Bonds blog](#).

Stay tuned!

Check out our Climate Bonds Blog for updates on all our events and latest news on the green bond market.

Check in regularly or [subscribe](#) to receive updates straight to your inbox.

First Green Securities Exchange: The Luxembourg Green Exchange

The Luxembourg Stock Exchange introduced the world's first [exchange trading in only green securities](#) at the end of September; the Luxembourg Green Exchange or LGX.

To list on the LGX issuers must provide a full set of documentation for their bonds to try and combat ambiguity and scepticism over green credentials; the same things we're tackling with our Standard & Certification Scheme.

Sean Kidney, CEO, spoke at the launch: "Congratulations on the launch today of the Luxembourg Green Exchange. This is an international step forward by the Exchange; taking a green, global lead".

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Meet the Climate Bonds Standard & Certification team



Anna Creed
Standard Manager



Rob Fowler
Head of Certification



Su-Ching Lee
Research Analyst
Buildings & Waste



Katie House
Research Analyst
Marine & Land Use



Lily Dai
Research Analyst
Bioenergy, Water & Hydropower

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