

# The Climate Emergency: Mobilising Global Debt Market



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# Climate Bonds Initiative: not-for-profit mobilising climate finance

**GREEN BONDS**  
THE STATE OF THE MARKET  
2018

**BONDS AND CLIMATE CHANGE**  
THE STATE OF THE MARKET  
2018

**THE GREEN BOND MARKET IN EUROPE**  
2018

**Japan**  
Green finance state of the market 2018

**CHINA GREEN BOND MARKET**  
2018

**POST-ISSUANCE REPORTING IN THE GREEN BOND MARKET**

**Can green bonds finance Brazil's agriculture?**

**Opportunities for Sustainable Infrastructure Investments at City Level in Brazil**

**Climate Bonds**

**HSBC**

**Amundi**

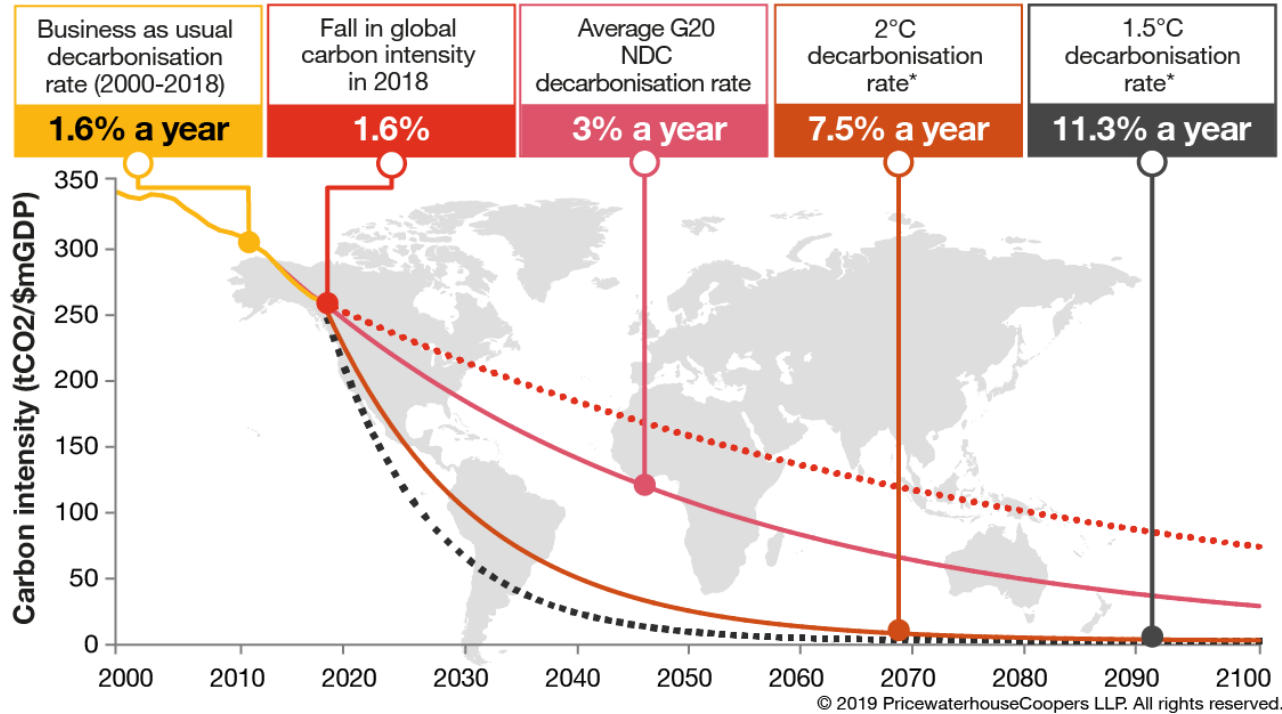
**IDB**

**Climate Bonds Initiative**

**Climate Bonds**

**Climate Bonds Initiative**

# Reality Check



In 2018 global emissions grew by 2%

Global energy demand rose by 2.9%

69% of rising demand met by fossil fuels

Source: PricewaterhouseCoopers. The Low Carbon Economy index 2019.

