

# Climate Bonds Standard & Certification Newsletter

SEPT-DEC 2016 **ISSUE 2**

## In 2016 we gathered momentum

# \$7.2bn

Certified Climate Bonds issued, representing 9% of all 2016 green bonds issued

### This included

#### Our three largest Certified Climate Bonds to date:



**EUR 900m**



**USD 782m**



**EUR 550m**

#### A host of Certified Climate Bond firsts:

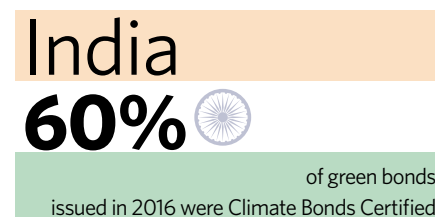
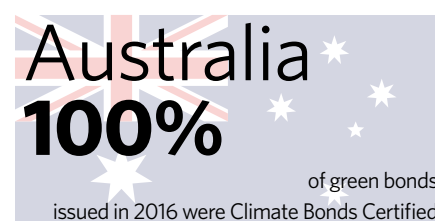
**1st Indian offshore INR green bond**  
NTPC (INR 20bn)

**1st green bond from Morocco**  
Masen (MAD 1.15bn)

**1st green bond from Philippines**  
AP Renewables Inc (PHP 10.7bn)

**1st green schuldschein**  
Nordex (EUR 550m)

#### Significant market reach, particularly in:



## Standard going from strength to strength

#### Climate Bonds Standard V2.1 and new sector criteria

[Version 2.1](#) expands the range of debt instruments that can be Certified & streamlines the Certification process for programmatic issuances

Sector Criteria released in 2016:

- Transport
- Water
- Geothermal

#### New sector criteria coming in 2017

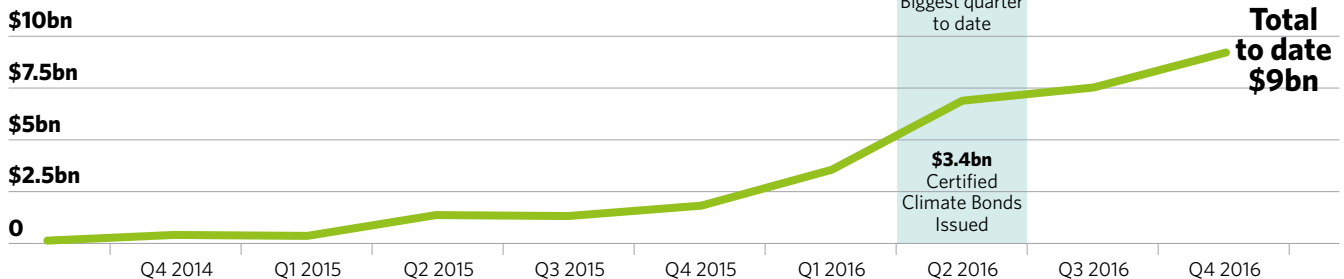
- Land Use
- Hydropower
- Expanded Buildings
- Bioenergy
- Marine
- Expanded Water

#### New Technical Working Groups coming in 2017

- Waste Management (Jan 2017)
- Industrial Energy Efficiency
- Information, Communication & Technology
- Water Transport

# Year end summary of Certified Climate Bonds Issuance to date & 2016 developments

## Certified Climate Bonds Issuance



In 2016 we saw USD 7.2bn of Certified Climate Bonds issued. With USD 1.8bn issued previously, 2016 has multiplied Certified Climate Bonds by a factor of 5. That's serious momentum for the scheme and totals Certified Climate Bonds issued at USD 9bn.

Q2 2016 boasted record Certified Climate Bond issuance with \$3.4bn going to market in that quarter alone.

As we've now launched V2.1 of the Climate Bonds Standard, which allows 'programmatic' Certification, we expect to see more bonds in the pipeline in 2017.

