

# Green City Bonds *Coalition*

Building a  
global bond  
market that  
will finance  
development  
of low carbon  
and climate  
resilient cities



# Context: \$45 trillion of “interest”

\$88<sup>tn</sup> assets under management

\$30<sup>tn</sup> Insurance

\$27<sup>tn</sup> Pension funds – 19 out of 20 are public sector

\$6<sup>tn</sup> Sovereign wealth

\$25<sup>tn</sup> Fund managers, mutuals, foundations

(SRI = \$13tn global)

50-60% bonds

Green/brown

US\$22.5 trillion



GLOBAL INVESTOR COALITION ON CLIMATE CHANGE

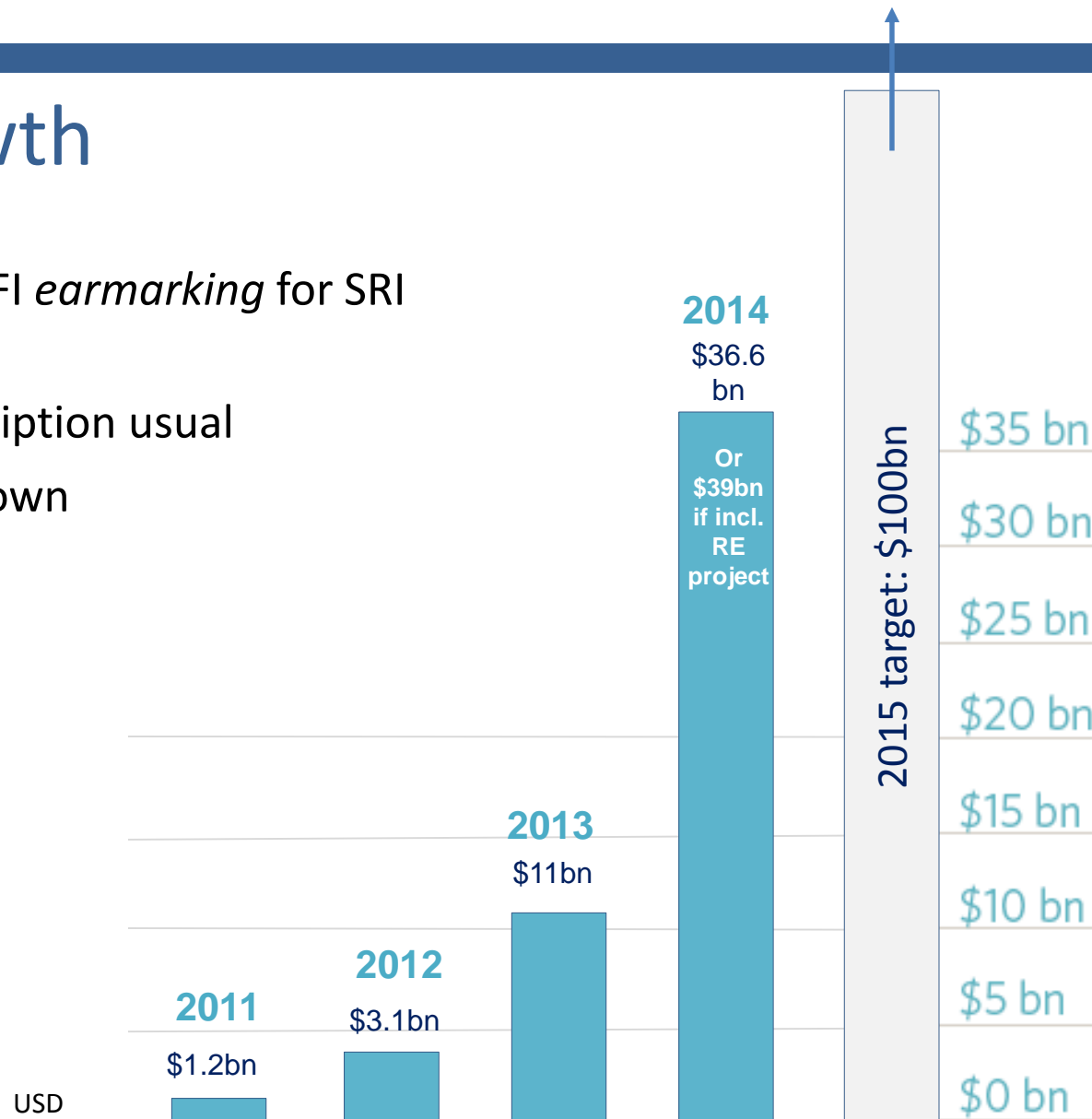


