

# Climate Bonds Initiative

*The response of the financial sector  
to the Climate crisis*

January 2023

# Status quo of climate and sustainable investments



Climate finance flows keep on rising but are nowhere near enough to limit global warming to 1.5°C

The UN estimates the climate and development finance gap to be around

USD 5 – 7tn per year

Sustainability: **USD520.5bn**  
Social: **USD538.8bn**  
SLB: **USD135bn**  
Transition: **USD9.6bn**

E.g., green bond market from 0 in 2007 to **USD1.6tn** at the end of 2021

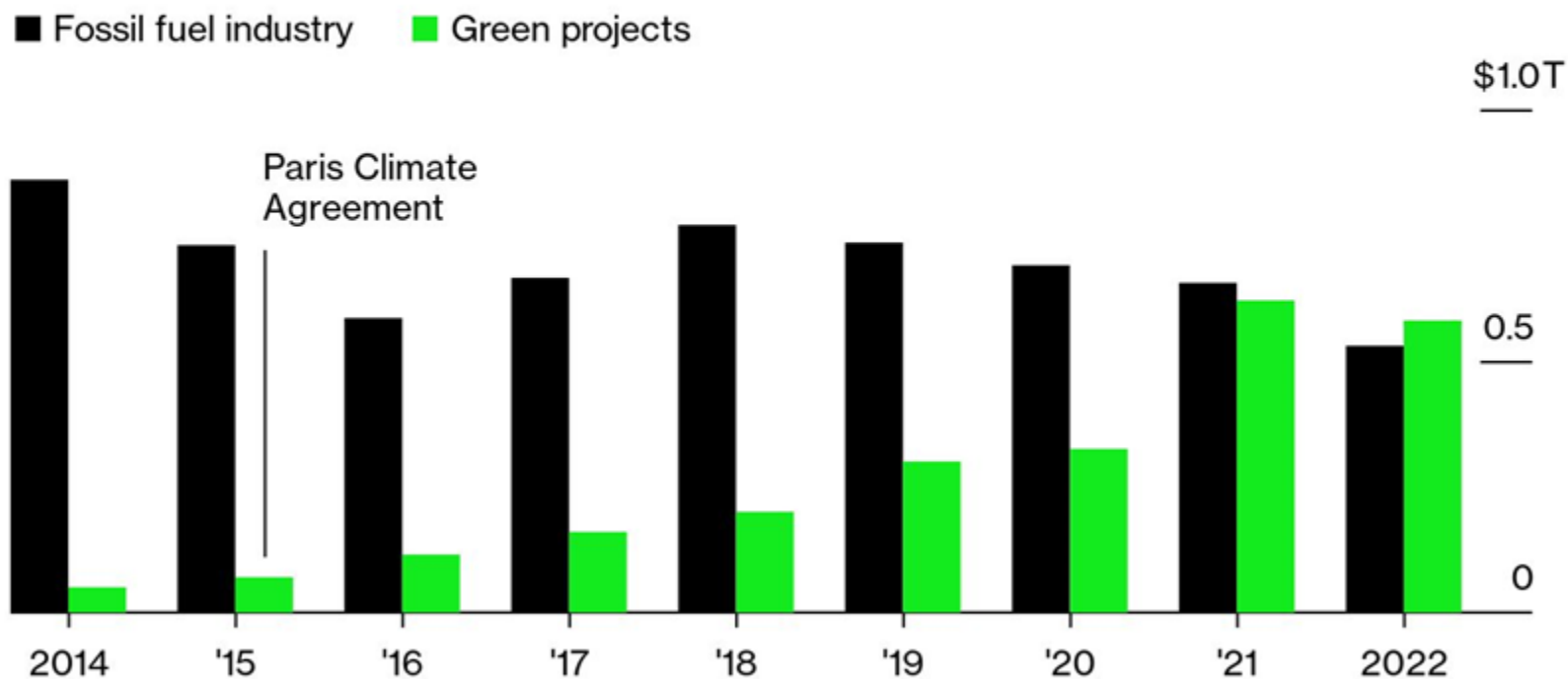
Green and sustainable financial instruments have contributed to closing that gap.

