

# Climate Bonds Standard & Certification Newsletter

Q4 2017 **ISSUE 6**

**Climate Bonds Certifies 14% of green bonds in 2017, that's \$21.3bn! And the top 10 are:**



## 2017 Certified Issuer Leaderboard: MTA wins gold; ICBC silver and SNCF Réseau bronze; a truly transnational trio

In 2017, Certified Climate Bonds made up 14% of the green bond market, up from 9% in 2016. Total Certified Climate Bonds issuance now stands at \$31.4bn, \$21.3bn of which was issued last year.

After the successes of 2017, we are now looking on to 2018 and what it will bring for the Standard & Certification Scheme.

This year, we expect Climate Bonds Certification to take an even bigger share of the market, we are shooting for 20-25%.

2017 was the year of Criteria development and we worked hard with our Technical Working Groups to produce green definitions. 2018 will be a year of rollout. Public consultations will be announced regularly on the [blog](#).

Plus this year, we're going to dive into how the Climate Bonds Standard can show what life will be like in a low carbon world. Intrigued? More in next quarter's newsletter.

## Read on for:

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**Climate Bonds Initiative  
Annual Conference**  
March 2018, London  
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## 2018: Climate Bonds Standard Criteria rollout continues



For the [Climate Bonds Standard & Certification Scheme](#), 2017 was a year of Sector Criteria development. We worked hard with our Technical Working Groups (TWGs) to develop, expand and improve green bond Criteria for 8 different sectors; Water, Buildings, Marine Renewable Energy, Hydropower, Bioenergy, Waste, Forestry and Fisheries.

2018 will be a year of Criteria rollout as these efforts come to fruition and Criteria are released for public consultation and become

available for Climate Bonds Certification. This rollout has already started towards the end of 2017 with Marine Renewable Energy Criteria being formally approved and the Water Criteria coming out for public consultation – to be approved by the [Climate Bonds Standard Board](#) imminently.

On page 4 you can see our timetable for Criteria rollout for 2018 – a very busy year ahead!

Once Criteria are released, the TWG's work is largely done. They will be reconvened intermittently to revise the Criteria, but the

regular meetings are concluded. The only exception here is the Buildings TWG, which has ongoing work to do – see the next story for more details.

Releasing Sector Criteria also frees us up to start new TWGs tackling sectors of the economy we've not got to yet – an ever more urgent task as time marches on. Eventually we aim to have Sector Criteria for every type of infrastructure but the areas you'll next hear about are Agriculture, Shipping, Energy Distribution Grids & Networks, Information Communication Technology and Industry.

## Low Carbon Buildings Criteria: baselines, baselines, baselines



40% of today's city's greenhouse gas emissions come from buildings, making the transition to low carbon buildings one of the biggest

mitigation and adaptation opportunities. We need to transition to climate-smart urban centres that are ready for the population increases we will see in the decades to come.

In the long run, green property bonds are expected to make up to 40% of the green bond market, but first, investors need confidence and understanding that buildings are vital to the transition to a sustainable future.

### Low Carbon Buildings – the Criteria

The [Low Carbon Buildings Criteria](#) sets out what property assets are eligible for

Certification under the Climate Bonds Standard. It covers property assets including commercial buildings, residential buildings and upgrade projects that make genuine progress towards zero emissions by 2050.

The Low Carbon Buildings Criteria are emission targets that comply with rapid decarbonisation trajectories consistent with the goals of the Paris Agreement.

The emission targets (in kgCO<sub>2</sub>e/m<sup>2</sup>) are established by taking the emissions intensity performance of the top 15% of buildings in the selected locations and deriving a performance trajectory that achieves net-zero carbon by 2050.

The emission targets are therefore location specific, as it is recognised that emissions

intensity will be affected by a number of factors, which vary by region.

### Low Carbon Buildings - local trajectories

The regional variation in the Low Carbon Buildings Criteria requires ongoing work by the TWG to analyse energy and emission performance data available to the market. As regional work is completed, we will release additional trajectories online.

