

Climate Bonds Standard Low Carbon Buildings Criteria Q&A

This is a Q&A document for bonds issued under the Climate Bonds Standard Low Carbon Buildings Criteria. For further information and reading, please visit our webpage at

<https://www.climatebonds.net/standard/buildings>, where all the relevant documents are also found.

Introduction to Low Carbon Buildings Bonds

Q 1 : What is a Low Carbon Buildings Bond?

A: It is a green bond that is used to finance or refinance buildings which are more energy efficient than most buildings in their local market. This can include all types of buildings which are not deemed “infrastructure”.

Q 2 : Why are Low Carbon Buildings important for green bonds?

A: The GHG emissions of cities are very significant and up to 70% of a large city’s emissions are related to its buildings. Buildings are also a very widely understood sector in the debt capital markets. Therefore entities with significant holdings in property are a ripe area for green bond issuance.

See [here](#) for more information.

Q 3: What sort of organisations can issue these bonds?

A: Any type of organisation that own property can issue these bonds. So far, the issuers have included banks, universities, property developers, local government, public housing agencies and others.

Questions on how to issue a Low Carbon Buildings Bond

1. What’s the first step? Where do I start?

Determine whether your buildings are purely residential or commercial. Two types of Criteria exist, one for Residential, one for Commercial.

What kind of buildings assets are eligible?

[Commercial Buildings](#) (*Commercial in our usage covers everything non-residential*)

[Residential Buildings](#)

[Upgrades](#)

For more questions relating to the Low Carbon Buildings Criteria, please contact us on Cory.Nestor@climatebonds.net

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2. What if my portfolio is mixed assets?

Use the specific Criteria for each type of building assets. Different types of assets can be part of same bond.

3. How many buildings can I include in my bond? Is there maximum or minimum on the total size?

We do not have a limit on the size, in terms of the Criteria. This would be a commercial decision on the part of the Issuer.

4. What if I add or sell the buildings before the bond matures?

As with any of our Certified Climate Bonds, if the assets within the bond linked asset pool are changed, we and investors would expect that the assets are replaced by something else with similar features, which also meet the Criteria requirements. These changes will then be recorded in the Issuer's Annual Report and communicated to the bondholders.

5. What do I need to focus on in the Criteria first? What's the next step?

Determine which location your building assets are in. At city or regional level. See whether this location is listed in our information webpage.

[Criteria requirements for Residential Buildings based on Location](#)
[Criteria requirements for Commercial Buildings based on Location](#)

6. What if I have buildings in different cities / countries / jurisdictions?

Use the relevant specific requirement for each location. They can all be combined into the same bond, there is no restriction on the number of different locations.

7. What is a trajectory? What is a proxy?

The Criteria uses two different methods to establish the threshold for whether a building is eligible for Certification.

Both methods represent rapid emissions reduction pathways which aligned with the goals of the Paris Agreement.

- Trajectories are expressed as an emission intensity metric: kg CO₂ e/m². This is the ultimate measure that is most aligned with the Paris Agreement goals and buildings are required to meet the Trajectory, for cities that have Trajectories available.

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- Proxies are expressed using a variety of building codes and rating scheme, such as year of construction or performance rating and standards. Proxies are used for cities where the Trajectory has not been developed by Climate Bonds Standard yet. Typically, Proxies would be used for the first Certified Bond to be issued for a particular city.

8. How were trajectories and proxies established?

- Trajectories were established by taking the emissions intensity of the top performers in a given city and drawing a linear pathway down to zero carbon in 2050. They are location specific to reflect the conditions of different locations. (see trajectory methodology for more detail)
- Proxies use different techniques to measure the correlation between a building code or rating scheme and its ability to produce emissions reductions in-line with the Criteria's demand for rapid decarbonisation. (see trajectory methodology for more detail)

For more on [proxies](#) and [trajectories](#), please see the respective documents.

9. What if my assets are near a city, but not entirely within the city limits?

If an asset is near, but not within the coverage zone of a city named on the Location Specific Criteria pages ([Commercial Buildings](#), [Residential Buildings](#)), use the nearest location that is available on those pages.

