Climate Bonds INITIATIVE

Media Release

CLIMATE BONDS: FAST-TRACK SOLUTION TO LOW-CARBON ECONOMY

Copenhagen 14 Dec 2009

The global bond market could play a central role in the fight against climate change, according to an international think tank.

Today the international Network for Sustainable Financial Markets launched the *Climate Bonds Initiative*, designed to foster the use of long-term debt to finance a rapid, global transition to low-carbon economy. The *Climate Bonds Initiative* is operating as an autonomous project supported the Carbon Disclosure Project.

While the talks in Copenhagen have been holding everyone’s attention, the role of private finance in what will be the biggest economic transformation in history -- estimated in one recent report to be more than three times the size of the whole industrial revolution -- is a side issue.

According to a number of recent reports a trillion dollars a year of investment has to flow into low-carbon industries if tipping points for runaway climate change are to be averted. The Initiative aims to encourage that investment.

Climate Bonds Initiative Advisory Panel members include James Cameron, Vice Chair of Climate Change Capital, Nick Robins, HSBC Climate Change Centre of Excellence, and Jeremy Leggett of Solarcentury.

Mr Robins said: “Putting the emphasis on private financing allows a different perspective. In place of always talking about the ‘costs’ of climate change, we can talk instead about investment opportunities.”

"Bonds will be an important source of finance for action on climate change. The *Climate Bonds Initiative* provides a welcome platform to investigate the policy and market framework that will simultaneously raise capital for low carbon solutions and provide attractive risk adjusted returns for investors'.

Mr Cameron said: “Bonds have allowed us to finance the building of Europe’s sewer systems, the growth of America’s highway system, and the financing of two World Wars. We can now use Climate Bonds to finance the quick, global transition required to head off runaway climate change.”

He added: “The transition to a low-carbon economy presents capital with what is likely to become the largest commercial opportunity of our time: investing in clean energy and low carbon infrastructure.”

Climate Bonds Initiative convenor, Sean Kidney, said there were three work streams for the project: “We are developing policy models and advice for governments and corporations, developing agreed definitions and standards for Climate Bonds, and helping countries develop proof-of-concept projects and bond issues.”

“Globally, there is no shortage of funding; for example, there is some $120 trillion being managed by institutional investors. In the wash-up of the financial crisis, fund managers the world over are re-weighting their portfolios towards fixed interest debt. But most of the bonds on offer lock institutional investors into the carbon-intensive economy.”

“Discussion with institutional investors such as pension funds has found a large appetite for bond investments related to climate mitigation projects – as long as they first meet accepted risk ratings and rates of return. Many of funds face pressures from their stakeholder groups - governments, public servants, etc – to both deliver solid returns over the long term and to help address climate change with their investments.”

The past year has seen green bonds from the World Bank and Climate Awareness bonds from the European Investment Bank. If the *Climate Bonds Initiative* has its way we will see an explosive growth in what are being called “green debt capital markets”.

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Backgrounder 'Climate Bonds can fund the rapid transition to a low-carbon economy':
http://climatebonds.net/wp-content/uploads/2009/12/climate_bonds_4pager_14Dec09.pdf

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