

Climate Bonds Standard & Certification Newsletter

Q2 2017 ISSUE 4

US munis lead while Washington withdraws

The US municipal market continues to be an upbeat story of growing green investment, even while headlines focus on the countries withdrawal from the Paris Accord and efforts to weaken the G7 & G20 consensus on climate action.

'Be Climate Smart' says BART

The [San Francisco Bay Area Rapid Transport's \(BART\)](#) USD385m [Certified Climate Bond](#) for low carbon transport included an offer to "mom & pop" retail investors accompanied by [social media promotions](#) across the transport [network](#) of "Be Climate Smart - Invest in BART".

And BART has more in the pipeline. Last year, locals [voted to pass a measure](#) to issue USD3.5bn to improve transport infrastructure.

BART is making the most of the [programmatic route](#) to Certification; a streamlined process for regular Certified Climate Bond issuers. This is just the start of their programme.

'Invest in the planet - Invest in the MTA'

BART mirrors the 2016 '[Invest in the Planet - Invest in the MTA](#)' campaign from New York's Metropolitan Transport Authority (MTA) that popularised green bonds to a wider audience.

MTA is set to soon become the largest municipal green bond issuer. They've issued USD2.7bn across six bonds - all Certified.

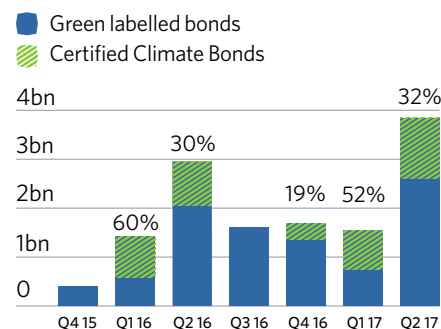
Cities and sub nationals drive climate action

Even in Houston, spiritual home of the US oil industry, the green bond message is getting through, with the [Fort Bend School District](#) issuing a green bond related to buildings.

The governors of California, New York & Washington have now formed the [US Climate Alliance](#) and authorities in all three states have also issued green bonds.

State and city level action in the US does not mean small scale: California and New York alone make up over 20% of the US economy.

Climate Bonds Certification gets traction in US muni market



More green bonds & more Certifications

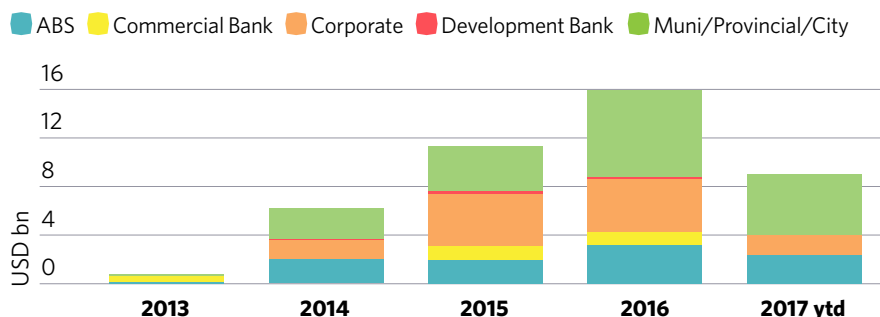
The decision to withdraw from Paris has galvanized sub-national counter reaction. Coupled with the need to renew infrastructure, and the imperative to be climate resilient means we're seeing growing green issuance.

[Climate Bonds Certification](#) is proving a useful tool to give investors confidence in the environmental credentials of investments. Expect to see more Certified Climate Bond offerings and a sharper climate message.

Additionally, the response from small investors is a significant pointer to changing community attitudes.

The White House is walking the US backwards, but at a sub-national level, states and municipalities are leading green investment forwards. Follow the money.

Green muni bonds make up 41% of total US issuance 2013-17



Coming soon, new Climate Bonds Criteria:

Things have been a bit quiet on the new Criteria front recently, but behind the scenes, the Standards Team have been deep in conversation with our Technical Working Groups (TWGs) and Industry Working Groups (IWGs) developing the Criteria.