## Climate Bonds Certification takes hold in Australia and India

Another exciting development we've seen this year is that while we've certified just under 10% of all 2016 green bond issuances globally,

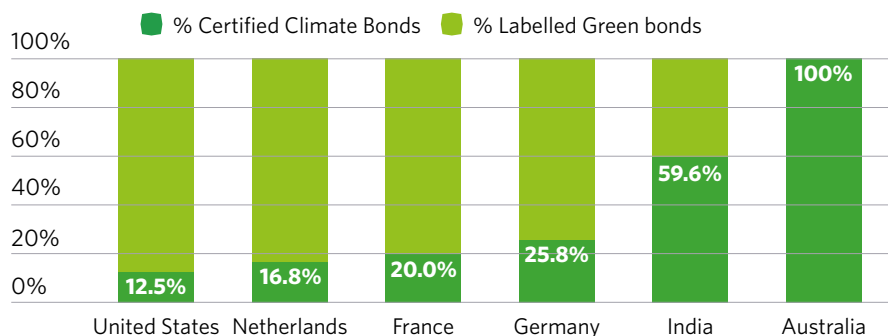
the figures for particular markets show Climate Bonds Certification dominating.

In 2016, all of Australia's green bond market was entirely Climate Bonds Certified. The majority of India's green bonds were also Climate Bonds Certified, and the Standard is gaining recognition in several other markets, including Germany and France.

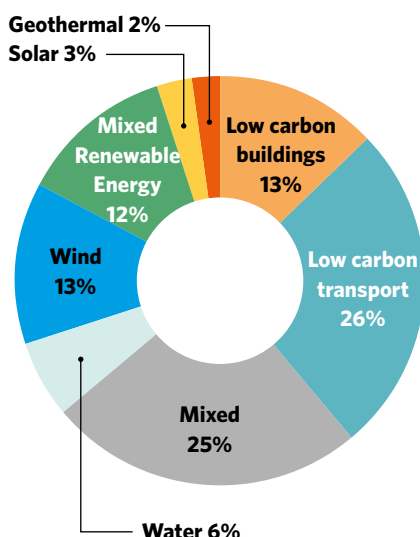
## And there's more ready and waiting to be issued

We've also certified another USD 2bn that's now in the pipeline for issuance. Generally, issuers apply for certification just before they issue, but some have been obtaining Climate Bonds Certification for bonds that will not be issued immediately. They can then go to market with a Certified Bond when conditions are most favourable.

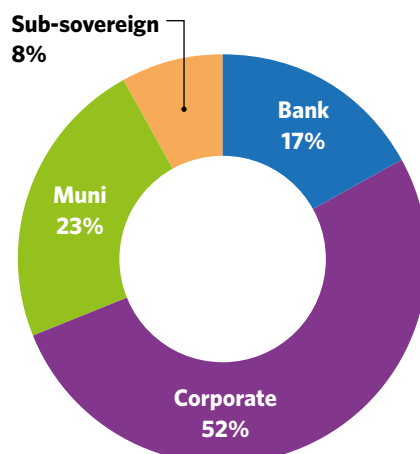
## Key markets for 2016 Climate Bonds Certification



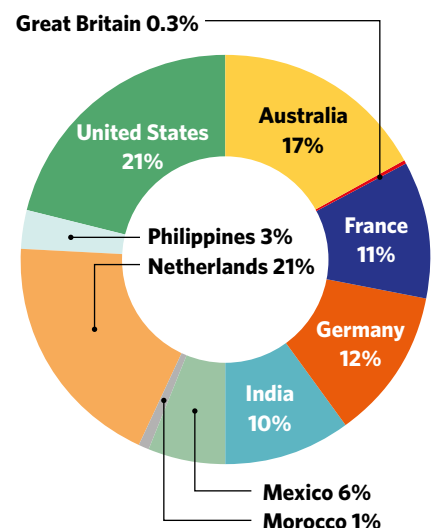
## Low Carbon Transport takes the largest share of the total Certified Climate Bond market



