

# Climate Bonds Standard & Certification Newsletter

H2 2018 **ISSUE 8**



**Climate Bonds Initiative  
Annual Conference**  
March 2019, London  
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## 2018: Total Climate Bonds Certifications tops USD 50bn

By the end of 2018, USD57bn of green bonds had been Climate Bonds Certified. The use of Certification really started to ramp up in 2016 (see the graph on pg.4), so to have already passed the USD50bn mark is a great achievement for the scheme.

Regarding market coverage, Climate Bonds Certification continues to cover approximately 15% of total annual green bond issuance. Overall, 2018 saw a total of 43 Certified Climate Bonds and other debt instruments issued.

As Sector Criteria continue to be developed (see timetable on pg.5), Climate Bonds Certification will be possible both pre- and post-issuance for a widening pool of bonds. In 2019 we expect to see Climate Bonds Certification for an increasing percentage of the green bond market.

## Ten Programmatic Certifications awarded to date

Programmatic Certification streamlines the Certification for Issuers who plan to issue multiple Certified bonds against a large pool of assets.

Rather than going through the process of Certification for each bond issuance, the whole pool is Certified at the beginning, at the time of the first bond issuance.

Subsequently, when the Issuer issues more bonds against the same asset pool, each bond only requires post-issuance verification. This method makes the process significantly simpler for the Issuer.

## Climate Bonds Standard supports development of the EU Taxonomy

As an NGO, much of what we produce is open source and deliberately so. We want other institutions and organisations to use what we've developed and we are always happy to engage with others to help them understand how they can use what we produce.

In 2018 we saw many different institutions and organisations leveraging the research done under our [Climate Bonds Standard](#) programme. The development of an EU-level Sustainable Finance Taxonomy and ISO's development of a green bond standard are two examples.

Following the HLEG's final report '[Financing a Sustainable European Economy](#)', published in January 2018, the Commission launched the Technical Expert Group on Sustainable Finance, 'the TEG', in June 2018. Our CEO, Sean Kidney, earned a spot on the TEG, particularly to assist in developing an EU Sustainable Finance Taxonomy that determines whether economic activity is environmentally sustainable.

The development of the EU Sustainable Finance Taxonomy has prioritised screening metrics for climate change mitigation and adaptation as a first phase. Metrics for other environmental and social objectives will be added to the Taxonomy in a second phase of work.

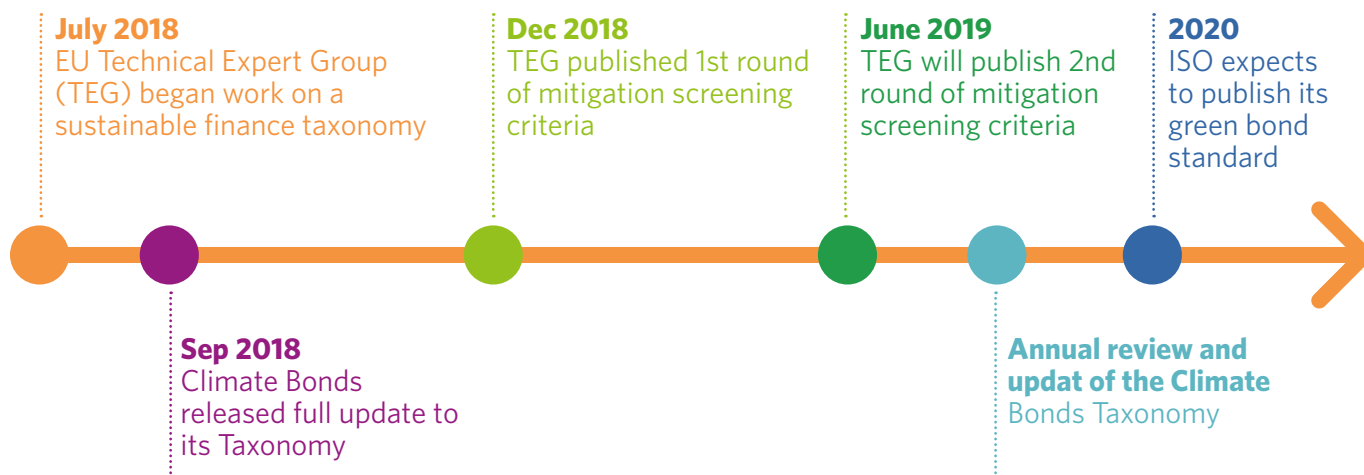
Recognising all the hard work and the vast stakeholder engagement that has been done over the years by the technical and industry experts through the development of the Climate Bonds Taxonomy and the various Sector Criteria, we have been feeding in all these learnings into the EU Sustainable Finance Taxonomy development.