Criteria development is time-consuming as they must be science-based, simple, robust and applicable to a range of assets.

Release or public consultation imminent for:

- [Marine Renewable Energy Criteria](#)
- [Nature Based Water Criteria](#)
- [Bioenergy Criteria](#)
- [Forestry & Land Conservation Criteria](#)
- [Fisheries Criteria](#)

Consultation and release of new Criteria is announced in our [our blog](#) and we always run accompanying webinars for details and Q&A.

Criteria release is always an exciting development as it opens up Climate Bonds Certification to new asset types and new issuers, increasing its reach in the green bond market.

In other news...

China & EU lead on climate action & green harmonisation

The world is looking to China and the EU to lead the way on climate action. In March 2017, the People's Bank of China (PBoC) and the European Investment Bank (EIB) established a joint green finance initiative to combine policy and market best-practice to strengthen frameworks for green investment and harmonise green definitions.

Currently, there are several different sets of green definitions, such as the [Climate Bonds Taxonomy](#), [Green Bond Principles \(GBPs\)](#), and [China's Green Bond Endorsed Project Catalogue](#). Some projects are considered green by some definitions and not by others.

"The scientific community could do a great deal more to define what is green...We are, at the end of the day, bankers. We are not environmentalists, we can't [be expected to] determine ourselves what is green"

Phil Brown, Citi Global Markets
(quoted in [Environmental Finance](#))

For example, [Repsol's recent bond](#) fits within the GBPs definition of green, but not all investors agreed as the proceeds finance efficiency improvements to oil and gas refineries. Similarly, in China, high-efficiency fuel production and "clean coal" can be included in green bonds, but some international investors disagree.

Harmonising green definitions and standards across different markets would help issuers to know what's acceptable in the international green bond market, and help them meet the expectations of international investors. It would also reduce the costs of issuing by avoiding duplication of verification and certification in different markets.

The [EU-China green finance initiative](#) is a joint effort to map and compare approaches to green assets/projects eligibility, to harmonise green definitions and enhance investors' confidence. The EU and China have recognised the importance of strengthening green investment for sustainable growth and for achieving the COP21 goals, and have demonstrated their commitment to enhance the role of capital markets to support green finance.

EU Expert Group on sustainable finance releases interim report

The High Level Expert Group (HLEG) [interim report](#) identifies directions to build green finance and investment in the EU to meet emissions reductions in-line with the Paris Accord. Early recommendations include establishing a European standard and label for green bonds and other sustainable assets. Our CEO, Sean Kidney, is a member of HLEG.

HLEG is now seeking [feedback on this report](#).

Broader global movement to harmonise green definitions

In Taiwan, the Taipei Exchange, has released a [green bond promotion plan](#). The Exchange has used this plan to develop green bond guidelines, which the Commission approved. These will assist green issuers obtain capital by instructing on projects that can be included in green bonds.

Since coming into effect, [four Taiwanese banks have issued green bonds](#).

In India, the Securities & Exchange Board of India (SEBI) has just issued its '[Disclosure Requirements for Issuance & Listing of Green Debt Securities](#)'. These list high-level categories for what is green and are in-line with the Climate Bonds Taxonomy and GBPs.

First meeting of the TEEC Label Committee

The TEEC (Energy and Ecological Transition for the Climate) Label, launched in 2015 by the French Ministry of Environment, and which draws heavily on the Climate Bonds Taxonomy for [their Criteria](#), recently had the first meeting of [its Committee](#). We joined [the meeting](#) led by the Commissioner-General for Sustainable Development (CGDD). Areas of evolution of the Criteria was the topic under discussion.

[Eight funds have been awarded TEEC certification](#) to date, amounting to approx. EUR1bn.

ETFs launched & include projects aligned with our taxonomy

Two dedicated green bond Exchange Traded Funds (ETFs) have been launched. [The Lyxor Green Bond ETF](#) tracks Solactive Green Bond Index while the [VanEck Vectors Green Bond ETF](#) tracks S&P Green Bond Select Index. Since the constituents in the two indices are labelled green bonds defined by the [Climate Bonds Taxonomy](#), the ETFs represent investment in eligible green projects and assets in-line with our taxonomy.

