

Brazil green bond issuance exceeds \$3.5bn – Brazil Edition of State of the Market

Sustainable forest management and wind power dominate resource use. New '*Brazil Edition-State of the Market*' predicts growth in the low-carbon agriculture, energy and transportation sectors.

London/São Paulo, October 4th 2017 13:00BST 09:00BRT – The Brazilian labelled green bonds market has now reached \$3.67bn thanks to national companies – the latest results in the second *Brazil Edition* of the *Bonds & Climate Change – The State of the Market 2017* report. From the inaugural issuance by BRF in June 2015 to September 2017, nine labelled Brazilian green bonds have been issued, five of them in the international market.

The global *State of the Market 2017* report is the flagship international stocktake of green finance and green bonds, published annually by the Climate Bonds Initiative, commissioned by HSBC. Available in English & Portuguese, *Brazil Edition* has been produced in partnership with the Inter-American Development Bank (IDB) and the Brazil's sustainable finance expert SITAWI and is being launched today at the São Paulo headquarters of Mattos Filho Advogados, accompanied by a live webcast.

The report finds that Brazilian bond issuance in Q1 and Q2 2017 reached a total of \$288.4bn, with green bonds accounting for 0.2% (in comparison to the global bond market, green bonds made up 4% of issuance in the same period).

The State of the Market 2017 Brazil Edition also includes a deep analysis of the market and outlines the investment directions needed to finance Brazil's low carbon growth in agriculture, forestry, renewable energy and the development of its urban transport sector and other climate smart infrastructure projects.).

The State of the Market 2017 Brazil Edition also finds domestic green bonds are financing a diverse range of sectors, with clean energy projects accounting for the highest proportion at 42%. Agriculture and Forestry projects, second highest at 24%, followed by Water at 13%, Buildings & Industry at 9%, and Waste & Pollution at 8%. Transport & climate Adaptation make up just 2% each, an indicator of the significant headroom for investment in these areas.

Another notable development is the level of heightened demand for Brazil green investment products by international investors highlighted in the response to recent green bonds issued by Klabin (\$500m) and BNDES (\$1bn). Both issuances were well oversubscribed and priced below estimate. This and other similar results are an indication that interest in green securities is strong and recent market development initiatives in Brazil have contributed to improve investor and market understanding of green bonds and their benefits.

Green bonds were created to fund projects and assets that have positive environmental and/or climate benefits. Although there is no specific regulation, best practice is for issuers to obtain international certification or contract an independent assessment of the green credentials of the assets to gain credibility with investors. In Brazil, for example, the four domestic bonds were evaluated by SITAWI and three of these were also [Certified](#) under the [Climate Bonds Standard](#).

Among the other findings, the report underlines a significant opportunity to finance the expansion of low carbon agriculture at scale, to increase the diversification of renewable energy sources and to develop resilient infrastructure to meet a new economic standard in the country.

Justine Leigh-Bell, Director of Market Development, Climate Bonds Initiative

"Brazil has an extraordinary opportunity to be the global engine of low-carbon agriculture and sustainable growth. To meet this goal, banks, corporations and governments must work in partnership, on policy and market directions, in developing green finance opportunities and exploring new sources of investment."

Gustavo Pimentel, Sustainable Finance Director, SITAWI

"The Brazilian green finance market should now grow and diversify into sectors. Wind power and sustainable forest management were the low-hanging fruit. We look forward to see issuance for infrastructure, banks and agribusiness."

Juan Ketterer, Chief, Connectivity, Finance & Markets, Inter-American Development Bank

"To leverage private investments needed to bridge infrastructure and productivity gaps in Brazil it is key to further support the development of financial and capital markets. There is a need to attract national and international institutional and impact investors in low-carbon investments and investments with high positive social impacts."

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Notes to the Editor:

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 is on Climate Bonds Brazil program is [available here](#).

About SITAWI Finanças do Bem: [SITAWI Finanças do Bem](#) is a pioneer organization in the development of financial solutions for the social sector and in the analysis of the social and environmental performance of companies and sectors. More [here](#).

Recent Issuance The most recent issuance of Brazilian green bonds took place in September 2017, [by Klabin](#), a pulp, paper and packaging company with more than 229 thousand hectares of planted forests and 214 thousand hectares of native forest conservation. Proceeds of the \$500M green bond will be expended on a variety of purposes, including sustainable forest management, restoration of native forests and biodiversity conservation, renewable energy, clean transportation, energy efficiency, waste management, sustainable water management, eco-efficiency and climate adaptation.

About the Brazil-China Fund: In June 2017, the Brazil-China Fund of \$20 billion for private infrastructure projects was implemented. China will finance three-quarters of the projects accepted by the fund and the remaining part will come from BNDES, Caixa Econômica Federal and private banks. This initiative can leverage green-bond issuances related to infrastructure. In addition, China has led the Green Finance Agenda internationally through the G20 GFS process and there may be future opportunities to strengthen and broaden the partnership between the two countries on this agenda.

About the Brazil Green Finance Council: In order to support the development of the local market, the Brazil Green Finance Council was launched in September 2016, [jointly convened](#) by the Secretariats CBI and CEBDS. It consists of stakeholders from the executive-level market (banks, industry sectors such as energy, agriculture and forestry as well as asset managers and insurers) and works to address bottlenecks to leverage green funding in Brazil. The Brazil Green Finance Council has proven to be a valuable knowledge base to boost market development in Brazil and serve as a consultative platform to promote capital market reform as well as to explore financial innovation. The Council was formally recognized at the Economic and Financial Dialogue between Brazil and the United Kingdom, in the presence of the Brazilian Ministry of Finance and UK Treasury Chancellor Rt Hon Philip Hammond

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