# We have a challenge





# We have the solutions

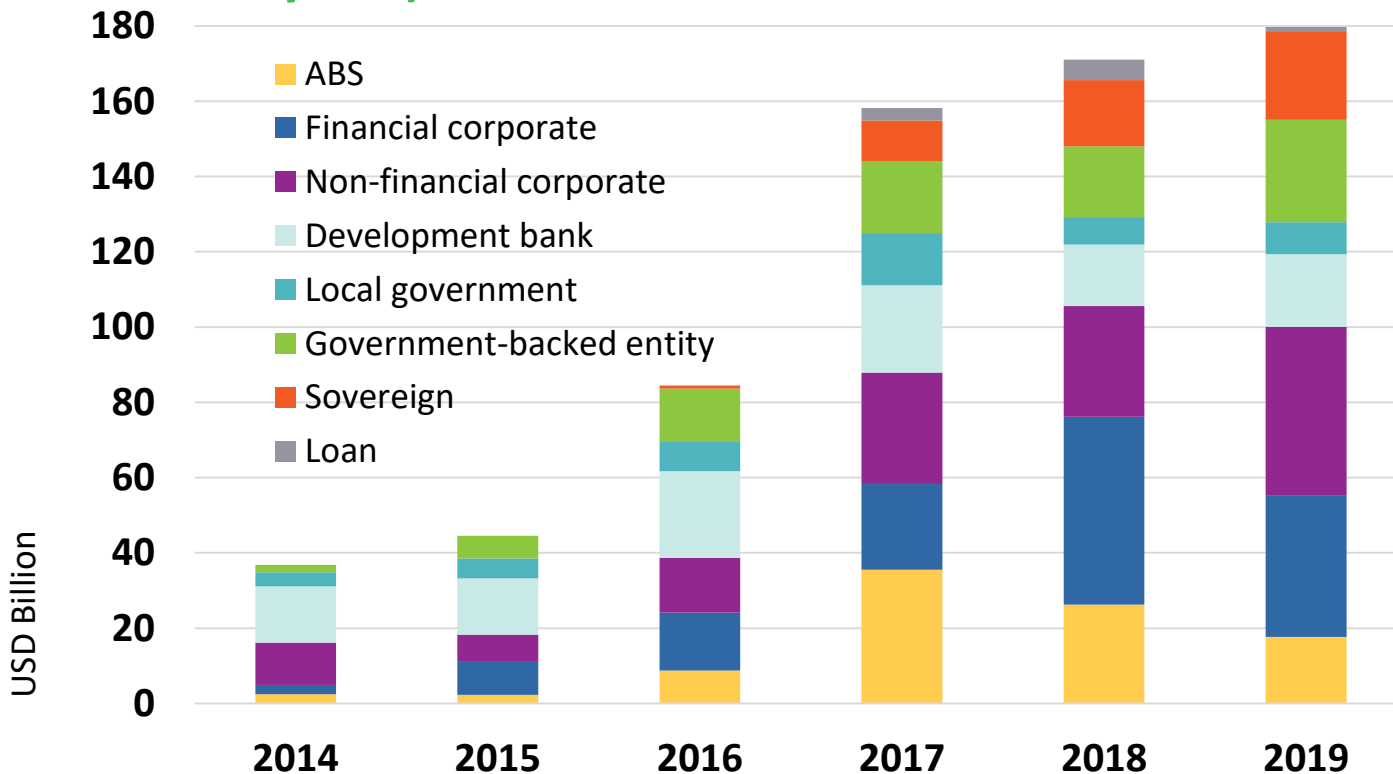




We have the capital.. (and a negative yield problem)