GBPs updated & supplemented with social bond principles

In June, the Green Bond Principles (GBPs) released its annual update. They continue to recommend 10 broad project categories eligible for green bond issuance.

With this update, the GBPs also released the [Social Bond Principles](#) to acknowledge use of proceeds that include social objectives too, such as affordable basic infrastructure, employment generation and food security.

Expanding the application of the Buildings Criteria

The Buildings TWG is exploring if data extrapolation can expand the [Buildings Criteria's](#) application by providing low emission trajectories for more cities.

We already have trajectories for US and Australian cities and Singapore, but this data extrapolation should allow us to set baselines for cities in temperate climates.

The good news is: it's looking like this will work and could open up Climate Bonds Certification to any city in the temperate zone – watch this space!

If you are looking to issue a Certified Climate Bond for buildings in a city not yet listed as certifiable, please [contact us](#).

Climate Bonds events & publications

Marine Renewable Energy webinar

Watch Marine Renewable Energy public consultation [webinar here](#).

Water webinars soon

Water Criteria public consultation webinar will commence in July and August – dates to be confirmed soon and announced in [our blog](#).

Report on green bond reporting

See our most recently published report: '[Post Issuance Reporting in the Green Bond Market - Trends & Best Practice](#)'.

Stay tuned - Follow Climate Bonds!

Other upcoming events and the latest news are announced via the Climate Bonds Blog, [subscribe here](#) and follow us:

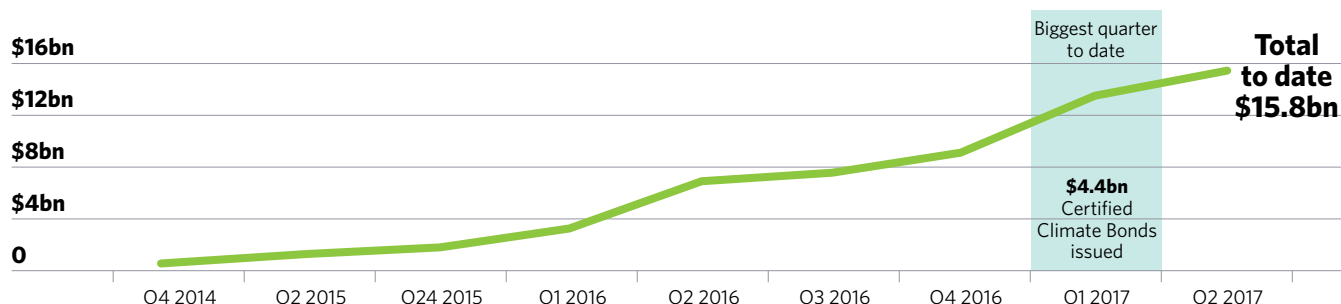


www.climatebonds.net

Summary of Certified Climate Bonds

Issuance to date

Certified Climate Bond Issuance



Over Q1 and Q2 of 2017, USD6.5bn of [Certified Climate Bonds have been issued](#), raising the total of Certified Climate Bonds to USD15.8bn. USD4.4bn and USD2.1bn were issued in Q1 and Q2, respectively.

In 2016, USD7.5bn Certified Climate Bonds were issued, meaning that at the halfway point of 2017 we are only USD1bn shy of the total Certified Climate Bonds for the whole of last year. Assuming that this rate of issuance continues, we're hoping to see at least USD12bn of Certified Climate Bonds by the end of the year.

Q1 2017 has also taken over as the biggest quarter to date with USD4.4bn issued. Alpha Trains, Commonwealth Bank of Australia, FlexiGroup, IREDA, NAB, ReNew Power, MTA, NYSHFA, QTC, SNCF, Strasser Capital and Westpac all issued in that quarter to help top the previous record held by Q2 2016.

Issuers value Certification for a range of debt instruments

Version 2.1 of the [Climate Bonds Standard](#) opened up Certification for debt instruments other than bonds.