## Corporates continue to make up the majority of issuers of Certified Climate Bonds

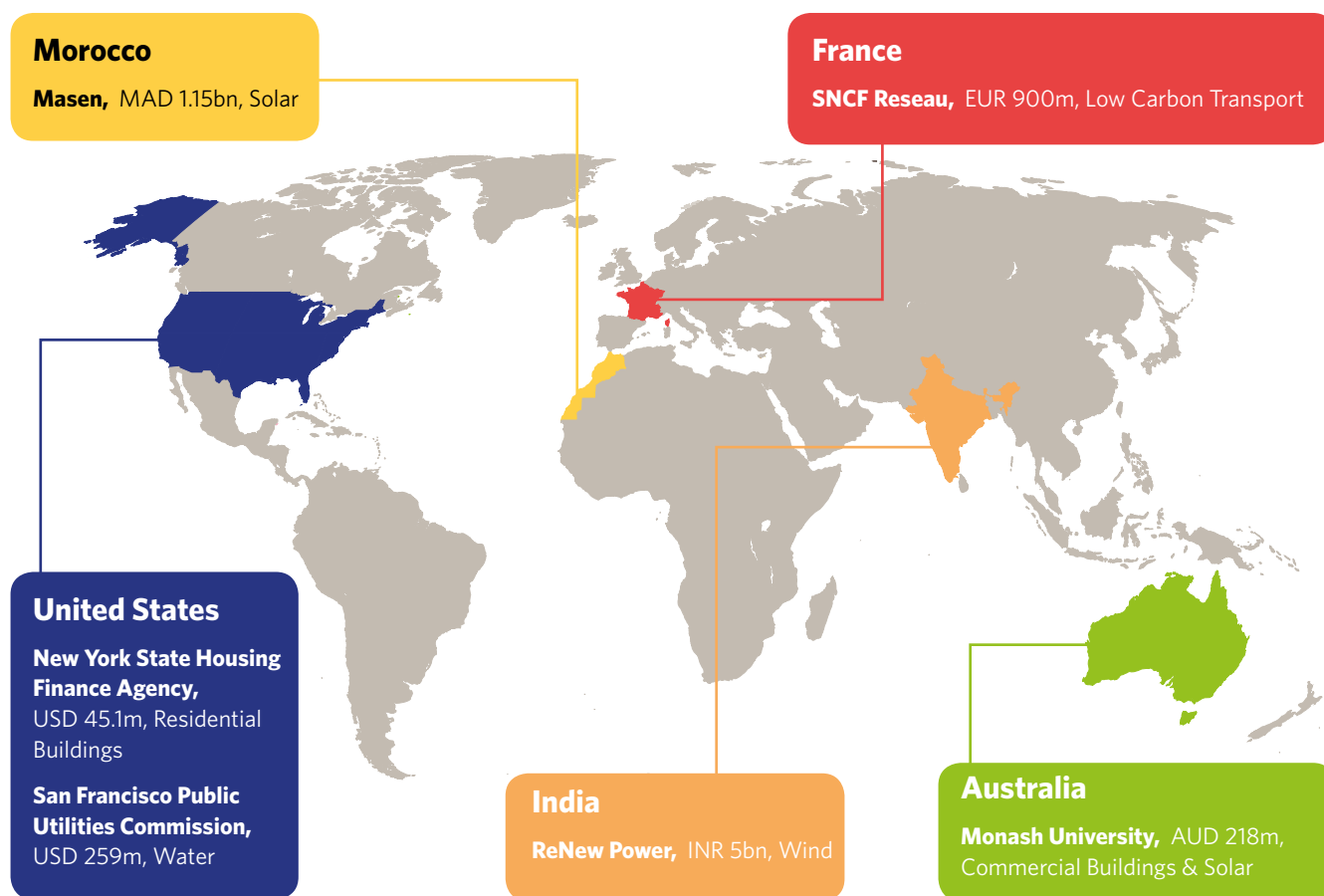


## We've now seen Certified Climate Bonds issued in 10 different countries



# Snapshot of Certified Climate Bonds

## Q4: September - December 2016



### Water, water everywhere – and now it can be Climate Bonds Certified

October 2016 also saw the second of two Certified Climate Bonds under our new Water Criteria, both issued by San Francisco Public Utilities Commission (SFPUC).

We hope the development of these Criteria will be a significant boost for investment in sustainable water infrastructure, that both meets community needs and takes account of the two-way relationship between such infrastructure and climate change.