The TEG has just released the first wave of screening criteria for public consultation and we are pleased to say these are closely aligned with the Climate Bonds Taxonomy and Sector Criteria.

The TEG is now looking for written comments on (1) the usability of the taxonomy and (2) the 1st round of mitigation activities. Consultation is open until 22nd February 2019, feedback can be submitted through the dedicated online surveys.

The [International Organisation for Standardisation \(ISO\)](#) is developing environmental management standards, which will focus on melding economics and environmental management. This includes ISO 14030 for green bonds and ISO 14097 for the assessment and disclosure of climate-change risks of investments. Alongside a multi-stakeholder working group, the Climate Bonds Standard & Certification team are actively involved in the development of the ISO green bond standard. The intention is to leverage existing principles from the Climate Bonds Standard, Green Bond Principles, European Investment Bank and Green Finance Committee of the China Society for Finance, and to have a high degree of integration with the work of the TEG. ISO expects to publish the standard in 2020.

Having the opportunity to feed in the knowledge we've gathered over the years into these important developments has been a real highlight of 2018. It is exactly what we have been hoping to do with our body of work and it is great to see that the market now generally agrees there is a need for green definitions and standardisation.



## Full update to the Climate Bonds Taxonomy published in 2018

The [Climate Bonds Taxonomy](#) has been around since 2013. It is an ever-evolving document in response to the latest science, technology and developments we are seeing in the green finance market.

The Climate Bonds Taxonomy is a guide to climate aligned assets and projects. It identifies the assets and projects needed to deliver a low carbon economy across eight sectors: energy, transport, water, buildings, land use & marine, industry, waste and ICT.

In 2018, we conducted a comprehensive update to the content and format of our Taxonomy. We incorporated all the learnings from our myriad of technical and industry working groups and sought to improve the way users can utilize our content.

The update was released in September 2018 and since then we have held webinars and events to explain what the Taxonomy is and how it can be used.

For those of you who may have missed the webinars, a recording is available [online](#). We expect to be announcing more briefing sessions in early 2019, so keep your eyes on the blog – all events are announced there.



## 2019: Standard V3.0 on the way

In 2019 there will be a new version of the Climate Bonds Standard, Version 3.0, and it will include many anticipated updates. Version 3.0 reflects the latest developments in the green bond market and integrates the relevant regulatory frameworks that have emerged since January 2017, when the previous Version 2.1 was released.

Version 3.0 takes into consideration the changes introduced by ICMA's Green Bond Principles 2018 as well as the various green bond guidelines issued by different regional bodies and national governments such as Japan, India, China and ASEAN. The

objective of Version 3.0 is to be the most international and cross compatible green bond standard available to the market. Certified Climate Bonds issued by any entity from any country will be quickly and easily verified based on the same requirements and low carbon credentials.

Changes from Version 2.1 to Version 3.0 of the Standard were recommended by expert practitioners in the green bond market and were followed by a thorough public consultation process in November and December 2018. After the feedback has been considered and incorporated, the Climate Bonds Standard Version 3.0 will be presented for approval to the Climate Bonds Standard Board in February 2019 before its public release scheduled in March 2019.



## We host 2019 Conference in London, March 5 to 7th

Trillions of dollars in investments are needed to support the transition to a low carbon, climate resilient economy. Green bonds and climate bonds have become an integral part of the climate finance response to meet this need. In 2018, we saw approximately \$200 bn worth of issuances, but going forward, we will need to see trillions in green investment through the 2020s to make a real difference.

The [Climate Bonds Annual Conference](#) in 2019 will explore options for scaling-up the green bond market from billions to trillions over the coming decade. Join

us on 5th – 7th March 2019 in London. Since the launch of our Annual Conference & Green Bond Pioneer Awards, we have brought together asset owners, investment managers, infrastructure and debt specialists, issuers, underwriters, regulators and policymakers to share their experiences and identify solutions to the challenges facing climate finance.

