

FOR IMMEDIATE RELEASE

Climate Bonds Standard Expands to add flexibility and support the financing of clean technology innovation

[Now open for public consultation](#)

London, 12/12/2023 13:45 GMT: Climate Bonds announces a number of usability improvements to the global Certification Scheme under the Climate Bonds Standard (CBS) v4.1, Climate Bonds announces a number of usability improvements including an expanded definition for Research and Development (R&D) expenditure and a flexibility pocket of 5% for the Use of proceeds assessment framework. Reflecting a commitment to rigorous environmental integrity and innovation, these updates are now open for public consultation, inviting stakeholders to partake in shaping the future of green investment.

R&D Definition Enhanced for Greater Impact

The updated CBS v4.1 now includes a more inclusive definition of R&D, recognising the critical role of scientific research and emerging technologies in achieving a net-zero transition. This revision allows for the inclusion of earlier-stage R&D investments which have been demonstrated to contribute to substantial GHG emission reduction, removal or avoidance. This ensures that funds channelled towards innovative climate solutions are consistent with the broader goals of climate change mitigation.

In a strategic move to support new technologies in sectors not yet covered by Climate Bonds criteria, the Standard will permit a measured flexibility for R&D investments. R&D involving sectors for which Climate Bonds has not yet developed eligibility criteria, will be individually assessed on a case-by-case basis. The eligibility of R&D expenditure must be continually assessed to ensure that the relevant climate-related goals are being achieved.

R&D expenditures eligible under the Climate Bonds Standard v4.0 are aimed at solutions expected to have substantially lower lifecycle GHG emissions than best commercially available technologies or which substantially improve their technological and economic feasibility. Eligibility of later stage R&D can be demonstrated through patents, permits, or third-party verified life-cycle assessments following established standards.

Flexibility pocket of 5% in CBS v4.1 for Use-of-Proceeds

This revision is consistent with the flexibility pocket included in the recently enacted EU Green Bond Standard while maintaining the rigour and best practice characteristics of the Climate Bonds Standard.

Under CBS v4.1, a minimum of 95% of net proceeds must finance projects that meet the Climate Bonds Sector Eligibility Criteria. A maximum of 5% of the proceeds of a certified debt instrument may go towards financing projects or assets not fully aligned with the eligibility criteria, provided such projects/assets comply with the ICMA Green Bond Principles or the ICMA Social Bond Principles. Additional requirements that apply to this flexibility pocket are the exclusion of fossil fuel and deforestation activities as well as full disclosure of the nature of these finance activities.

Expanding the network of independent external reviewers

Certain types of regulated entities, such as Credit Rating Agencies, which are subject to publicly disclosed regulatory frameworks and otherwise meet the strict professional competence requirements of the Standard, may apply for the status of Approved External Review Providers,

where their internal processes and procedures are deemed to be at least equivalent to internationally accepted assurance standards.

Sean Kidney, CEO & Founder, Climate Bonds Initiative said, "This update to the Climate Bonds Standard marks a pivotal step towards equipping companies with the framework to adopt best practices in sustainability. Recognising the vital impact of innovation and research and development, we aim to forge pathways for a greener and low-carbon future. The revised Standard provides the clarity and guidance necessary for companies to invest in transformative technologies. We now call upon the industry to engage with us, to ensure our collective advancement is underpinned by robust and comprehensive standards that reflect the dynamics of our market."

A Call to Action for Market Input

The Climate Bonds Initiative encourages all interested parties to review the proposed changes and contribute their insights. By participating in the public consultation, stakeholders can play an active role in ensuring that the CBS remains the gold standard for green bonds and climate investments.

For detailed information on the proposed updates and to engage in the public consultation process, please visit our website at [\[link\]](#).

Ends

For more details, please reach out to:

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Notes for Editors:

About Climate Bonds Standard & Certification Scheme:

[Climate Bonds Standard and Certification](#) is an overarching science-based, multi-sector certification scheme for investments – and now companies/entities – that address the challenge of climate change and are consistent with the goals of the Paris Climate Agreement.

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

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

About Climate Bonds Initiative:

The Climate Bonds Initiative is a global not-for-profit organisation working to mobilize the bond market for climate change solutions. Through market development, advocacy, and the Climate Bonds Standard and Certification Scheme, it seeks to ensure that finance is consistently channelled to support a rapid transition to a low-carbon and climate-resilient economy.

Visit our website: www.climatebonds.net.

