

A List of Debt Instruments for Certification under the Climate Bonds Standard version 2.1

The mission of the Climate Bonds Initiative is “Mobilizing debt capital markets for climate change solutions”. While the focus of CBI’s work is on the international bond markets, issuers are also keen to explore Certification of debt instruments which may not fall within the strict definitions of a “bond”. This includes Green Bond Funds, Loan Facilities, Syndicated Loans, Sukuk and a wide variety of other debt instruments which are all useful additions to the climate finance movement.

As a reference point, a debt instrument can be defined as: A document that serves as a legally enforceable evidence of a debt and the promise of its timely repayment. Banker’s acceptance, bills of exchange, bonds, certificates of deposit, debentures, trade debtors and creditors, bank and intercompany loans, mortgages and promissory notes, are all debt instruments.

Version 2.1 of the Climate Bonds Standard includes a broader variety of options for what types of debt instruments could be certified. This is via an additional definition included in the updated version of the Standard:

“Other Debt Instrument: other forms of debt instruments as per the latest version of the List of Debt Instruments on the Climate Bonds Initiative website [here](#).”

This document provides clarification on the inclusion of different forms of debt in the definition on Other Debt Instruments. The table below will be updated as necessary and potentially outside of the annual cycle to update the entire Climate Bonds Standard.

List of Debt Instruments which can be Certified under the Climate Bonds Standard

Debt Instrument	Definition	Comments & Examples
Use of Proceeds Bond	A standard recourse-to-the-issuer debt obligation for which the proceeds shall be credited to a sub-account, moved to a sub-portfolio or otherwise tracked by the issuer and attested to by a formal internal process that will be linked to the issuer's lending and investment operations for Eligible Projects & Assets.	<u>Certified Climate Bonds</u> : NAB, ANZ, ABN AMRO, Axis Bank, Westpac, Deutsche Kredit Bank, Treasury Corporation Victoria, NTPC
Use of Proceeds Revenue Bond	A non-recourse debt obligation in which the credit exposure in the bond is to the pledged cash flows of the revenue streams, fees, taxes etc., and the use of proceeds of the bond goes to related or unrelated Eligible Projects & Assets.	<u>Certified Climate Bonds</u> : New York MTA, San Francisco PUC,
Project Bond	A project bond for a single or multiple Eligible Projects & Assets for which the investor has direct exposure to the risk of the project(s) with or without potential recourse to the issuer.	<u>Certified Climate Bonds</u> : AP Renewables, Inc (with ADB), ReNew Power
Securitized Bond	A bond collateralized by one or more specific Eligible Projects & Assets, including but not limited to covered bonds, Asset Backed Securities ("ABS"), Mortgage Backed Securities ("MBS"), and other structures. The first source of repayment is generally the cash flows of the assets.	<u>Certified Climate Bonds</u> : Flexigroup, Obvion
Green Bond Fund	A fund which invests in green bonds based on a set of screens or criteria. Screens for the fund could include underlying assets must meet the sector-specific criteria of the Climate Bonds Standard. The fund is likely to issue securities such as units in a trust or use similarly structured arrangements to raise equity and debt.	Certification is only available for the debt instruments issued by the fund. The fund itself is not eligible for certification under the Climate Bonds Standard.

Debt Instrument	Definition	Comments & Examples
Convertible Bonds or Notes	Bonds or notes which have the right but not the obligation to convert into a specified number of ordinary shares (or other securities) under specified terms and conditions.	If the bond or note was Certified when it was issued and then later converted to equity, then its status as a Certified Climate Bond would end at the point of conversion.
Schuldschein Loans	A traditional German floating or fixed debt instrument with a typical maturity of 2 to 10 years and a typical volume of EUR 10 to 500m. Some features of a Schuldschein are similar to those of loans, others are more similar to bonds.	<u>Certified Climate Bonds</u> : Nordex Legally speaking, a Schuldschein is a certificate of indebtedness evidencing a loan (or a cash deposit) and is not a debt security.
Syndicated Loans	A loan from a number of different lenders acting together. The lenders form a syndicate and the borrower borrows from the syndicate. Common types of syndicated loans are underwritten deals, best-efforts deals and club deals.	Usually structured, arranged, and administered by one or several commercial banks or investment banks. Also includes 'non-bank' lenders, notably hedge funds or pension funds, which can also be lending parties in syndicated loans.
Loan Facility	A credit line made available to borrowers to finance projects or for other purposes. A loan facility can use a set of screens or criteria to identify which underlying assets can be financed via the facility.	Screens could include underlying assets must meet the sector-specific criteria of the Climate Bonds Standard.
Commercial Paper	Short-term debt securities. Unsecured promissory notes issued by strong credits including both financial institutions and non-bank corporates, generally with maturity of 270 days or less.	'Short-term' in this context means that it has a term of less than 365 days where issued in the UK. Different rules apply in the US market.
Bilateral Loan	A loan agreement between one lender and one borrower.	May be transferable.
Sukuk	"Sukuk" is a term referring to various types of quasi-debt securities that have been developed to meet the strictures of Islamic finance.	One of the core principals underlying Islamic finance is avoiding the payment or collecting of interest. A variety of financial instruments have been created that serve the same purpose as bonds and other debt securities, but on which interest technically is not paid.