We look forward to seeing a flood of certifications in this sector in 2017.

*“Climate Bonds Certification for our wastewater bonds, a US and global first, is an important evolutionary step for green infrastructure financing”*

**Harlan Kelly Jr**  
General Manager SFPUC

### Standard V2.1 streamlined for frequent issuers and includes more debt instruments

In December 2016 the Climate Bonds Standard Board approved [Version 2.1 of the Climate Bonds Standard](#). The updated version includes a couple of enhancements; (i) streamlining the certification processes for large scale frequent issuers; and (ii) expanding the variety of debt instruments which can be certified.

V2.1 is fully backwards compatible with the previous V2.0 of the Climate Bonds Standard,

so all certifications awarded, or in process, are fully compliant with the updated version.

The update simply adds [new certification options](#) to support expansion of the Certified Climate Bond market in 2017.

### Streamlining the certification process for frequent issuers

V2.1 allows ‘programmatic’ Climate Bonds Certification. In practice this means organisations who aspire to be frequent issuers of Certified Climate Bonds can now bring a large pool of eligible assets to the Climate Bonds Standard Board for certification. If approved they can issue multiple certified bonds from that pool with streamlined pre and post issuance reporting processes, while maintaining the environmental integrity that the Climate Bonds Standard provides.

### More debt instruments certifiable under the Climate Bonds Standard

Version 2.1 of the Climate Bonds Standard allows the certification of a broader range of debt instruments beyond the four bond definitions included in the Green Bond Principles.

For example, we can now certify convertible bonds or notes, loan facilities, syndicated loans and sukuk. A full list of the debt instruments now certifiable is [available on our website](#).

# What's happening with our Technical Working Groups (TWGs)?

## Water



**Status: Phase I Criteria Approved**

**Phase II Status: TWG developing criteria**

Phase II of the Water Criteria, covering nature based water infrastructure, is progressing well and will be released for public consultation imminently. Once released, we will welcome all comments on the proposed Criteria.

The Phase II Criteria will integrate fully with the Phase I Criteria by developing additional scorecard questions specific to nature based water infrastructure. You can find the complete Phase I Criteria [here](#).

## Marine



**Status: TWG developing criteria**

As TWG talks progress it has become clear that Marine is a large sector to address. A single set of Criteria and requirements for a green bond funding fisheries is likely to be very different to requirements for a green bond funding tidal power.

With the guidance of the TWG, we will produce a suite of Criteria documents, covering separately marine renewable energies, fisheries, aquaculture and coastal infrastructure.

We aim to have the first of these out for public consultation in Q1 2017.

## Buildings



**Status: Phase I Criteria approved – now being expanded**

The Buildings TWG has continued to meet in order to expand the Criteria. A key area they are currently working on is additional criteria for manufacturers and distributors of energy efficiency components, such as LED lights, heating and cooling systems. Climate adaptation & resilience considerations are also on the agenda with the TWG.

We also expect to release emissions performance trajectories for offices in major UK cities in the near future, with support from Better Buildings Partnership.

## NEW Waste Management



**Status: launching in January 2017**

The TWG will be considering the types of waste and the technologies that will be in scope and the priorities for criteria

development. We have members signed up from 16 institutions – see our website for full details.

Waste types under consideration include municipal solid waste, commercial & industrial waste, and construction & demolition waste. Technologies under consideration

include refurbishment and remanufacture, recycling, anaerobic digestion, composting, and energy recovery from waste.

We look forward to kicking off discussions and delving into the intricacies of climate friendly waste management.

## Bioenergy



**Status: post public consultation**

Recent discussions have included where the boundary between Land Use and Bioenergy sits. It's a bit of a conundrum, but we must draw lines somewhere and so have decided to base decisions depending on the nature of the asset base – specific guidance will be released soon.

The TWG is now looking closely at mitigation criteria for bioenergy, including the scope of life cycle assessment of GHG emissions, GHG emission thresholds that follow a low carbon trajectory for various bioenergy uses, including electricity, heating and transport.