The latest to be released was a trajectory for England & Wales and we have also rolled out trajectories for France, Germany, Australia, and New Zealand, with continued development in Asia, North America, South America and Africa throughout 2018.

All will be available on our [Buildings pages](#).

## Updates to Climate Bonds Standard: V3.0 coming soon

The draft of the [Climate Bonds Standard V3.0](#), which will supersede the current V2.1, has just closed public consultation. Public consultation opened just before Christmas and closed on 18<sup>th</sup> February 2018.

Comments were sought from green bond issuers, investors, verifiers and other stakeholders.

### How did we get here?

V2.0 was released in December 2015 providing investors in the aftermath of the Paris COP21 with improved guidance for climate based investment.

V2.1, released in January 2017, expanded the [range of debt instruments](#) that could be Certified and included the [Programmatic Certification](#) option that streamlined the verification process for regular issuers.

### What's new in the V3.0?

The Climate Bonds Standard V3.0 update has been based on feedback from green finance market stakeholders.

V3.0 builds on the collaboration and alignment with the [Green Bond Principles](#) (GBPs) to reinforce a consistent framework, structure and terminology.

This update also includes smaller changes to the actual requirements of the Standard regarding characteristics of green bonds and assets to establish international consistency.

All changes have been [marked up in the pdf](#) to make for easy reviewing.

### What's in the update?

- Increased requirements for disclosure, in line with GBP 2017.

- More clarity on reporting requirements, before and after issuance of the bond.
- Further flexibility for issuers with staged allocation of proceeds.

In addition, V3.0 has a clearer definitional approach to the core elements of the Climate Bonds Standard:

- Pre-issuance requirements,
- Post-issuance requirements,
- Green definitions, and
- Certification process.

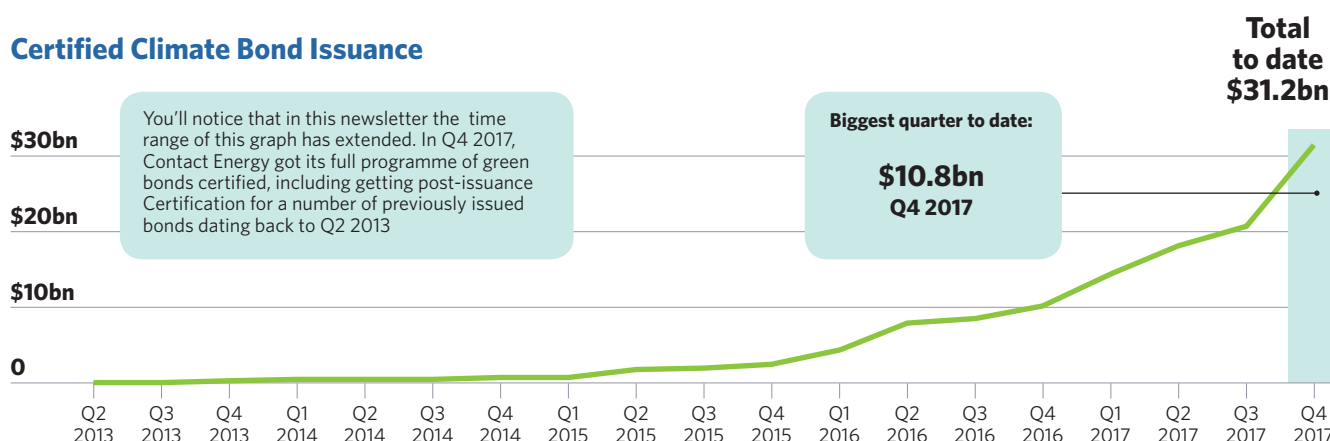
### V3.0 to be launched March 2018

The finalised Climate Bonds Standard V3.0 will be launched on the eve of the Climate Bonds Annual Conference in London, 20<sup>th</sup> March 2018.



