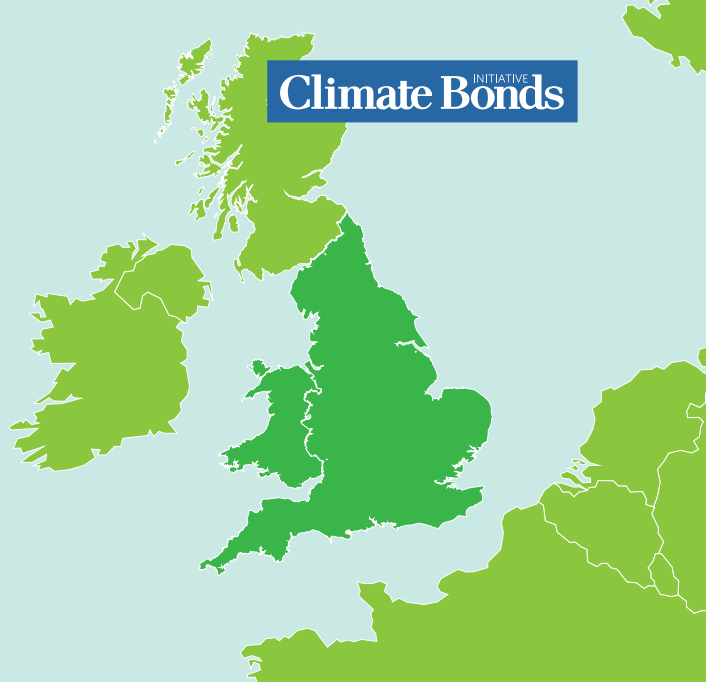


ELIGIBLE RESIDENTIAL BUILDINGS ENGLAND & WALES

Low Carbon Buildings Criteria under the Climate Bonds Standard



What are the Low Carbon Buildings Criteria?

They are the technical standards that buildings (or a portfolio of buildings) must satisfy to be eligible as nominated use of proceeds in a Certified Climate Bond. Any bond being Certified must also meet the reporting and transparency requirements of the overarching [Climate Bonds Standard](#).

This brochure outlines the Buildings Criteria for residential buildings in England and Wales. For full details on the methodology and requirements, see the detailed [Criteria document](#)

When is a residential building eligible for Certification?

It is eligible for certification if:

- It meets the low carbon emissions trajectory OR approved proxy

- It has or will undergo an upgrade or retrofit which reduces its emissions intensity by 30-50% (depending on the tenor of the bond).

What do the low carbon emissions trajectories represent?

Trajectories are expressed as an emission intensity metric: kg CO₂e/m², based on landlord - related emissions. They represent rapid decarbonisation trajectories aligned with the goals of the Paris Agreement to limit global warming to no more than 2 degrees above pre-industrial levels, and ideally no more than 1.5 degrees.

How have they been established?

They have been established by taking the emissions intensity of the top 15% of buildings in that location and drawing a line down to hit zero carbon by 2050. They are location specific as it is recognised that emissions intensity is affected by a number of factors which vary significantly by region.

Where can issuers go to find more information to check compliance?

A single low carbon trajectories have been established for residential buildings in England and Wales

For other locations outside of these country, residential buildings are eligible for certification if they are consistent with the requirements of an appropriate proxy. See [here](#) for further information on appropriate proxies.

The proxy for England and Wales is illustrated in the box below. The trajectory requirements are illustrated on the reverse. The [Emissions Target Calculator](#) gives precise data to establish emission targets for any bond tenor.

Want more information?

Please contact cory.nestor@climatebonds.net

Option 1: Proxy

Residential buildings in England & Wales are eligible for Certification if their Environmental Impact (EI) Rating (Figure 1), as reported on their Environmental Performance Certificate (EPC), is either A or B.

This difference in permitted tenors recognises that residential buildings rated 'A' have a stronger emissions profile (and therefore will be compatible with the rapid decarbonisation trajectories for longer) than 'B' rated buildings. Buildings rated 'C' and below are not eligible for Certification as they are not considered to have an emissions profile consistent with these rapid decarbonisation trajectories.

