



Climate ^{INITIATIVE} Bonds

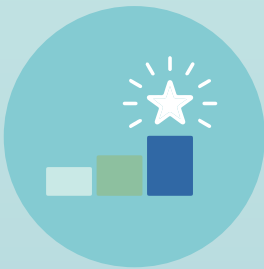
Transport

BEST PRACTICE FOR ISSUING GREEN BONDS

SPOTLIGHT ON BRAZIL

Our Standard

Gold-standard labelling that aims to drive the global financial markets towards investments that are consistent with the goal of limiting global temperature rise to 1.5°C above pre-industrial levels.



Ambitious

Ambition is defined from a sectoral perspective by the Climate Bonds Eligibility criteria. Performance should be 1.5 degree aligned, or on a pathway to alignment.



Science-based

Future targets are benchmarked against science-based, technologically feasible pathways, and not against peers.



Assured

External verification before Certification and annually during period of Certification.



Transparent

Requirements on disclosure of Certified instruments/entities.

Show your Credibility

The Climate Bonds Standard and Certification Scheme is a voluntary labelling scheme for debt instruments, investments and entities that address the challenge of climate change, and are aligned with the goals of the Paris Climate Agreement, limiting global warming to 1.5 degrees celsius.

Launched in 2012, our Certification Scheme has been applied to hundreds of debt instruments, amounting to USD 260 billion equivalent as of January 2023.

Globally recognised as best practice, we are now expanding our Certification coverage to general purpose instruments, such as Sustainability-Linked Bonds, as well as Entities and Assets.

Benefits of Certification

1

Our Certified brand increases visibility to investors.

2

A globally recognised symbol of best practice in green finance.

3

Higher demand for Certified issuances compared to similar issuances.

4

An endorsement of the green credentials of the assets/projects.

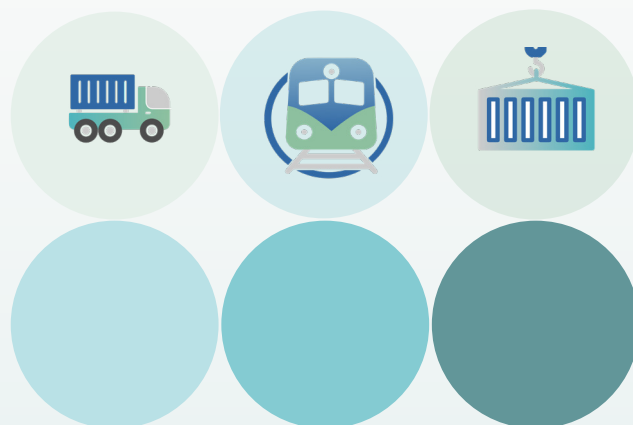
5

A demonstration to the market that Certified instruments meet highest standards for climate.

6

Enhanced reputational benefits for issuers, companies, or asset owners.

Ensuring best practice for green bond issuance



The increased global focus on labelled debt has highlighted the need for definitions, guidelines, taxonomies, and scientific criteria to establish standards and give investors greater confidence in the integrity of their investments.

The Brazilian green bond market is expanding and the application of international best practices in the issuance of green and thematic bonds is critical to further grow the market. The Climate Bonds Standard and Certification Scheme, launched in 2012, pioneered the world's first quantitative and qualitative scientific standards for the selection of projects and assets financed by green deals. [The Climate Bonds Sector Criteria](#) are applied worldwide, and provide the market, especially investors, greater transparency and comparability.

Potential for Transport Sector Bonds

Currently, the transport sector is Brazil's third most financed taxonomy category through green bonds (10%).

By December 2021, only four issuances labelled as green had resources solely allocated to the sector, along with seven other operations with a partial allocation to transport.

To meet the country's commitments, it is still necessary to transform the Brazilian transport matrix into a low-carbon one for passengers and cargo; green bonds can be an important tool to achieve this goal.