# 2017: Year ends with surge of Climate Bonds Certification

## Certified Climate Bond Issuance



### The numbers speak for themselves; Certification valued by green bond issuers

At the end of 2017, total Certified Climate Bond issuance stood at \$31.2bn, with \$21.3bn having been issued in 2017. This means in 2017 we saw the Certified Climate Bond market grow by 350% - an outstanding rate of growth! If that rate continues in 2018 we'll see Certified Climate Bonds top \$100bn this year.

Q4 clinched the title of record breaking quarter with \$10.8bn issued in that quarter alone. Q1 2017 had previously been the biggest quarter with \$4.4bn issued.

It's great to see Certification growing so rapidly and being used by so many different issuers across so many sectors. This is irrefutable evidence that there's value in having this third-party verification done. More and more it is becoming expected in the green bond market.

### 2017: new issuer types and new countries join the ranks of Certified issuers

In 2017, Asset Backed Securities (ABS), loans, development banks and sovereigns received Climate Bonds Certification for the first time, while corporates, both financial and non-financial, and local governments/ municipalities continued to issue the majority of Certified Climate Bonds.

Certified issuance also came for the first time from issuers in China, Canada, New Zealand, Nigeria, Brazil, Singapore, Luxembourg and South Africa. It is great to see uptake of Climate Bonds Certification on an international scale. We're especially pleased to see emerging market issuers using it as a tool to give extra confidence in the green credentials of their bonds.

In 2018 we expect to see even greater diversity and volumes across all sectors, countries and issuer types.

### Climate Bonds annual conference: growing the market from billions to trillions

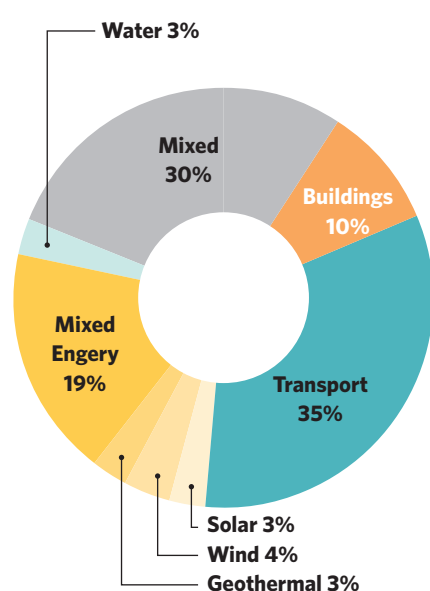
We are holding our [annual green bond conference](#) in London from 19<sup>th</sup> - 22<sup>nd</sup> March. This will be three days packed full of everything you need to know about growing the green bond market from billions to trillions, most specifically to \$1trn per annum by 2020.

International market actors, leaders and policymakers will be gathering in London to discuss and debate how to scale the global green bond market.

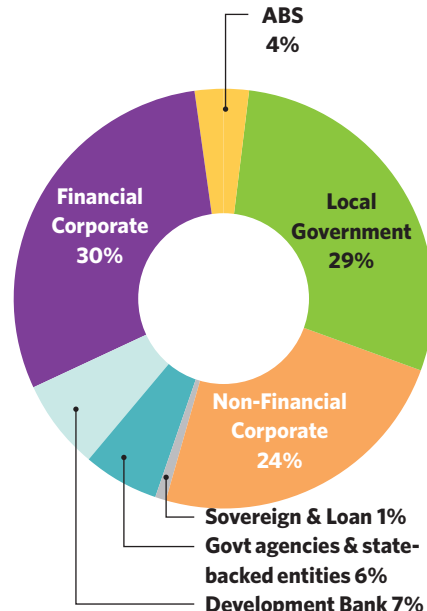
Come and participate, network and hear about the market opportunities. There will be sessions on investor expectations, what the public sector needs, green definitions and predictions for the coming year.

Find the [full agenda & register here](#).