# Fast growth

Origin in DFI *earmarking* for SRI  
investors

Oversubscription usual

Green / brown



Join us

# It's about Use of Proceeds

## Proceeds to Green

- Earmarking purpose
- Reporting / transparency
- Independent review

## Any entity

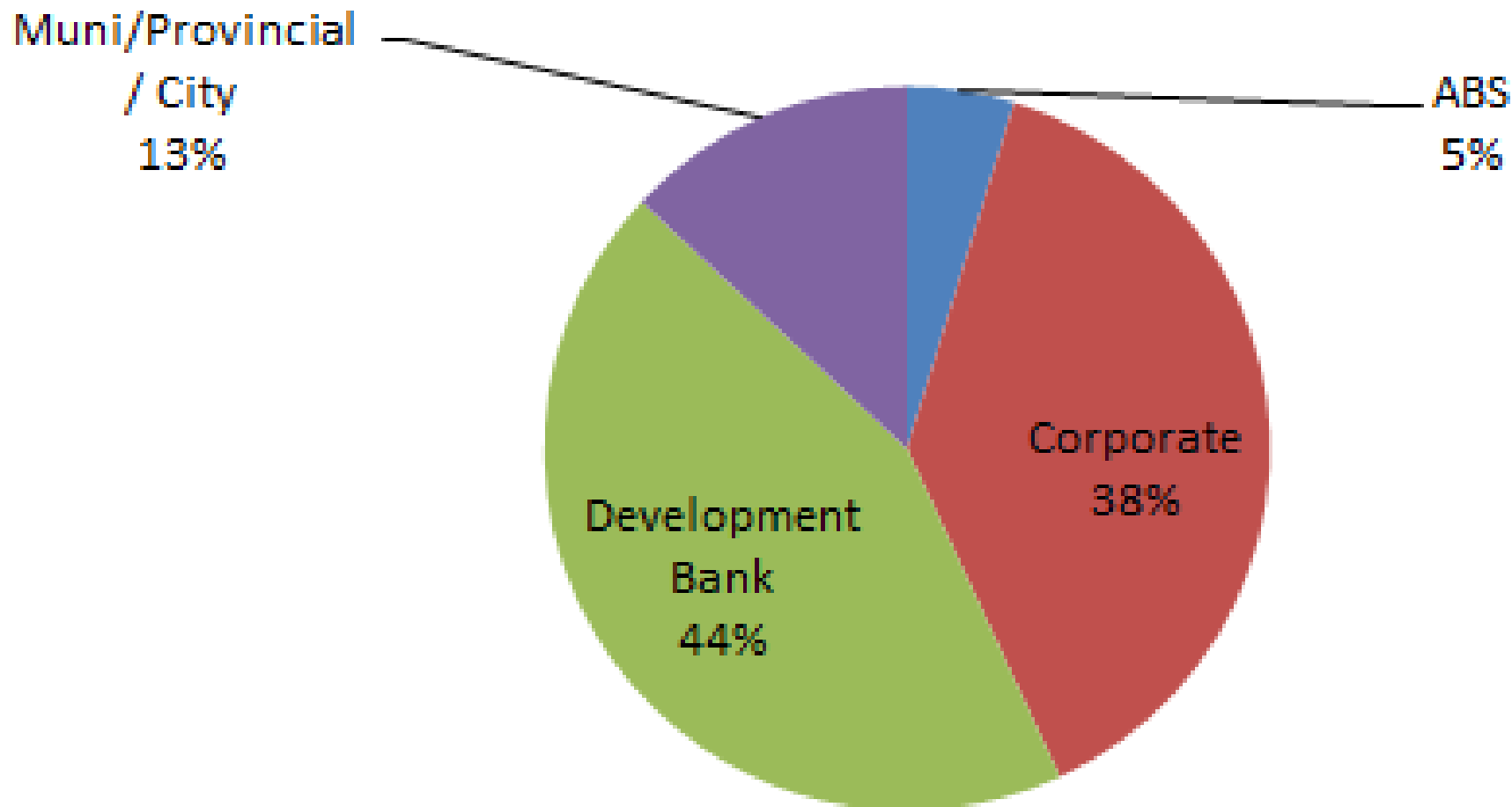
- Governments & DFIs
- Corporates – this year's growth area
- Asset backed: PPPs, banks, utilities, etc
- Municipalities

## Issuer benefits

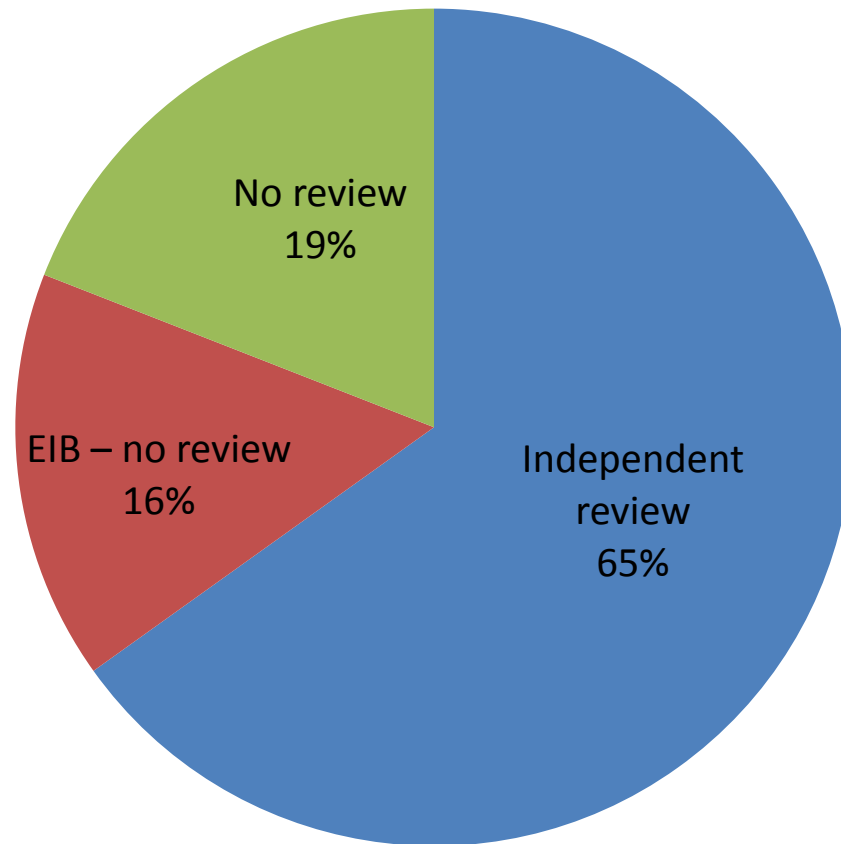
- Investor diversification
- Investor *engagement* around purpose: “stickiness”
- Tenor
- Multi-asset scale
- Price???