We will then move on to developing criteria for other environmental and social factors, leveraging existing international best practice and standards.

## Hydropower



**Status: TWG developing criteria**

During Q4, the Hydropower TWG concentrated on climate change mitigation requirements for hydropower, focusing on topics such as lifecycle GHG emissions assessments, GHG thresholds that correspond with a low carbon future and ideas for GHG allocation methodologies for mixed use reservoirs. The results of these discussions are being carefully incorporated into TWG considerations.

In addition, the TWG continue to discuss the scope, objectives and approaches to developing criteria relating to climate change adaptation and resilience, encompassing a range of social, and broader environmental criteria.

## Land Use



**Phase I Status: post public consultation**

**Phase II Status: TWG developing criteria**

Land Use Phase I Criteria, focusing on mitigation and broader social and environmental aspects of Land Use assets and investments are fast approaching final release. Final documents will be submitted to the Climate Bonds Standard Board imminently and public release should follow shortly after.

Land Use Phase II, focusing on complimentary Adaptation & Resilience Criteria, are progressing well with the TWG. Throughout Q1 we will be holding focused TWG meetings to tease out specific Criteria whilst testing these against bond issue case studies.

## In other news...

### European Commission report backs Climate Bonds Standard

In December 2016, the European Commission published its 'Study on the Potential of Green Bond Finance for Resource-Efficient Investments', a comprehensive green bond report.

[We were particularly excited to see](#) the recommendation to develop an official European Green Bond Standard. Especially when the report proposes using existing standards as the foundation for the official one, and explicitly highlights the potential to use the Climate Bonds Standard and the Green Bond Principles (GBPs) as the basis for the European Green Bonds Standard.

We have long argued the benefits of a common green bond standard in the EU to help create an environmentally robust green bond market with common definitions and minimal transaction costs.

"Currently, the Green Bonds Principles and the Climate Bonds Standard are the main frameworks for labelling green bonds. There is broad consensus in the market that policymakers should build on these frameworks when further refining definitions and standards."

**European Commission, Study on the potential of green bond finance for resource-efficient investments, November 2016**

It is great to see this report recommending a clear standard, including criteria detailing which projects qualify as green, alongside conditions for the issuance process.

### Widening adoption of the Climate Bonds Taxonomy

Underpinning the Climate Bonds Standard is the [Climate Bonds Taxonomy](#). This provides broad guidance for prospective green bond issuers and investors about what can be included in green bonds. It was developed under the guidance of the Climate Science Advisory Panel to ensure it is firmly rooted in the latest climate science.

The aim of the Taxonomy is to determine ambitious and consistent climate classifications across all sectors of a climate compatible economy. Widespread adoption of this Taxonomy will enable common definitions and consistency across global markets.

We're already seeing strong indications that it's a useful tool. Our Taxonomy has been integrated into the French Governments formal [TEEC](#) definitions for green bonds and is the basis for green bond index providers including MSCI and S&P.

Additionally, organisations in China have found our Taxonomy quite helpful; including the ChinaBond China Climate Aligned Bond Index. It has also served as reference for the [Green Finance Committee](#) of China Society of Finance and Banking's 'Green Bond Endorsed Project Catalogue' definitions.

### Climate Bonds events



To make a real difference to the environmental challenges we face, we will need to see a trillion dollar a year green bond market by 2020.

Will we get there? What's the role of government? What to expect for 2017?

On 6 March, at the 2017 Climate Bonds Annual Conference in London, we'll be tackling these topics. And following with the 2017 Green Bond Awards that evening.

ICMA's Green Bond Principles and the City of London's Green Finance Committee will be our partners in hosting this event.

We would love it if you could join us.

[Register here](#)

### Webinar series continues

We've recently held webinars on the green bond market, Solar, Wind and Transport Criteria and there will be more to come in 2017 on Low Carbon Buildings, Land Use & Water. If you've missed out on these webinars, you can visit our [webinars page](#) to check out the recordings.

### Stay tuned - Follow Climate Bonds!

Upcoming webinars, updates on all our events and the latest news on the green bond market will be announced via the [Climate Bonds Blog](#) and:



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