ABN AMRO, Nordex, Strasser Capital and Quadran have all taken advantage of this by certifying loan facilities, schuldscheins and securitised bonds.

A full list of the debt instruments Climate Bonds Certification are applicable to, is [available on our website](#).

In 2017, we've also Certified our first Climate Bond from a government agency. The Indian Renewable Energy Development Agency Ltd. (IREDA) became the first government backed agency to get Climate Bonds Certification for its INR2bn & INR5bn wind and solar bonds.

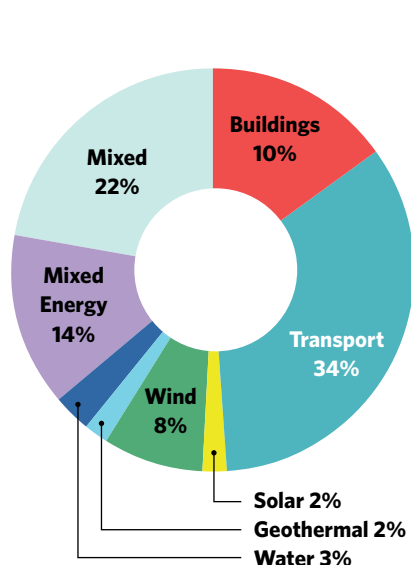
Luxembourg, Mauritius, Singapore & Brazil enter the Certified Climate Bond market

In 2017, the geographical range of Certified Climate Bonds has expanded further with first issuances from [Luxembourg](#), [Mauritius](#) and [Brazil](#) in Q1 and [Singapore](#) in Q2.

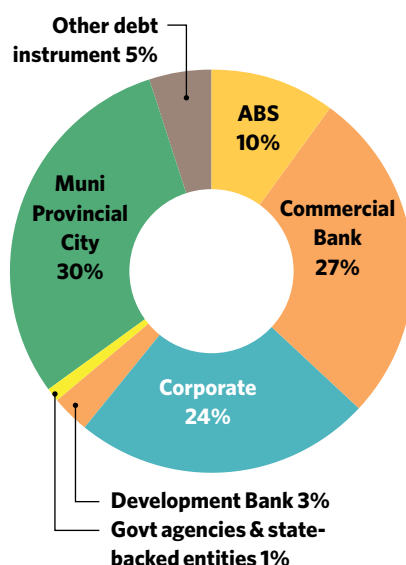
The first Brazilian issuer was [CPFL Energias Renováveis](#) and their bond was actually issued in Q4 2016. However, they applied and were awarded Climate Bonds Certification [post-issuance](#) in Q1 2017, hence CPFL's bond joined the ranks of certified bonds this year.

Gaining certification post-issuance is available for any already issued bond provided that its nominated assets comply with the [Climate Bonds Standard](#). Issuers are doing this to access the reputational benefits that Certification brings.

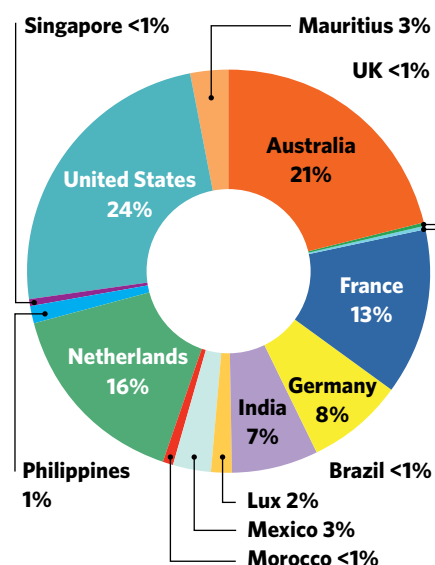
Use of proceeds remains widely distributed out between sectors



Govt agencies and other debt are Certified for first time



New entrants appear but US & Australia continue to lead



What's happening with our TWGs?

Water



Phase I Status:
Criteria approved

Phase II Status: public
consultation imminent

Phase II of the [Water Criteria](#), covering nature-based and hybrid infrastructure for water capture, storage, treatment, flood/drought defence, storm-water management, and ecological restoration, has progressed well.

