

Media Release

Climate Bonds Standard continues expansion into Transition Public consultation to open on Criteria for Basic Chemicals Certification soon available for entire facilities and assets producing basic chemicals

LONDON: 06/04/2022 10:00 GMT: The Climate Bonds Standard expansion continues into transition of heavy industrial sectors with its draft Criteria for the basic chemicals industry.

Public consultation on new [Draft Criteria](#) for the basic chemicals industry will be open from the 6th of April to the 5th of June. Feedback is sought from a wide range of stakeholders, including industry, civil society, and investors. Basic Chemicals will be the second Criteria under the Climate Bonds Standard tackling industrial transition, following the release of the draft Cement Criteria in February.

Decarbonisation of the chemical industry is a crucial step towards a net-zero future. The chemical sector is one of the biggest industries in the world and the largest industrial user of energy, accounting for 30% of energy consumption. It also represents around 5% of total global GHG emissions.

The Criteria were developed by a Technical Working Group (TWG), with an Industry Working Group (IWG) providing consultation and advice. They will provide a succinct set of decision rules for determining when basic chemical production assets and activities are compatible with a low carbon, climate resilient economy, and are eligible for Certification under the Climate Bonds Standard.

Specifically, the Basic Chemicals Criteria will provide science-based requirements which identify when investment and activity in the sector is aligned with the transition to the Paris Agreement objectives.

Expansion of the Climate Bonds Standard in 2022

The launch of the [Basic Chemicals Criteria](#) continues a major expansion of the Climate Bonds Standard into the heavy industry sectors. Climate Bonds has developed [principles of credible transitions](#) which will guide efforts to bring high-emitting industries in line with net-zero goals.

In addition to criteria for Cement and Basic Chemicals now open for consultation, Climate Bonds will also be releasing criteria for the Steel industry later in the year, expanding the reach of the Standard, and providing a pathway for Certification of transition investments across hard-to-abate industries.

In 2021 three new sector Criteria for Certification were launched under the Standard including [Grids and Storage](#), [Hydropower](#), and [Livestock Agriculture](#).

Basic Chemicals, Emissions and Investment

Basic chemicals are the building blocks of thousands of products and materials. These chemicals include olefins, aromatics, methanol, and ammonia, with the most significant volume and energy consumption representing around 60% of total direct CO₂ emissions from the chemical industry.

Given the importance and expected growth in market volume and the contribution of direct emissions of chemical production, there is an urgent need to decarbonise this sector that will grow in the coming years. Some of the technologies and measures to decarbonise this sector are CCUS, electrification, fuel substitution and feedstock substitution.

It is estimated that global decarbonisation of the chemical and petrochemical industry will require 63 billion euros from now up to 2050 (Split into 26 billion for new chemical plants and 37 billion for energy supply). In

the EU, a stimulus package will provide more than 750 billion euros to invest in sustainable technologies including Li-ion batteries, green hydrogen production and storage, biorefining and plastics recycling of which some will be for the chemicals sector.

Certification Requirements

As a general principle, debt-based investment is eligible for Certification under the Climate Bonds Standard where the use-of-proceeds:

- Promote Greenhouse Gas (GHG) mitigation through reduced emissions or increased carbon sequestration
- Promote adaptation to climate change and facilitate increased climate resilience in the systems in which they are located
- Promote transparency and disclosure of other environmental impacts and the measures to address them

Mitigation

The mitigation requirements apply for entire facilities producing basic chemicals in scope and for specific mitigation measures implemented in the facility.

The criteria for entire assets contain three main components:

1. Carbon or energy intensity thresholds which decline overtime
2. Cross cutting criteria for mitigation measures
3. Addressing scope 3 emissions

Adaptation & Resilience

The adaptation & resilience requirements follow the framework of the [Climate Resilience Principles](#) developed in [2019](#) by an Adaptation and Resilience Expert Group and Climate Bonds. Additional requirements are set related to Chemicals in the list of regulated substances (hazardous substances)

Entity transition

Climate Bonds aims to certify companies and related company-level financial instruments later this year. These criteria will also form the backbone of those future Certifications.

Consultation Opening/Information Webinar:

‘Credible Transition for Chemicals — Climate Bonds Standard expands to Basic Chemicals’

Date: Tuesday, 6th of April 2022

Time: 12:30 BST (London) / 13:30 CEST (Paris) / 07:30 EDT (New York) / 19:30 (Singapore)

Register via [Zoom here](#).

Ends/More

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Notes for Journalists:

About the Climate Bonds Initiative: The Climate Bonds Initiative is an investor-focused not-for-profit, promoting large-scale investment in the low-carbon economy. More information on our website [here](#). The Climate Bonds Initiative carries out market analysis, policy research, market development; advises governments and regulators; and administers a global Climate Bonds Standard & Certification Scheme. For more information, please visit <http://www.climatebonds.net>.

About Climate Bonds Standard: It is an overarching science-based, multi-sector standard overseen by the [Climate Bonds Standards Board](#) that allows investors and intermediaries to easily assess the climate credentials and environmental integrity of bonds and other green debt products.

Launched in [2011](#), with periodic [updates](#), the Climate Bonds Standard is the most detailed, climate aligned investment criteria available in the market and provides guidance to issuers, investors, governments and regulators.

Standard V3.0 and supporting documentation is [available here](#).

About the Basic Chemicals Criteria: The Basic Chemicals Criteria lay out the requirements that Basic Chemicals production assets and projects must meet to be eligible for inclusion in a Certified Climate Bond and for companies on a credible transition path to issue transition labelled debt.

The Criteria contain Mitigation Requirements, Adaptation & Resilience Requirements and Transition Requirements. Documentation can be found on our [Basic Chemicals Resource Page](#).

Bonds and loans linked to these eligible assets and projects will be aligned with the goals of the Paris Agreement.

About the Basic Chemicals Criteria TWG and IWG. Climate Bonds Initiative convened a Technical Working Group (TWG) and an Industry Working Group (IWG) Expert Group in 2021 to develop Criteria for this sector. Full membership of both the TWG and IWG can be [found here](#).

About Climate Bonds Certification: Climate Bonds Certification framework has been designed to work in parallel with the normal process for issuing bonds, loans or other debt products. It has 2 phases, Pre-Issuance or Post-Issuance. Certification of a Climate Bond at the pre-issuance phase enables the issuer and underwriters to market the bond or debt product as Certified.

Further assurance activities in the post-issuance phase must be undertaken to maintain the Climate Bonds Certification.

The full Climate Bonds Database of Certified issuance can be [found here](#).

The full Climate Bonds Directory of Approved Verifiers can be [found here](#).

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