Join us for in depth discussions on potential solutions with delegates from over 60 countries. Don't miss the chance to network and exchange knowledge with peers and leading institutional representatives.

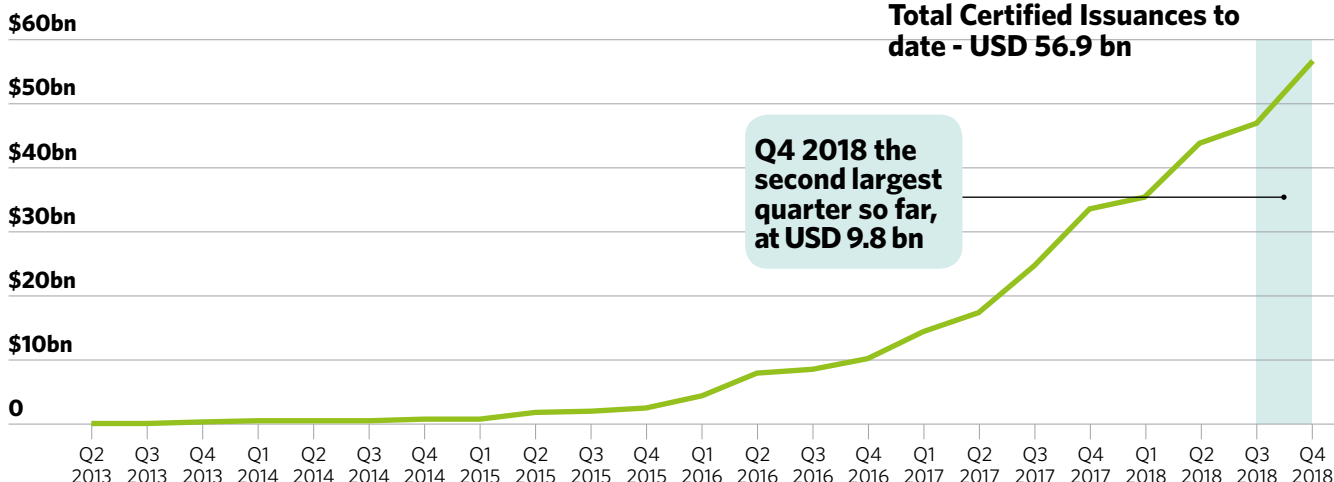
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**Climate Bonds Initiative**  
**Annual Conference**  
5th-7th March 2019, London

**Annual  
Conference**  
2019



# H2 2018 Climate Bonds Certification up 40% from H1 2017

## Cumulative Certified Issuances through December 2018



The second half of 2018 saw the issuance of several ground-breaking Certified Climate Bonds and clear signs that the market is gaining momentum worldwide.

ING Group's USD 2.9 bn issuance was the largest Certified Climate Bond to date. The bond is comprised of a USD 1.3 bn tranche and a EUR 1.5 bn tranche with tenors of 8 and 12 years respectively. Proceeds will be used for onshore and offshore wind farms, solar energy farms and buildings with the 15% lowest emissions performance in the Netherlands.

This will be ING's first Certified Climate Bond and its second green bond to date. Issuing a Certified Climate Bond continues the leadership they have taken amongst

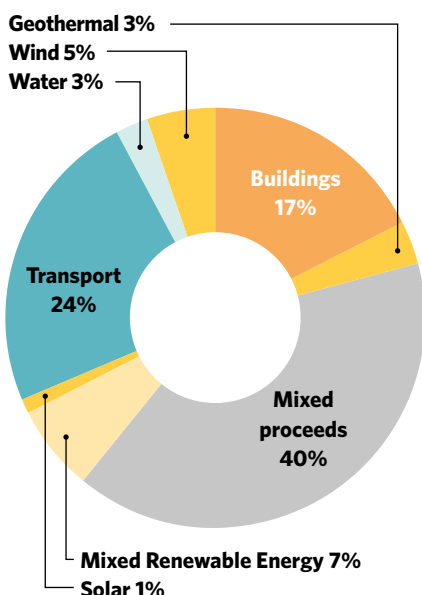
European banks to grow their sustainable finance business and align their lending to the Paris Agreement's goals.