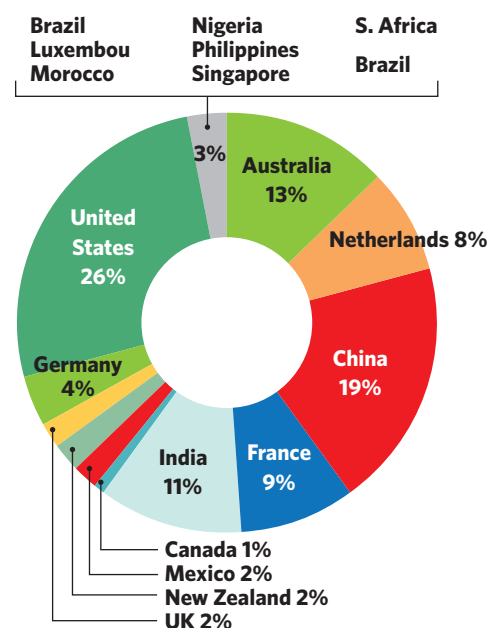
### In 2017, transport ups its share of Certified Bonds from 2016



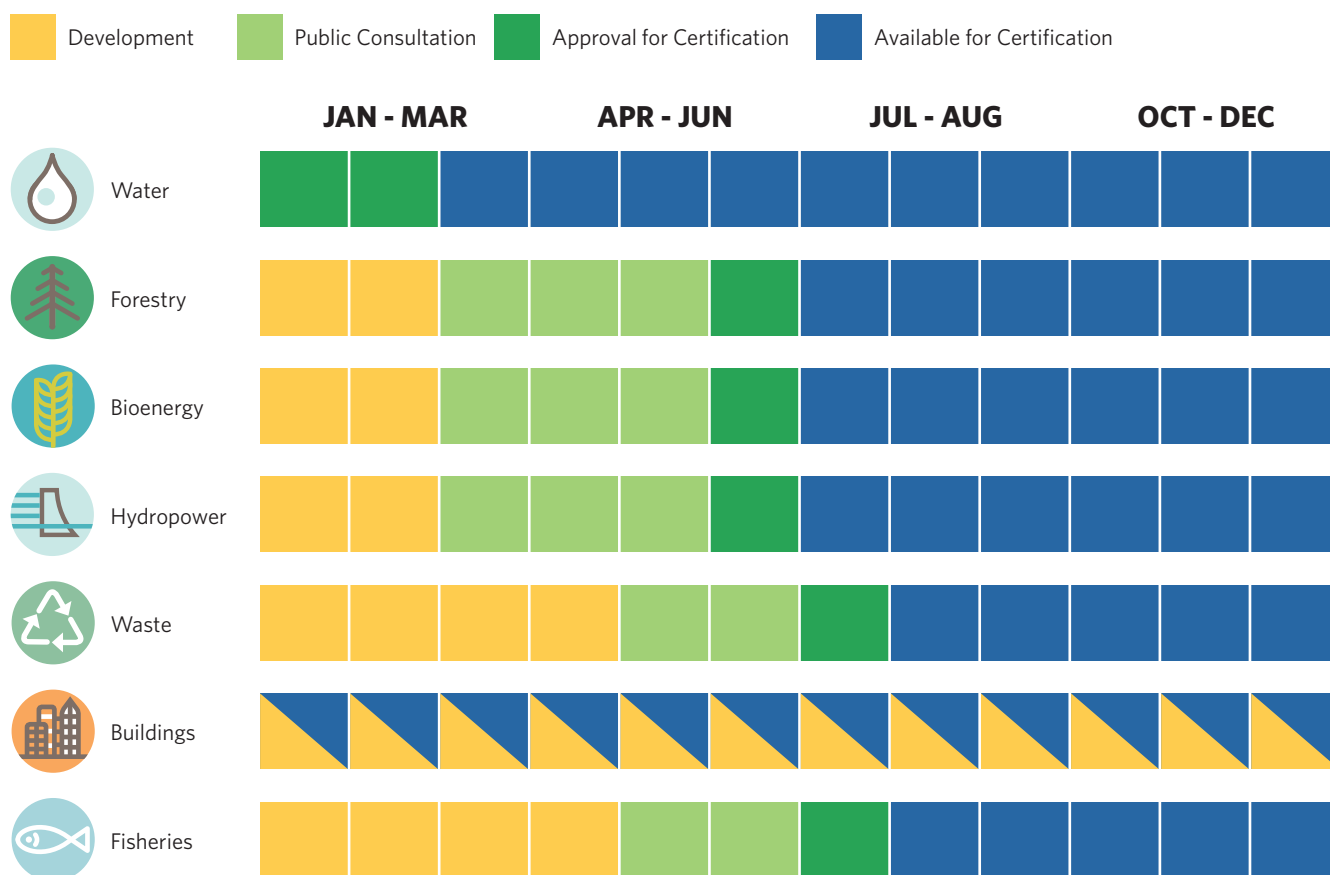
### 2017 saw new issuer types seeing value in Certifying Bonds