10. My asset is in a country / city which is not listed on your relevant Commercial / Residential Criteria list. What do I do?

We are currently in the process of developing the requirements for more locations.

If your asset is not in one of our locations listed, please do get in touch with us with your information and we'll work with you to develop the necessary requirement. Send your enquiry to Cory.Nestor@climatebonds.net

11. If my location is not one of yours listed, what data do I need to gather to see if my building asset is eligible for Certification?

Depending on the type of asset (commercial or residential) will determine the type of data required. The most useful data that we can receive is carbon emissions data on buildings in the specific location. When this is not available, Climate Bonds leverage regional codes, rating schemes and certification standards to establish best available market proxies. Asset level databases are required in both cases.

12. I do not have carbon emissions data for my buildings, but I have do have good data on the energy consumption. What do I do?

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It is important to be aware that the energy consumption and resulting GHG emissions are two different metrics. Energy is measured in kWh while emissions are measured in kgCO₂e. In order to generate an emissions figure from an energy figure, one must know how the energy is being generated. A building's GHG emissions are equal to its energy consumption multiplied by the local electricity grid's emissions factor. For example, 100 units of energy from a zero carbon grid is equal to zero units of emissions, while that same 100 units of energy produced from a carbon intensity grid can be a much higher 50 or 100 units of emissions.

Fuel factors and grid emission factors are widely available for most regions and countries.

13. **What if I don't have the correct or good quality data?**

Data quality remains a reporting issue in the building sector. Climate Bonds will work with issuers on a case by case basis to determine what data is available and what is possible for the specific location of the Issuer's building assets.

14. **How quickly can Climate Bonds Standard develop a new trajectory or examine a proxy to see whether it's eligible?**

This depends on the city and the quality of data. Normally it would take from a few days to 2 weeks.

15. **We see that an older bond related to a city used a specific proxy. However, now the emission calculator for that city has a trajectory. Can my new bond use that proxy instead of the new trajectory? (see [Commercial Buildings](#), [Residential Buildings](#))**

Proxies are used only when a trajectory for a city has not yet been developed. Now that the trajectory is available, it replaces the proxy and new bonds may only use this trajectory, because it is in full alignment with the Paris Agreement goals.

Note: when a trajectory is developed, it will NOT be retroactively applied to a building that was previously Certified under a proxy.

16. **My building has attained BREEAM Outstanding (or some other) score. Is it eligible for Climate Bonds Certification?**

We have assessed the BREEAM rating scheme and it is not well correlated with carbon emissions. We welcome the Issuer to show that their building meets the relevant proxy or trajectory.

17. **My building has attained LEED Gold (or some other) rating. Is it eligible for Climate Bonds Certification?**

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We have assessed the LEED rating scheme and the rating that is most relevant to the Criteria thresholds is LEED Gold combined with 30% improvement on ASHRAE 90.1. If your building meets this threshold, then it is eligible under the Criteria.

18. **My building has attained some other third party building certification or rating scheme. Is it eligible for Climate Bonds Certification?**

In all cases, we will apply the relevant Climate Bonds Standard proxy or trajectory, which has been developed to be fully aligned with the Paris Agreement goals. We welcome the Issuer to show that their building meets the relevant proxy or trajectory.

Process Flow Chart for Issuing a Low Carbon Buildings Bond

Step 1. Which buildings do you have?

- **Residential** > Go to Residential Section
- **Commercial** > Go to Commercial Section

Residential

Step 2a. Which city / country are your building assets in?

Step 3 Check if Climate Bonds Standard has a trajectory / proxy for your city on this [webpage](#). If it does, use that.

If it does not, get in touch with us at Cory.Nestor@climatebonds.net

To better understand our Residential Buildings Criteria, please visit the [Residential Buildings webpage](#).

Commercial

Step 2b. Which city / country are your building assets in?

Step 3 Check if Climate Bonds Standard has a trajectory / proxy for your city on this [webpage](#). If it does, use that.

If it does not, get in touch with us at Cory.Nestor@climatebonds.net

To better understand our Commercial Buildings Criteria, please visit the [Commercial Buildings webpage](#).