In Q2, we have addressed comments from the IWG by updating the Criteria document, background paper and guidance note. Public consultation will commence in July and will be announced on our blog. The proposed Criteria will then be [available online](#) and we look forward to your feedback.

Marine



Status (Renewables):
post-public
consultation

Status (Fisheries, Aquaculture & Coastal Infra): TWG developing Criteria

As mentioned above, the [Marine Renewable Energy Criteria](#) have been out for public consultation, you can still read the draft Criteria [here](#) or watch the webinar [here](#). There were no major objections during public consultation, so we'll finalise the documents and take them to the Climate Bonds Standard Board for comment shortly.

Development continues with the other areas of Marine with Fisheries advancing the fastest. We're hoping to get these out for public consultation during Q3.

Land Use



Status: TWG
developing Criteria

We are now looking at taking an activity-based approach to the [Land Use Criteria](#). This will mean there will be Criteria released for various areas of Land Use, with the first most likely being Forestry & Conservation.

Taking this approach will allow us to have more ambitious mitigation criteria in areas where that is possible. And it will also allow us to roll Phase I (the GHG mitigation work) and Phase II (the climate adaptation and resilience work) into one release. This will mean that final Criteria will have mitigation requirements and climate adaptation and resilience requirements.

Waste Management



Status: TWG
developing Criteria

The TWG is currently working to develop [Criteria](#) covering a range of end-of-life waste management strategies. Using life cycle assessment modelling and literature reviews, the TWG is assessing which waste management strategies are contributing to a below 2-degree world.

As many of these waste material supply chains are transnational, emissions allocation and associated impact reporting pose challenges, requiring special attention from the TWG.

Bioenergy



Status: post public
consultation

The TWG is comparing our approaches under other Sector Criteria to develop consistent requirements for adaptation and resilience. These require issuers to have processes to assess and address the climate vulnerability of their assets and any climate risks to the surrounding ecosystem.

The TWG is also analysing the robustness of environmental best practice standards in the bioenergy sector to determine what can be leveraged for [the Criteria](#). Discussion on mitigation requirements, including GHG emissions threshold, scope and methodologies of GHG life cycle assessment, are being rounded up.

We will be checking in with an Industry Working Group on these proposals in Q3.

Hydropower



Status: TWG
developing Criteria

During Q2, the TWG have been working on the environmental and social requirements by examining existing tools that address these impacts. The idea is to leverage existing tools where appropriate, and [develop Criteria](#) consistent with best practice in hydropower.

Next, the TWG will focus on developing adaptation and resilience requirements, again looking to leverage existing tools.

We have recently convened the Hydropower IWG with representation from around 20 organisations. The IWG will review and provide feedback on the approach proposed by the TWG to address mitigation, adaptation & resilience, and environmental & social impacts in the hydropower sector.