### Certified Climate Bonds issued in 18 different countries



## 2018: Standard maintains momentum with Criteria rollout



The calendar above shows the ambitious schedule we've got planned for Sector Criteria rollout for the first half of 2018. This is the plan for releasing the Criteria that are already in development.

As Criteria are released, we will be starting development of new Sector Criteria. Criteria for Shipping, Distribution Grids & Networks,

Agriculture, and Information Communication Technology are next on the agenda - but there's only so much we could fit onto one diagram.

All Criteria go through a phase of Technical Working Group (TWG) development, Industry Working Group (IWG) review and public consultation. During public consultation we will run webinars and encourage all interested

parties to join and give their feedback.

Webinars, consultation launches and Criteria releases are always announced via [our blog](#). On page 5 there is also a brief update on the current discussions and debates the live TWGs are having now.

## EU HLEG: sustainability taxonomy and green definitions

The EU High-Level Expert Group on Sustainable Finance (HLEG) has just released its final report '[Financing a Sustainable European Economy](#)'.

This report contains the final recommendations from the Expert Group, which form the basis for the Commission's upcoming Action Plan on Sustainable Finance. Our CEO, Sean Kidney, is one of the members of the Expert Group.

Recommendations are grouped into priority actions, cross-cutting actions and actions specific to financial institutions and other sectors of the financial system.

Priority actions for the Commission are to:

- Introduce a common sustainable finance taxonomy, starting with climate change;

- Clarify investor duties to extend the time horizons of investment and bring greater focus on ESG factors;
- Upgrade disclosure rules to make sustainability opportunities and risks fully transparent;
- Empower and connect citizens with sustainable finance opportunities;
- Develop official European sustainable finance standards, starting with green bonds;
- Establish a 'Sustainable Infrastructure Europe' to expand the size and quality of the EU pipeline of sustainable assets;
- Reform governance and leadership of companies to build sustainable finance competencies;
- Enlarge the role and capabilities of the European Supervisory Authorities to promote sustainable finance as part of their mandates.

The first priority, the Sustainable Finance Taxonomy, is where the Climate Bonds Standard & Certification Scheme comes in.

The Taxonomy is set to include assets that address climate change, environmental and social sustainability. While there's more work to do, this report already proposes some screening criteria for climate change assets. Wherever possible, the mitigation requirements of our Sector Criteria have been worked into this EU Taxonomy.

The Sustainable Finance Taxonomy will be applicable to all types of assets and capital allocation including project finance, bonds and equity. It will serve to guide both issuers and investors around green, social and sustainable investments. Stay tuned for more discussion on this at our [March conference](#).

# What's happening with our TWGs?

## Water



**Phase I: published**

**Phase II: Criteria to be released imminently**

[Public consultation](#) of Phase II of the [Water Criteria](#), covering nature-based and hybrid infrastructure for water capture, storage, treatment, flood/drought defences, storm-water management, and ecological restoration, closed in Dec 2017.