Figure 1. Proxy expiration dates and Example of Impact Rating Certificate



Environmental(CO ₂) Impact Rating		
	Current	Potential
Very environmentally friendly - lower CO ₂ emissions		
(92-100) A		
(81-91) B		
(69-80) C		
(51-68) D		71
(39-54) E		
(21-38) F	32	
(1-20) G		
Not environmentally friendly - higher CO ₂ emissions		
England & Wales Directive 2002/91/EC 		

Note: Residential buildings in England & Wales have both an Energy Performance Certificate (EPC) and an Environmental Impact Certificate (EI). Proxy certification is dependant on the EI portion on the certificate.

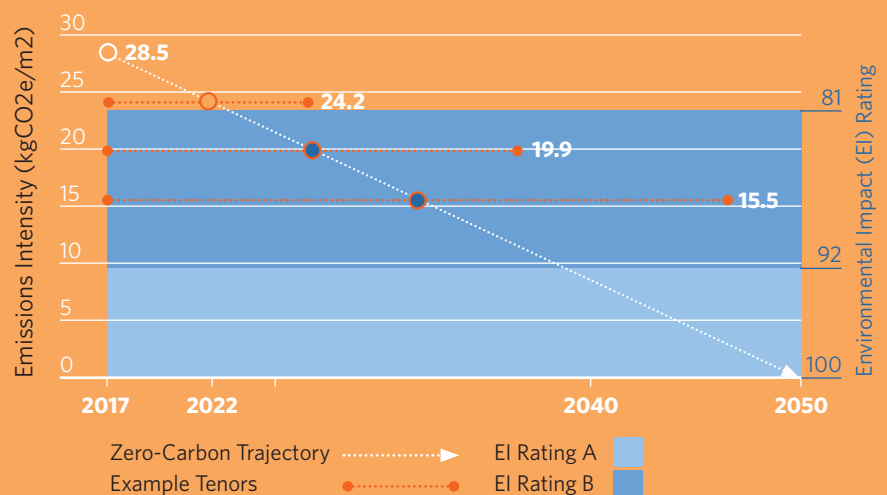
Option 2: Trajectory

Residential buildings in England & Wales are eligible for Certification if their emissions intensity lies below the established hurdle rate.

The trajectory chart (Figure 2) shows the established net zero carbon buildings trajectory for residential buildings in England & Wales. Any building is eligible if it meets the emissions intensity target for the mid-point of its bond.

For example, for a 10-year bond issued in 2017, the emissions intensity at the time of issuance must be at or below 24.2kg/CO₂e. The [Emissions Target Calculator on the Climate Bonds website](#) can be used to calculate specific hurdle rates for any tenor bond.

Figure 2. Emissions Intensity Target Dependent on Tenor of Bond



Note: Examples have been included for three different bond tenors, 10 yr, 20 yr, and 30 yr showing how the desired tenor of the issuer affects the emissions intensity target of the bond.

Where can issuers find the data needed to demonstrate compliance?

The Department for Communities and Local Government (DCLG) has released a database of EPC ratings information for all EPCs for residential buildings in England & Wales.

This database provides a wealth of information about the construction and performance of building assets in England & Wales. This includes both the proxy indicator information and the direct emissions performance. The proxy tag can be found in the "EI_Rating_Current" field.

The direct emissions intensity used to align with the trajectory is provided as kgCO₂/m² and can be found in the "CO₂_Emissions_Current" field.

For more information, contact Cory.Nestor@climatebonds.net

How have these Criteria been derived?

The Climate Bonds Initiative, in collaboration with our technical experts, assessed the EPC and EI dataset for both its robustness and reliability, and its market representativeness. Once this was determined, the performance spread (Figure 3) was modelled and the top 15% performance level was established. From there, the net zero carbon trajectory down to 2050 was derived.

While the dataset covered the whole of England & Wales, the difference in top performers in each region was minimal. Therefore, for simplicity and ease of use, all England & Wales residential buildings are subject to the same zero carbon emissions trajectory.

Figure 3. Regional aggregation of the top 15th percentile



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