Buildings



Status: Criteria
approved - now
being expanded

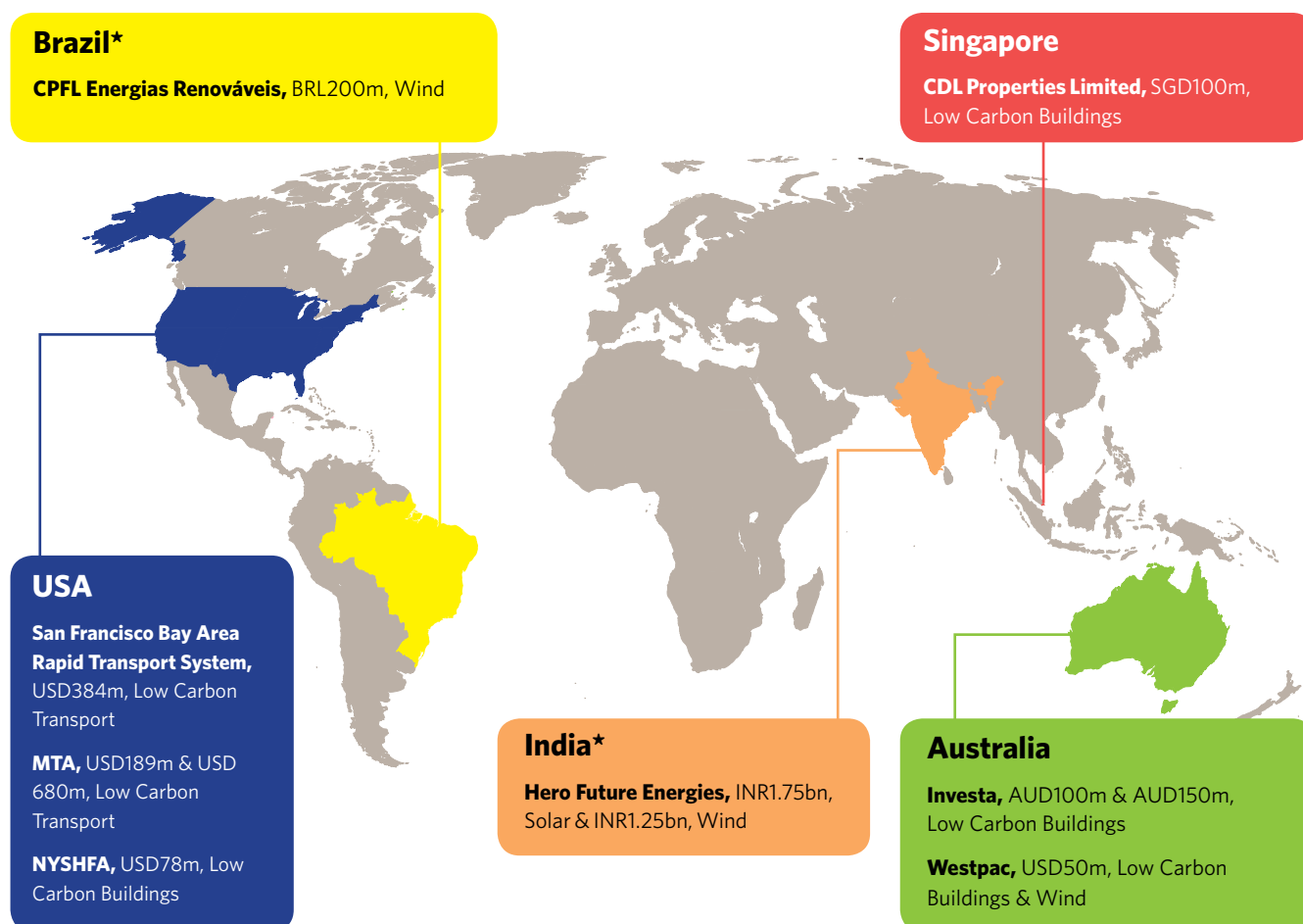
Under the [Buildings Criteria](#), we have been continuing to source potential proxies for certification across a range of locations.

We are about to release an updated emissions intensity proxy for residential buildings in England & Wales (from analysis of the Energy Performance Certificate Scheme), and a proxy for residential buildings in Australia (from analysis of Building Code of Australia (BCA), National Construction Code (NCC) and The Nationwide House Energy Rating Scheme (NatHERS)). This covers residential assets including mortgage backed securities.

Progress continues on Energy Efficiency Criteria for building components, including lighting, sensors and fans.

Snapshot of Certified Climate Bonds

Q2: April – June 2017



*Bond was Certified post-issuance

Gaining certification post-issuance is available for any already issued bond provided that its nominated assets comply with the [Climate Bonds Standard](#). Issuers are doing this to access the reputational benefits that Climate Bonds Certification brings.

Certified in Q2, but not issued in Q2

We've actually Certified a lot more bonds this quarter than shown above. However, issuers will often hold from issuing until market conditions are just right and we can only disclose the bonds that are Climate Bonds Certified issued.

New Approved Verifiers: CCXI, Deloitte France, Deloitte Luxembourg and Raising Clean-tech Investment Consulting Co.



Deloitte. 瑞景通途
Make Green Achievable

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