The Criteria address mitigation and climate adaptation and resilience. The mitigation component requires GHG emissions of equal, or less, than BAU. The adaptation & resilience component requires infrastructure to be resilient to and able to adapt to climate change and climate risks. See the [full details here](#).

## Marine



**Fisheries, Aquaculture & Coastal Infrastructure: TWG developing Criteria**

The main remaining challenge for the Fisheries Criteria is how best to set-up the mitigation component. Low carbon fishing, and how to define it, has not been well explored so this is a new question we're asking of our TWG members.

Once we have finalised Criteria for Fisheries we will discuss how we can apply these to Aquaculture assets and projects, and whether any additional requirements will be necessary for these types of assets and projects.

Consultation should start next quarter.

## Forestry



**Status: public consultation imminent**

The Forestry Criteria are very close to being ready for public consultation. The TWG have worked diligently with us and we will soon be sharing them with an Industry Working Group for review before they are released for consultation.

Wherever possible we leverage other best practice standards, such as FSC and PEFC, that forestry practitioners will already be using - we don't want to reinvent the wheel.

Two critical areas these Criteria address are land conversion away from natural landscapes and forestry management - full details when consultation opens.

## Waste Management



**Status: TWG developing Criteria**

The TWG has been busy reviewing the emission performance of a range of municipal solid waste management scenarios including recycling, energy from waste, gasification and landfill and has made a substantial step towards developing metrics and thresholds.

We will soon convene an Industry Working Group to review the draft criteria. IWG reviewers provide crucial industry perspective feedback.

If you're interested in participating in the IWG, please contact [Cory](#).

## Bioenergy



**Status: public consultation imminent**

TWG discussion is nearing completion. These Criteria cover bioenergy for electricity, heating & cooling, and transport and has three components: disclosure, mitigation, and adaptation & resilience.

The disclosure component will increase transparency. The mitigation component requires a GHG threshold, set at a level that indicates the energy produced is aligned with 2 degree C warming, is met. The adaptation & resilience component checks that issuers have identified and addressed climate risks.

Issues such as food security and indirect land use impacts are also covered.

Two IWG calls have been held during Q4, providing feedback on the practicality of the Criteria.

## Hydropower



**Status: public consultation imminent**

During Q4, the TWG has been discussing the requirements to address adaptation & resilience, and other environmental & social impacts in the hydropower sector. Where possible existing standards and tools, such as the Hydropower Sustainability Assessment Protocol (HSAP), will be leveraged. Mitigation requirements for pumped storage facilities are also being discussed.

IWG discussions have been held, providing feedback on the practicality of the mitigation requirements including the GHG emission threshold, scope and boundary of emissions assessment, emissions allocation methodology and threshold for predictive screening.

Public consultation to begin in March.

## Buildings



**Status: Criteria published, now being expanded**

Several new developments are underway with the Buildings Criteria as continued demand for Climate Bonds Certification has driven expansion in baselining and proxy work.

Revisions to country specific requirements for [England & Wales](#), France, Germany New Zealand and Australia have been completed.