# We have proof that investors will invest (but we need \$2.5tr a year!)



Benefits

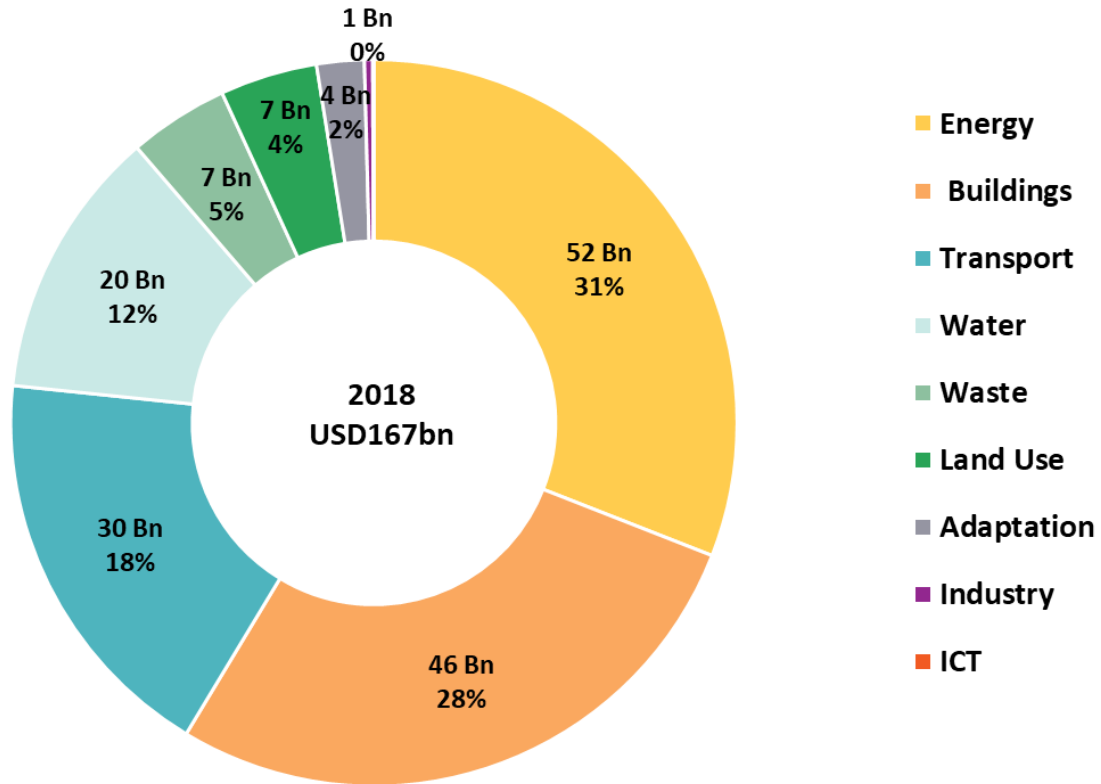
Investor engagement

Halo

Pricing

\$680bn global outstanding issuance. 0.7% of global debt market – opportunity is vast.

# Renewable energy & green buildings dominate





# European issuance remains strong but Asian volumes are rising

Asia-Pacific issuance grew 35% in 2018

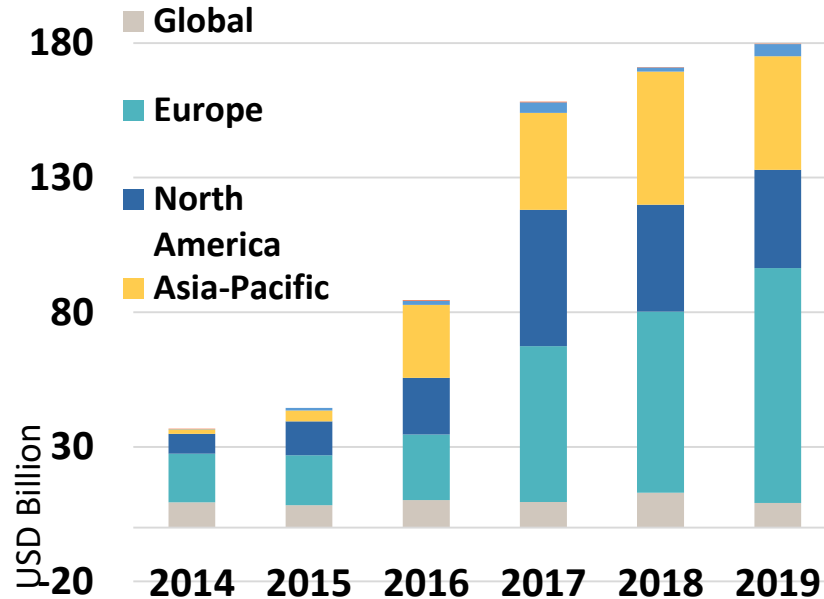
5 new sovereign GB issuers in 2018:

- Europe: Belgium, Ireland, Lithuania
- APAC: Indonesia
- Africa: Seychelles

2 new sovereign GB issuers in 2019:

- Europe: Netherlands
- LAC: Chile

European issuance is strong and Asian volumes are rising



# Examples of eligible investments



**ENERGY** Solar, Wind,  
Bioenergy, Geothermal  
Hydro, Marine, Transmission



**ENERGY EFFICIENCY**  
Low-carbon buildings  
Greening industry



**LOW-CARBON TRANSPORT**  
Low emission vehicles  
Rail, electric vehicles



**MANUFACTURING TRANSITION**  
Aluminium, steel  
Concrete, plastics



**CLEAN WATER**  
Energy efficient, adaptation-  
ready  
Storm & flood defense



**WASTE & POLLUTION MNGMT**  
Methane reduction  
Recycling

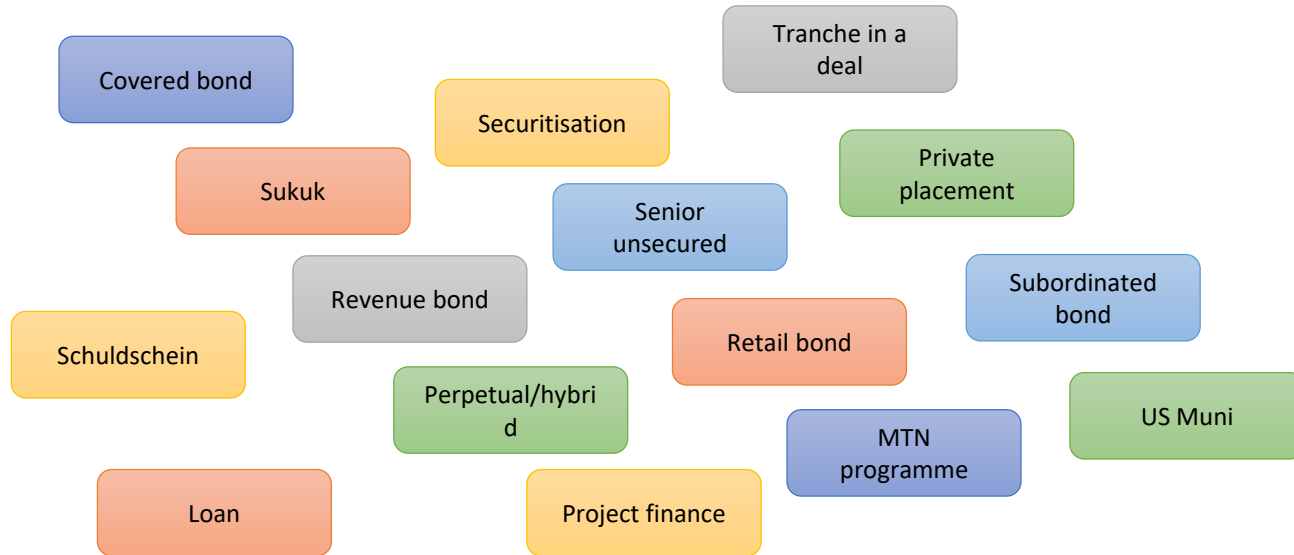


**SUSTAINABLE FORESTRY**



**SUSTAINABLE AGRICULTURE**  
Food supply chain

## Green debt = all debt formats but with 'green' use of proceeds





# EU Taxonomy

EU regulation

- Investor disclosure rules
- Green bonds

Global collaboration



# Guidance: a science-based EU Taxonomy



## Electricity: 100gms Coe/KWh

Solar, wind, geothermal, hydro

**Gas only if with CCS**

Storage, transmission



## Buildings

Top 15%, or 30% improvements

Supply chain / SMEs



## Landuse



Maintaining carbon

Improving carbon

Best practice farming



## Transport Zero tailpipe

& very low emissions:

electric, hydrogen



## Manufacturing

Transitions

Components

Aluminium

Steel

Concrete

Plastics

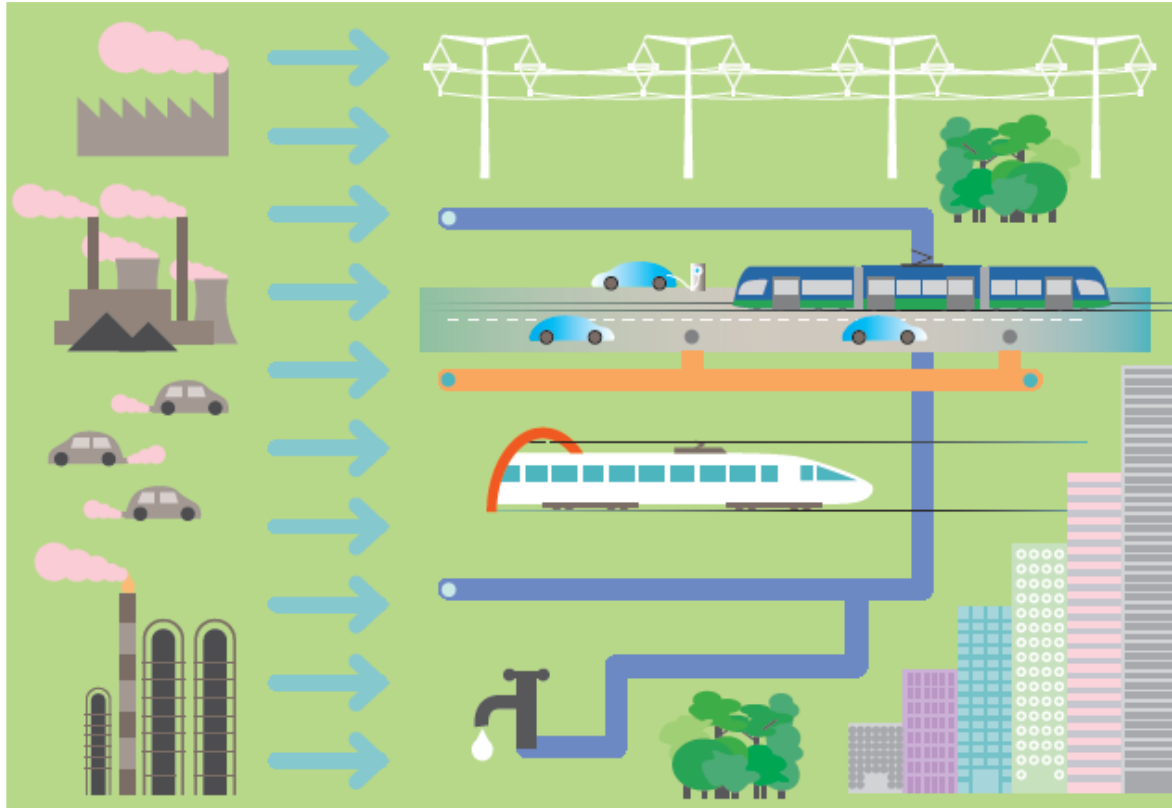


Energy efficiency, **adaptation, resilience**



**ICT** Efficient data centres

# Brown to green transition: we need a credible path



Large industrials

Mining & metals

Shipping

Gas



# Green Bond Issuance Process

Issuing a regular bond (A)	Issuing a Green Bond – additional steps (B)
<p>Pre-Issuance</p> <ul style="list-style-type: none"> <li>• Get rated</li> <li>• Get market intelligence on currency, tenor, size</li> <li>• Decide on underwriters</li> <li>• Register with local regulator</li> <li>• Issue prospectus</li> <li>• Comfort letter / due diligence</li> <li>• Outreach through road shows and sales</li> </ul>	<p>Pre-Issuance</p> <ul style="list-style-type: none"> <li>• Define a Green Bond Framework</li> <li>• Define how project meets green bond eligibility criteria (Use of Proceeds)</li> <li>• Put in place project selection process and select eligible projects (Selection of Projects and Assets)</li> <li>• Set up accounts and process to earmark and allocate proceeds – ring fence the proceeds (Management of Proceeds)</li> <li>• Establish Reporting processes</li> <li>• Get pre issuance external review (External Review)</li> </ul>
<p>Launch the bond into the market</p>	
<p>Post-Issuance</p> <ul style="list-style-type: none"> <li>• Price and allocate bond to support secondary market performance</li> <li>• Communication to the capital market</li> <li>• Monitor secondary market</li> </ul>	<p>Post-Issuance</p> <ul style="list-style-type: none"> <li>• Allocate proceeds to the projects</li> <li>• Monitor the projects</li> <li>• Publish impact Report</li> <li>• Post issuance Audit if necessary</li> </ul>

# External reviews under GBP come in four different flavours for maximum flexibility

## Second Party Opinion:

An issuer can seek advice from consultants and/or institutions with environmental expertise which are independent from the issuer. This is normally an assessment of the alignment with the Green Bond Principles and an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.

## Verification:

An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria.

## Certification:

An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.

## Scoring/Rating:

An issuer can have its Green Bond or associated Green Bond framework rated by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. Green Bond ratings are distinct from an issuer's credit ratings, which may nonetheless reflect material environmental risks.

# We have to accelerate

**Shift investment pipelines to green: energy, transport, water, industry**

**Crowd in capital: blended finance, risk mitigation - global & local**

**Enabling regulation & fiscally efficient incentives: tilt the playing field to green**

**Shift banks to focus on green development**

**EU leadership with global partnerships: Japan , China, India, Africa**

**Green sovereigns bonds to show the way**

**Clarity on what qualifies: EU Taxonomy**



We still have a chance