Another recent landmark Certified Climate Bond was the first EMTN EUR 1.8 bn (USD 2 bn) of a series from the Société du Grand Paris, the entity established by the French Government to build and deliver the 'Grand Paris Express'. The project will extend two existing Paris Metro lines and build four new lines, carrying up to 2.5 million passengers daily and providing low carbon transport options across a large swathe of Paris. In total, the plan includes 200km of new metro and commuter rail lines and 68 new metro and commuter rail stations, compared to the existing 400km network.

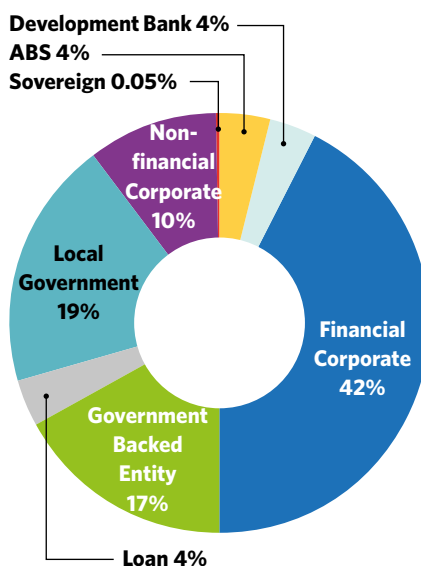
Two Certified Climate Bonds were also issued in South America to support renewable energy development in H2, 2018. These are linked to solar energy assets in Colombia (EPSA, COP 70 bn (USD 24 mn)) and wind energy assets in Brazil (Rio Energy, BRL 128 mn, (USD 31 mn)).

Climate Bonds also Certified a 5-year, \$650 mn issuance by the State Bank of India in September. With its proceeds linked to solar and wind energy assets in India, this is very much aligned with India's national renewable energy targets, which were raised from 70GW in mid-2018 to 227GW by 2022. This was an incredibly important policy signal for the development of the green bond market in India.

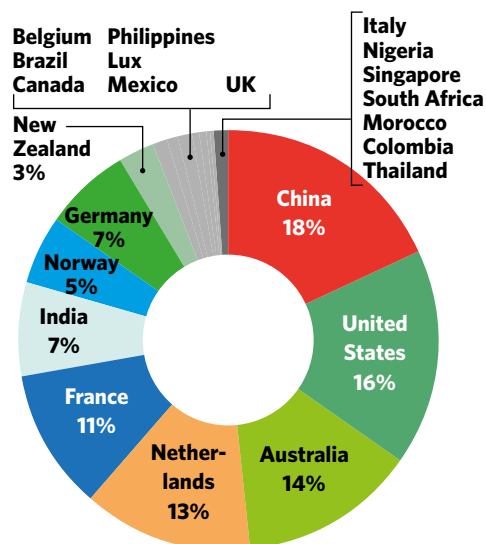
## Certified Bonds for mixed proceeds more common



