



# Financing Energy Efficiency

## Focus on Green Bonds

Nick Harris,

Green Finance Lead – The Carbon Trust

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30/01/2018

# Agenda

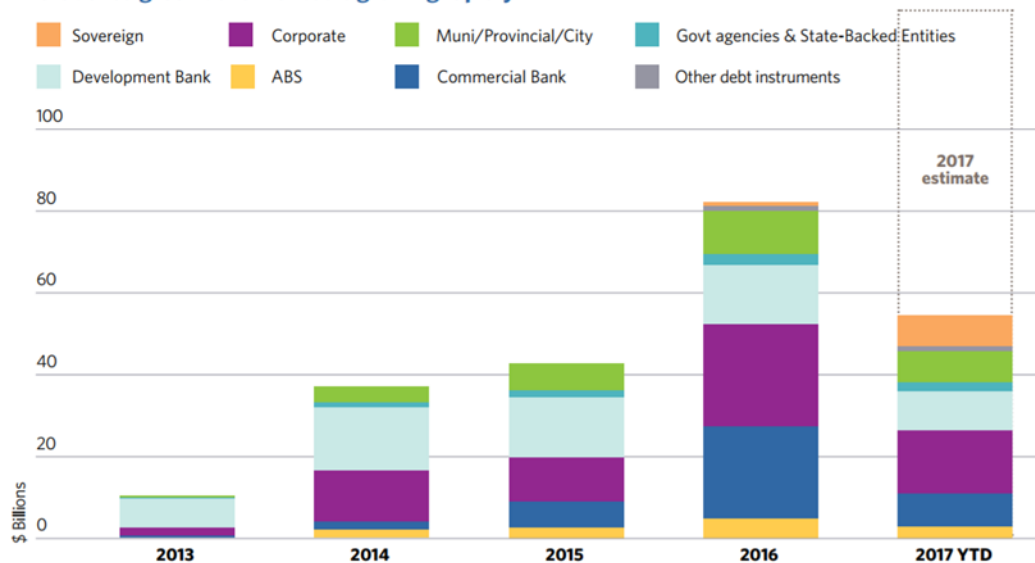
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- 1. Green Bond Market Overview**
- 2. Pros and Cons of Green Bonds**
- 3. Funding energy efficiency with green bonds**
- 4. Getting Started with Green Bond Financing**

# Green Bond Market Overview

- 2017 \$120bn Annual issuance

The labelled green bond market is growing rapidly



# Green Bond Market Overview

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- **Bond size** typically \$100m to \$500m
- **Tenor** between 5 and 10 years
- **Types**
  - **Standard Green Use of Proceeds Bond:** recourse-to-the-issuer debt obligation aligned with the GBP.
  - **Green Revenue Bond:** credit exposure in the bond is to the pledged cash flows of the revenue streams, fees, taxes etc., and whose use of proceeds go to related or unrelated Green Project(s).
  - **Green Project Bond:** a project bond for a single or multiple Green Project(s) for which the investor has direct exposure to the risk of the project(s)
  - **Green Securitised Bond:** a bond collateralised by one or more specific Green Project(s), The first source of repayment is generally the cash flows of the assets. Covers, for example, asset-backed securitisations of rooftop solar PV and/or energy efficiency assets.

# Green Bond Market Overview

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- **Renewable energy**
- **Energy efficiency** (such as in new and refurbished buildings, energy storage, district heating, smart grids, appliances and products);
- **Land Use**, Environmentally sustainable management of living natural resources and land use
- **Clean transportation**
- **Sustainable water** and wastewater management
- **Products**, Eco-efficient and/or circular economy adapted products, production technologies and processes
- **Green buildings** which meet regional, national or internationally recognised standards or certifications.

# Funding Energy Efficiency with Green Bonds

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## Eligible Projects

- new and refurbished buildings
- process efficiency improvements
- energy storage
- district heating
- smart grids
- appliances and products

## Example Corporate Energy Efficiency Bonds

- Apple
- Tesla
- Repsol

# Green Bonds Pros and Cons

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## Pros

- Helps provide funds for sustainability initiatives
- Enhances company reputation and confirms its sustainability commitments
- Demand remains high from investors - oversubscribed
- A doable learning curve for finance teams

## Cons

- Associated costs of issuing a green bond
- If you say it is green – it better be

# How to Issue a Green Bond

1. **Identify qualifying green projects and assets** – build your green bond framework. Verifiers can also help identify green assets.
2. **Arrange independent review.** Credible independent review and certification protects your reputation and provides confidence to investors about the quality of green investments being made.
3. **Set up tracking and reporting.** The issuer establishes procedures for tracking and reporting on the use of proceeds. To ensure all proceeds are applied to green projects, the sum of the cash on hand and amounts invested in assets or projects must not be less than the amount of the bond.
4. **Issue your green bond** The usual steps apply here, as for any other conventional bond: Structure the bond, working with an investment bank or advisor. Get credit rating
5. **Monitor use of proceeds and report annually** At least annually, issue a public report to confirm that the funds are still properly allocated to green projects. This can be done by an auditor or in a letter signed by an authorised officer of the municipality



## Contacts

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### **Nick Harris, Sector lead Green Finance**

[Nick.harris@carbontrust.com](mailto:Nick.harris@carbontrust.com) +44 (0)7738 195778

### **Morgan Jones, Global Head of Assurance**

[Morgan.jones@carbontrust.com](mailto:Morgan.jones@carbontrust.com) +44 (0)20 7832 4821



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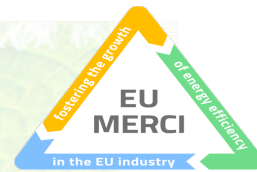
Published in the UK: 2017.

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## EU-MERCI

EU coordinated **ME**thods and procedures based on **Re**al **C**ases for the effective implementation of policies and measures supporting energy efficiency in the Industry

*Fostering the growth of energy efficiency in the EU industry*



Lunch Break

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This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement N° 693845