Joint Media Release

New EU Green Securities Steering Committee to Identify Climate Finance Opportunities

Programme to Promote Green Securitisation, Green ABS & Green Covered Bonds in Europe

LONDON: **03/07/17 11:30 BST:** Jointly convened by the Climate Bonds Initiative and the European Covered Bond Council (ECBC) with the support of the UNEP Inquiry, the European Green Securities Steering Committee (EGSSC) held its inaugural meeting on June 29, 2017.

The Committee is an industry-wide group of members newly formed to promote the development of the green securities market in Europe, including covered, asset-backed and senior unsecured bonds.

Foundation participants encompass twenty-two (22) European commercial and development banks, investors, rating agencies, NGOs and industry associations including ABN AMRO, Clifford Chance, Glennmont Partners and Obvion.

The 29 June 2017 meeting of the Committee set out the group's priorities and agenda for the next 12 months.

The Committee's priorities will be to:

- Identify regulatory and supervisory hurdles for both issuers and investors around green covered bonds and green securitisation
- Support common definitions for green at EU level, leveraging existing labelling schemes
- Promote origination of green assets by facilitating the identification of green assets at the European level and through standardisation of contracts where appropriate
- Develop a common position on relevant regulation under development at the EU level, such as the STS and Covered Bonds files
- Investigate aggregation and warehousing solutions for smaller projects
- Explore the potential for favourable capital treatment for green securities based on differential risk profiles and asset valuations
- Identify opportunities to further issuances of green asset-backed securities and covered bonds in well-established markets
- Coordinate and encourage investor demand

Luca Bertalot, Secretary-General, European Covered Bonds Council:

"Coordination on the 'green' debate at the European level is essential; this diverse group will facilitate engagement with the European institutions to grow the market for green covered, asset-backed and senior unsecured bonds."

Nick Robins, Co-Director, UNEP Inquiry:

"This new initiative is perfectly timed - responding to the Europe's growing policy and market interest in expanding green securities. Crucially, it will help to build trust and confidence in the potential of asset-backed securities for financing a sustainable economy."

Sean Kidney, CEO, Climate Bonds Initiative:

"We have only a short time to achieve our climate and energy targets. The European Green Securities Steering Committee offers an opportunity to maximise the origination of green assets and influence regulation at the European level."

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Background for journalists:

The world faces an extraordinary challenge in meeting agreed objectives around addressing the threat of catastrophic climate change. Scaling up investment in low-carbon energy, infrastructure and other climate change solutions is of paramount importance to try and limit global warming to below 2 degrees Celsius, as per the Paris Climate Change Agreement.

Estimates for European infrastructure investment needs to 2030 range between 2.6 and 4.5 percent of GDP, with EUR 200 billion of annual investment needed just to finance clean energy and energy efficiency investments.

Making this infrastructure climate-resilient further adds to the investment challenges.

Traditional channels of finance for infrastructure are insufficient:

Despite this urgency, these massive investment needs are not being met. The investment deficit in low-carbon and climate-resilient infrastructure is caused by several factors, including volatile government policies around clean energy and pricing measures, lack of enabling policies around land use and grid connection, the small scale of existing low-carbon infrastructure for cities and dearth of financing programmes for energy savings such as for energy efficiency.

A further contributing factor has been the general reduction of bank lending to riskier sectors such as SMEs and infrastructure driven by reduced balance sheets and regulatory constraints.

Green securities can help unlock finance in debt capital markets for low-carbon asset classes:

A thematic 'green' market has helped make the link between low-carbon infrastructure and broader 'green' objectives, connecting investor appetite for investments with a positive environmental impact with supply.

In its Capital Markets Union Action Plan, the Commission recognises the critical role of the financial system to achieve the EU's long-term decarbonisation objectives and climate-resilient development.

Green bonds are a tool to make financial flows consistent with such objectives. Green securitisation and green covered bonds can aggregate fragmented assets such as mortgages for energy efficient buildings or car leases to electric vehicles into larger liquid pools helping unlock further finance.

Banks can use securitisation to refinance loan portfolios in the bond market, freeing up their balance sheets to generate fresh loans.

The European Green Securities Steering Committee (EGSSC) was formed to set a common agenda for the implementation of a flourishing green debt market in Europe, influence conversations with policymakers and develop a coordinated action plan to promote further market activity aimed at achievement of climate finance goals.

Background Material:

April 2015 OECD publication on SME financing through market debt via ABS, securitisation and covered bonds is here.

The ECBC Covered Bond **Fact Book 2016**, a comprehensive information resource is here.

Feb 2017 Joint CBI & CCCEO-LSE Report on green securitisation in Europe is here.

A short **March 2017** briefing paper on green securitisation from Climate Bonds is here.

May 2017 announcement from EU on CMU policy around securitisation is here.

April 2017 latest OECD publication from that references both green bonds and ABS is here:

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