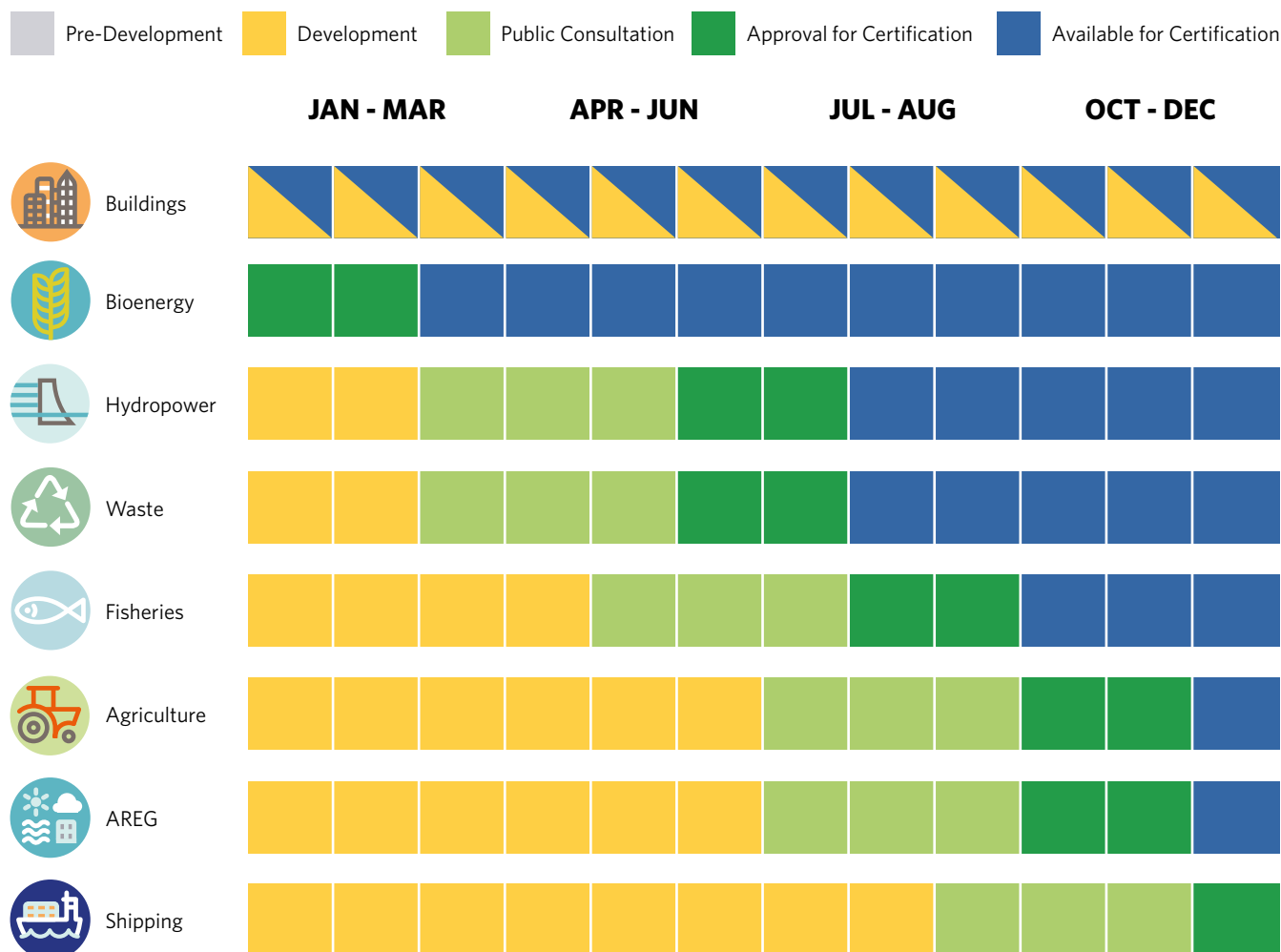
## Certified loans take larger share of Certified market



## Global Distribution of all Certified Issuances by value



# Sector Criteria published, launched and developing in 2019



## AREG Development

This November, Climate Bonds convened and launched the Adaptation and Resilience Expert Group (AREG) to develop high-level principles for integrating Adaptation and Resilience (A&R) into green bonds standards. Consisting of more than 35 expert members across academia, non-profit, public and private sectors, the Group brings together a diverse set of perspectives that will work together to streamline resilient thinking across all sectors, with the ultimate aim of channelling finance towards climate solutions that are both low-carbon and resilient.



The launch of AREG comes at a critical time when markets are increasingly looking for guidance on what defines climate-resilient projects, assets and bonds. To date, green bonds have mostly focused on mitigation efforts, with less emphasis on adaptation. This is primarily due to the fact that unlike mitigation, where markets agree on a common metric (CO<sub>2</sub>-emissions), A&R interventions

are highly context-specific and no standardised metric exists for measuring A&R benefits. In order to address the significant climate impacts that are already locked-in, strategic guidance is needed to introduce A&R criteria across all sectors in a systematic and consistent manner.

Over a period of eight months, the Group will discuss topics ranging from the difference between asset- and system-level resilience, methods for measuring resilience outcomes, potential trade-offs between mitigation and adaptation, as well as the potential role of the insurance industry. The Group has already held two meetings thus far, to discuss A&R definitions and the quantification of A&R benefits.