Issuance process for **Certified Transport Sector Bonds**

For Certification, the issuer must follow the requirements included in the Climate Bonds Standards, which are as follows:

Step 1: Pre-Issuance

Prepare the Certification documents

- A.** Identify eligible uses of proceeds against the [Transport Criteria](#) and prepare the debt.
- B.** Create a green bond framework.
- C.** Engage an approved verifier to write a verification report.



Step 2: Issuance

- A.** Obtain verification report.
- B.** Work with underwriter and/or advisor to engage green + thematic bond investors.
- C.** Engage media.
- D.** List bonds on green bonds platforms (IADB, Nasdaq).
- E.** Issue debt.



Step 3: Post-Issuance

Follow-up with post-issuance reporting

- A.** Submit a post-issuance verification report from an approved verifier within 12-24 months following the issuance.
- B.** Submit an update report 12 months following the post-issuance verification report, and annually thereafter during the term of the debt. Note that the update report does not require an approved verifier.





Identifying Eligible Transport Projects and Assets

PASSENGER CARS AND COMMERCIAL VEHICLES

Manufacture and upgrade, purchase and/or operation of zero direct emission or other passenger or light vehicles, including key components to be used in eligible vehicles.

MISCELLANEOUS VEHICLES FOR OTHER SECTORS

Manufacture, operation and leasing of zero direct emissions waste collection vehicles.

Manufacture of zero direct emission miscellaneous vehicles used in other sectors or of key components to be used in eligible vehicles.

RAIL TRANSPORT NETWORKS

Construction and development, purchase and/or operation of zero direct emissions urban rail transit lines, exclusively zero direct emission railways or railway lines not used exclusively by zero direct emission rolling stocks.

FREIGHT TRANSPORT BY ROAD

Manufacture and upgrade, purchase and/or operation of zero direct emission heavy-duty vehicles or of key components to be used in eligible vehicles.

PASSENGER RAIL TRANSPORT

Manufacture and upgrade, purchase and/or operation of zero direct emissions urban rail transport vehicle; or zero direct emissions or other rolling stock.

PUBLIC PASSENGER TRANSPORT BY ROAD

Manufacture and upgrade, purchase and/or operation of zero direct emissions buses or coaches, or key components to be used in eligible vehicles; or of other buses and coaches.

INFRASTRUCTURE FOR LOW-CARBON TRANSPORT

Construction of dedicated infrastructure for emission-free travel (public walking and cycle lanes).

Dedicated charging points and alternative fuel infrastructure.

Construction & development, purchase and/or operation of dedicated infrastructure for eligible vehicles, railway lines and networks.

IMPORTANT

Transport Criteria now stipulates additional disclosure requirements for issuers to provide at the pre-issuance reporting stage.

For example, emissions data in accordance with the universal thresholds to prove less than 25% fossil fuel usage.

Transport Criteria **Screening Indicators**

Check the definition of projects and assets under the [Transport Criteria](#) to determine eligibility (Use of Proceeds).

Check the Transport Criteria screening indicators (Mitigation Threshold) for project evaluation and selection.

Once the eligible assets and projects have been checked, the mitigation requirements must be verified and evidenced based on the transport category:

- Passenger cars and commercial vehicles
- Public passenger road transport
- Freight road transport
- Passenger rail transport and Freight rail transport.

DEMONSTRATING COMPLIANCE

Electric or Zero-Emission

Automatically Eligible

***UNIVERSAL EMISSIONS THRESHOLDS**

Passenger

Up to 2026 50gCO₂ per p-km, after only zero-emission

Freight

Up to 2030, 25gCO₂ per t-km; then up to 2050, 21gCO₂ per t-km, and after 2050, 18gCO₂ per t-km

***Biofuel exclusion**

The decision to exclude vehicles exclusively powered by biofuels is due to the overall complexity of monitoring the percentage of biofuel vs fossil fuel used in the vehicles.

Exclusion of fossil fuel transport

Transport of fossil-fuel should be less than 25% of the cargo or rolling-stock.