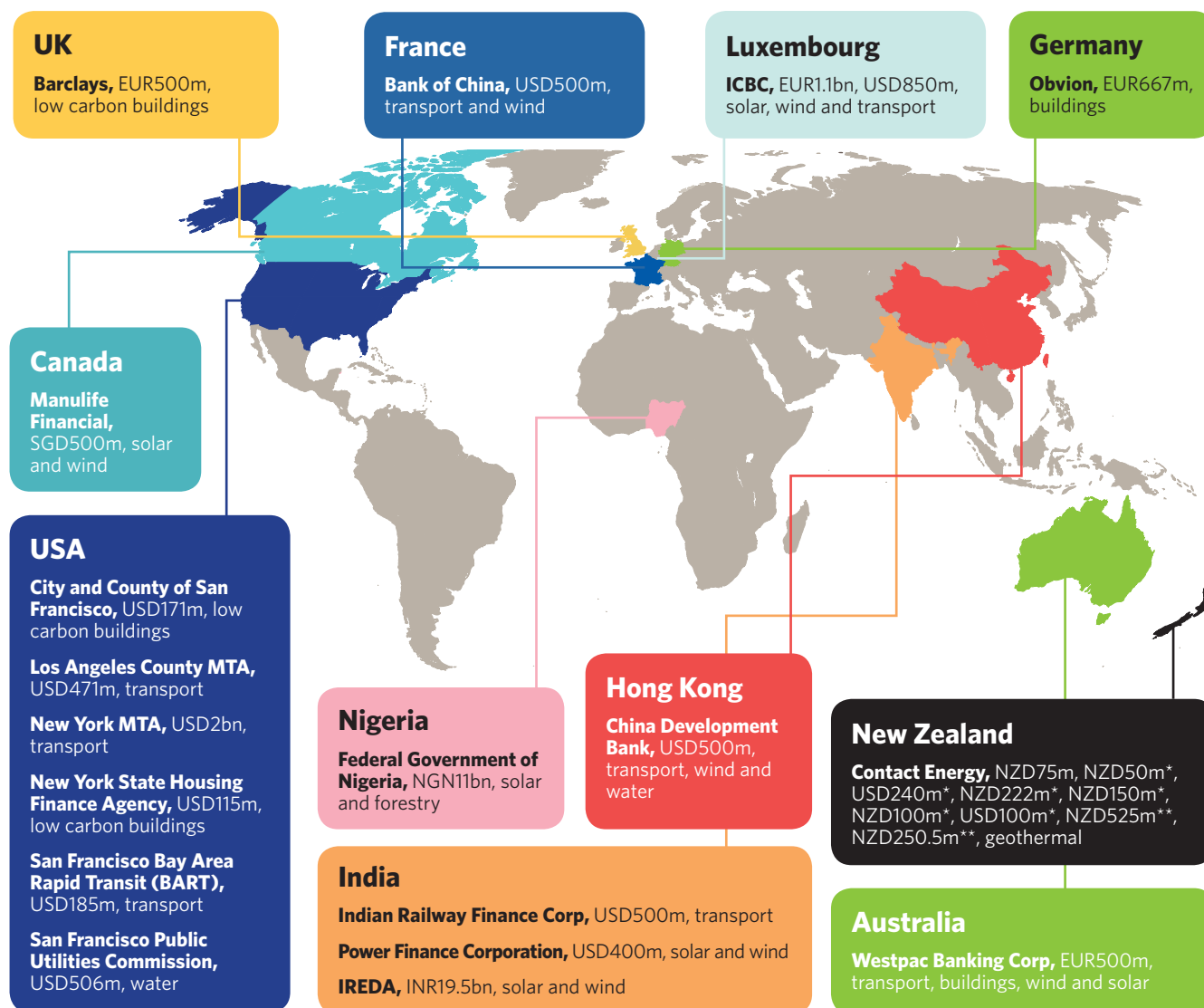
Development of guidance for China, India, Norway, Mexico, São Paulo, Tokyo, South Korea and Canada are underway.

In addition, Low Carbon Building certification guidance for Emerging Markets is under development with release planned for March.



# Snapshot of Certified Climate Bonds

Q4: July - October 2017



**\*Bond was Certified post-issuance:** post-issuance certification is available for already issued debt that's nominated assets comply with the [Climate Bonds Standard](#). Issuers get post-issuance Certification for reputational benefits and portfolio consistency.

**\*\*Issuance is a loan rather than a bond:** a [variety of debt instruments](#) may be Climate Bonds Certified. \*\* indicates this is a Climate Bonds Certified loan rather than a Climate Bonds Certified bond.

## Meet the Climate Bonds Standard & Certification team



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