Unlike previous Technical Working Groups (TWGs) convened by Climate Bonds, the A&R Principles established by AREG will apply across all current and future Climate Bonds Criteria under the Climate Bonds Standard that form the basis of our international Certification scheme.

In addition to defining climate resilient

investments at the asset-level, the A&R Principles will identify investments that enhance the resilience of broader systems and communities.

We look forward to launching of the A&R Principles for public review by July 2019.

## Existing Standards





# What's happening with our TWGs?

## Agriculture

**Status: TWG  
Developing Criteria**



The Agriculture Criteria is ready start its first TWG meeting in February and the first IWG meeting in April.

The Issues Paper covered crucial areas including cropland, paddy rice and perennial cropping systems such as agroforestry, fruit trees, coffee, tea, cocoa and oil palm. Grassland such as perennial grasses used for grazing by livestock will also be covered. Livestock and their waste and also controlled environment agriculture including greenhouse and hydroponic crops will also be discussed.

## Hydropower

**Status: Public  
Consultation  
Imminent**



Our TWG discussions are nearing the final stages and the Criteria will soon be ready for sharing with the public for consultation. The public consultation will be held over two months.

The mitigation criteria have been integrated into the EU Technical Expert Group's work on Sustainable Finance.

The criteria have leveraged the ESG Gap analysis tool based on the framework of the [Hydropower Sustainability Assessment Protocol \(HSAP\)](#). The tool was launched in July 2018.

## Shipping

**Status: TWG  
Developing Criteria**



Shipping Criteria will embark on the development process in 2019. Members of the TWG and IWG have been finalized and the first round of webinars is scheduled for the week starting February, 2019. It will be an exciting voyage as we chart the shipping sector's path towards decarbonization.

The issuance of green bonds by NYK and Mitsui O.S.K. Lines, and Maersk's commitment to becoming a net-zero emitter by 2050, made waves across the industry and we expect a surge in interest on the Shipping Criteria going forward.

## Waste Management

**Status: TWG  
Developing Criteria**



The Criteria development process is nearing completion and the Industry working group has been convened. Once feedback is received from these group, the Criteria will be released for public consultation in early 2019.

## Buildings

**Status: Criteria  
Published,  
Continually Expanding**



As the Building Criteria is location specific, it requires ongoing research and development of localised low carbon trajectories and market performance proxies. We are excited to announce several markets have been or are soon to be benchmarked using data provided by local governments.

These include; Czech Republic, Poland, Netherlands, Ireland, Sweden. Previous benchmarked countries include China, Norway, Belgium, South Korea, Mexico City, Tokyo and Seattle.

For a full list of trajectories and proxies available, see the relevant criteria page.

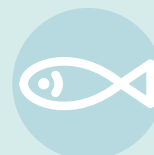
In addition to these updates, Climate Bonds provides a range of guidance documents, including easy to read methodologies for establishing new proxies, a Q&A.

An updated Criteria document is also under development with planned release in 2019.

We have also recently fed in our principles and learnings on Buildings criteria to the TEG's Taxonomy development.

## Fisheries

**Fisheries &  
Aquaculture: TWG  
Developing Criteria**



Development of the Fisheries Criteria continues swimmingly. The big question we are grappling with is how to identify a low carbon fishery and where to set thresholds.

This appears to be an emerging question in the fisheries space as research efforts have mainly focussed on ensuring sustainable fish stocks, rather than emissions of fisheries.

We were very interested to see the Seychelles Blue Bond, which aims to achieve a transition to sustainable fisheries and sustainably develop their blue economy, issued in October 2018. Once criteria have been set for fisheries, we will investigate whether the same can apply to aquaculture.

Expect to see these Criteria out for public consultation in 2019!