In consistency with other Climate Bonds Criteria, further requirements will in time be added that incorporate a resilience component into the [Transport Criteria](#). This is to ensure that certified transport projects and assets will not only help to mitigate climate change but will be resilient to potential climate scenarios and are thus compatible with a climate-resilient economy.

Create a Green Bond Framework

1
Introduction to Issuer, Strategy and Target

4
Management of Proceeds

2
Use of Proceeds

5
Annual Report

3
Project Evaluation & Selection

6
External Review

The development of a Green Bond Framework is mandatory for the Climate Bonds Certification. It is a public document, produced by the issuer, that aims to inform the market and investors about the key environmental credentials of the Green Bond.

Engage an approved verifier

The issuer should engage with an approved verifier to verify compliance with the Climate Bonds Criteria and prepare the report, which will be submitted to the Climate Bonds Initiative. In Brazil, these are:



Transport Bond Issuance

The process of taking the bond to the capital market

Structuring the security, preparing the offering document, and registering the offering. The issuer must use the Climate Bonds Certified logo until the maturity of the bond.

Post Issuance Reporting

Annual reporting: once the post-issuance requirements are met, the issuer shall prepare an update report at least annually during the life of the bond. The annual report must confirm that the resources are being allocated to the appropriate projects/assets and that they continue to meet the eligibility criteria.

Examples of impact reporting metrics for low-carbon transport:

- Passenger cars and commercial vehicles: Are electric or other zero direct emissions;
- Public passenger transport by road: Vehicles have zero direct emissions (e.g., electric, hydrogen coaches);
- Freight transport by road: Key components for vehicles is the electric truck battery.

Certified Bond Case Study

Modernisation of the railway transportation system

**Issuer:**

Rumo S.A.

Scope and Activity:

Rail freight vehicle - railway vehicle for the carriage of goods.

Use of Proceeds:

- Cost of acquiring, replacing and modernising rail freight vehicles;
- Infrastructure for doubling railway lines;
- Installing new tracks and extensions to existing tracks;
- Modernising the rail network.

Requirements to be met by the project and asset:

- Universal emission limit for financial transaction charge activity occurring in 2020: 25 gCO₂ per t-km (over the life of the security).
- Railway line infrastructure that is constructed for the primary purpose of transporting fossil fuels does not qualify under the Transport Criteria.
- Road or rail vehicles using biofuels (as well as renewable liquid and gaseous fuels of non-biological origin), even partially, do not fit in the Transport Criteria.

Interested in the Climate Bonds Standard & Certification Scheme? Get in touch!



Begin the Certification process

[Fast-track Certification](#)
[Certification how-to videos](#)
[List of Approved verifiers](#)



Online resources

[Transport criteria overview](#)
[Transport Criteria](#)
[Certified Bond Database](#)

Contact: Latin America Team: latam.team@climatebonds.net

Disclaimer: The information contained in this communication does not constitute investment advice in any form and the Climate Bonds Initiative is not an investment adviser. Any reference to a financial organisation or debt instrument or investment product is for information purposes only. Links to external websites are for information purposes only. The Climate Bonds Initiative accepts no responsibility for content on external websites. The Climate Bonds Initiative is not endorsing, recommending or advising on the financial merits or otherwise of any debt instrument or investment product and no information within this communication should be taken as such, nor should any information in this communication be relied upon in making any investment decision. Certification under the Climate Bond Standard only reflects the climate attributes of the use of proceeds of a designated debt instrument. It does not reflect the credit worthiness of the designated debt instrument, nor its compliance with national or international laws. A decision to invest in anything is solely yours. The Climate Bonds Initiative accepts no liability of any kind, for any investment an individual or organisation makes, nor for any investment made by third parties on behalf of an individual or organisation, based in whole or in part on any information contained within this, or any other Climate Bonds Initiative public communication.

Climate Bonds INITIATIVE