# 2014 by issuer type



# Majority of green bonds had 2<sup>nd</sup> opinion in 2014



# Potential Green City Bond issuers

## Cities – GO bonds

- Gothenburg: \$77m Sept 2013, \$273m May 2014. Proceeds: electric vehicle system, water purification, district heating. Green credentials: 2<sup>nd</sup> opinion provided by CICERO
- Ile de France (Paris): \$829 3x April 2014, \$466 5x March 2013. Proceeds: green social housing, energy efficiency in schools, green SME loans. Green credentials: 2<sup>nd</sup> opinion provided by CICERO
- Johannesburg: \$136m, 10yr, 1.5x, June 2014. Proceeds: renewable energy, energy efficiency, transport, waste management. Green credentials: “Aligned with World Bank”

## Governments or development banks earmark funds for a City

- Where cities do not have bond-issuing powers, another institution, such as a national development bank or a government, issues Green City Bonds with proceeds earmarked for green projects in a City

## City entities, e.g. infra, water or transport bodies

- **NYSEF water bond**
- **DC Water: \$350mn July 2014. Proceeds to construct tunnel to transport stormwater and sewage to wastewater treatment plant. Green credentials: 2<sup>nd</sup> opinion provided by Vigeo**

## Corporations authorised by a City

- Public-private partnerships
- Companies developing green infrastructure to City requirements

# Standards & certification



## \$30tn Climate Bond Standards Board



## Expert Committees: Green Property, Low-Carbon Transport, Bio-energy, Agriculture, Water



## Industry Advisory Group



## Indices





# Opportunities = scale / liquidity

Expert groups = science-based definitions



**Renewable energy**  
Energy storage



**Green buildings**  
Green infra



**Industrial**  
Efficiency



**Rail, BRTs, EVs**



**Clean water, utilities**

**Storm adaptation**



**Waste management**  
**Methane reduction**



**Agriculture, bioenergy**  
**Forestry**  
**Food supply chain**

Reference:

[www.ClimateBonds.net/Taxonomy](http://www.ClimateBonds.net/Taxonomy)



# How to issue a green bond

1. Creditworthiness
2. Identify pool of qualifying assets/projects: low hanging-fruit
  - Use taxonomies to decide “what is green”
  - Bring Treasury and Sustainability teams together
3. Verify green credentials
  - Self-declaration vs. independent reviews
4. Choose an underwriter
5. Investor marketing
6. Reporting on use of proceeds
  - Annual report: green impact + confirmation of use of proceeds
    - Reporting is currently bespoke. Focus on annual (continuing) voluntary disclosure
    - In the short-term, muni issuers repackage projects but not necessarily report. In the long term clear standard needed
    - For non-project finance, muni issuers can say how much was spent but hard to link and track specific outcomes

***Eventually, pushed by sustainability goals and pulled by investors, embed in capital development process***

# Early US Market Issues and Pathways

## Tax exempt vs. Non-Tax exempt

- DC went taxable due to demand and found competitive pricing
- Smaller tax exempts may save 10 bps but difficult so they pursue taxable bonds
- BABs are expired - if they were around that would increase issuance rapidly; QECBs exist but not active due to onerous process; CREBs are limited

## President's proposal

Obama is proposing Qualified Public Infrastructure Bonds

- If implemented, taxable offerings may generate interest from the European market
- Amortization structure and tenor different from corporate market



# The Plan

## 1. Coalition expansion

Would be issuers

Investor associations

Development and green banks

Investment banks

## 2. Support program

How-to Toolkit

Workshop + seminars

Peer support matching

Creditworthiness support from  
green banks and development  
banks

Aggregation of infrequent issuers

## 3. Demonstration issuances

US cities

China: Beijing

EU: Stockholm, Paris, Gothenburg

China

## 4. Investor roundtables in major markets

## 5. Report to UN Secretary-General at Paris COP Dec 2015