## Bioenergy

**Status: Public  
Consultation Just  
Completed**



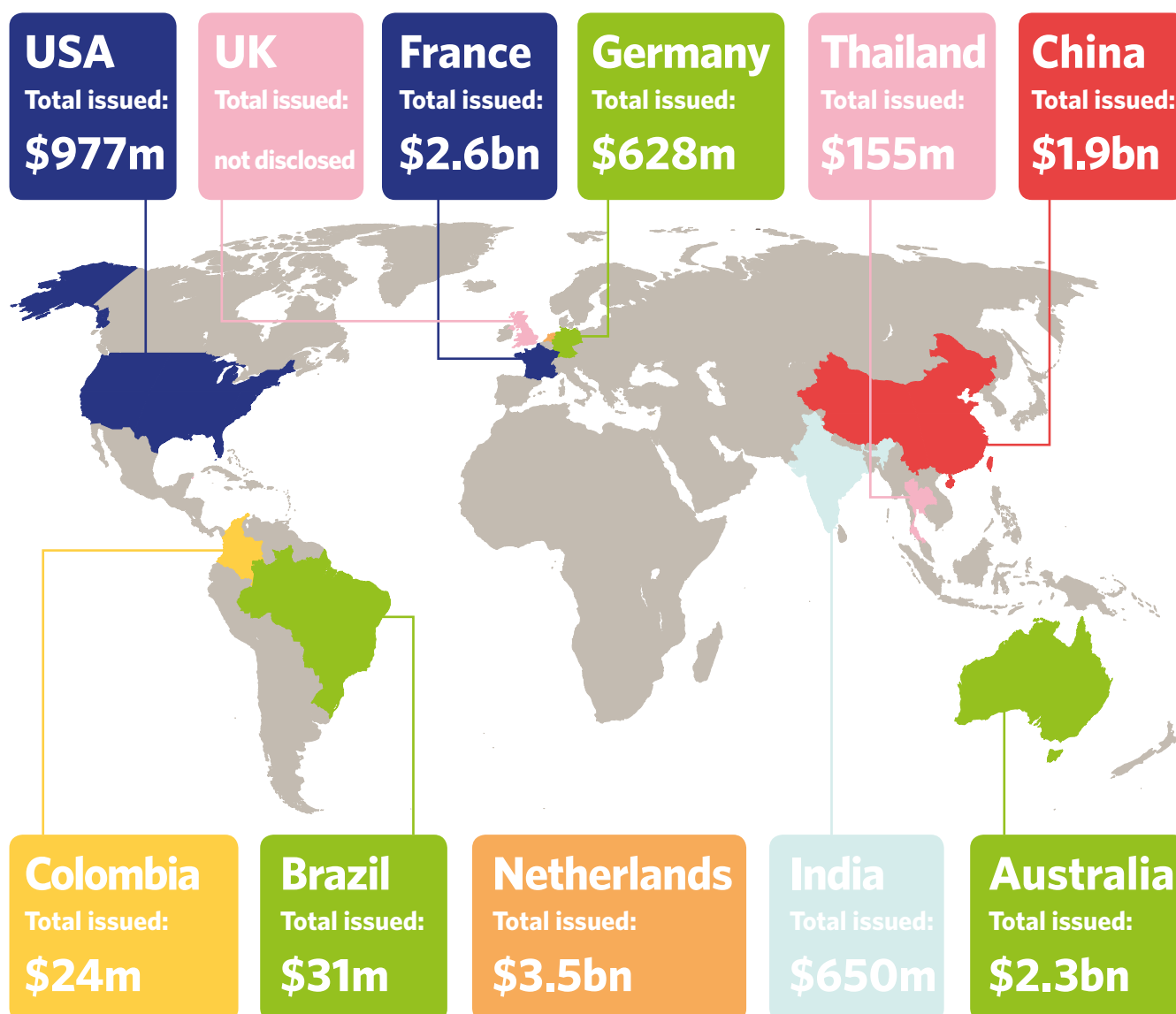
Get ready for the year of AsparaGas!

The Bioenergy Criteria is reaching its final stages of completion. After public consultation was opened in May this year, the feedback received brought up particular issues around the inclusion of woody biomass as a feedstock and carbon debt calculation methods.

The Standards team put together several options to address these specific challenges presented these to the TWG. The team are now presenting the revised document to the standards board and if all is approved, should be releasing the Criteria in the first half of 2019.

# Snapshot of Certified Climate Bonds

*H2 2018 (July to December) bonds by country breakdown*



Full details of all Certified Climate Bonds can be [found on our website](#).

## Meet the Climate Bonds Standard team



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## Meet the Climate Bonds Certification team

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