However, the speed and scale of climate investment is still far lower than necessary. Action is needed across the broader economy in every industry, and finance will particularly need to support **rapid change in high-emitting sectors.**

# Change is finally happening!

## Green Turnabout

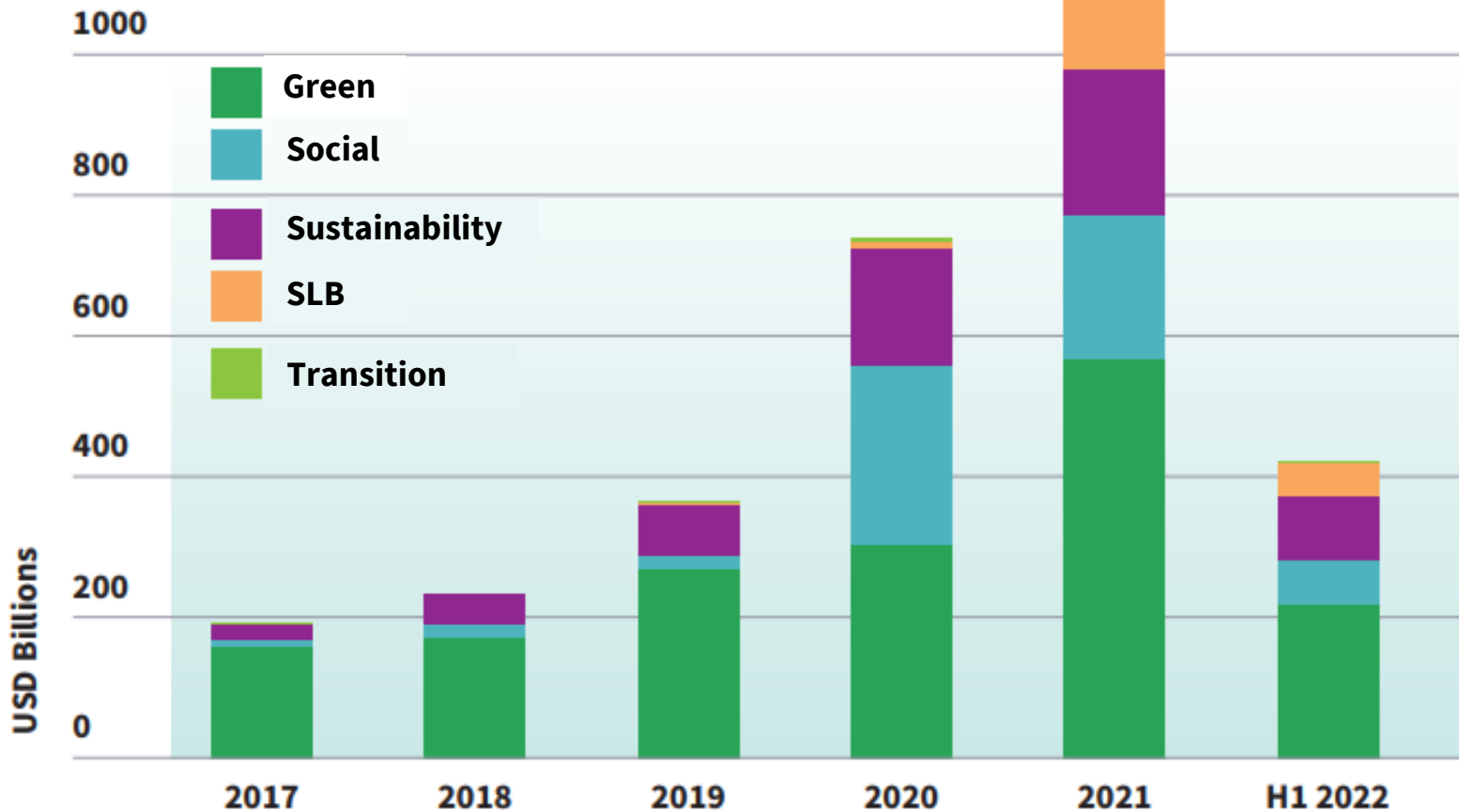
Green debt issuance exceeds oil, gas and coal-related financing for first time since the Paris climate announcement at the end of 2015



Source: Bloomberg League Tables

**Bloomberg Green**

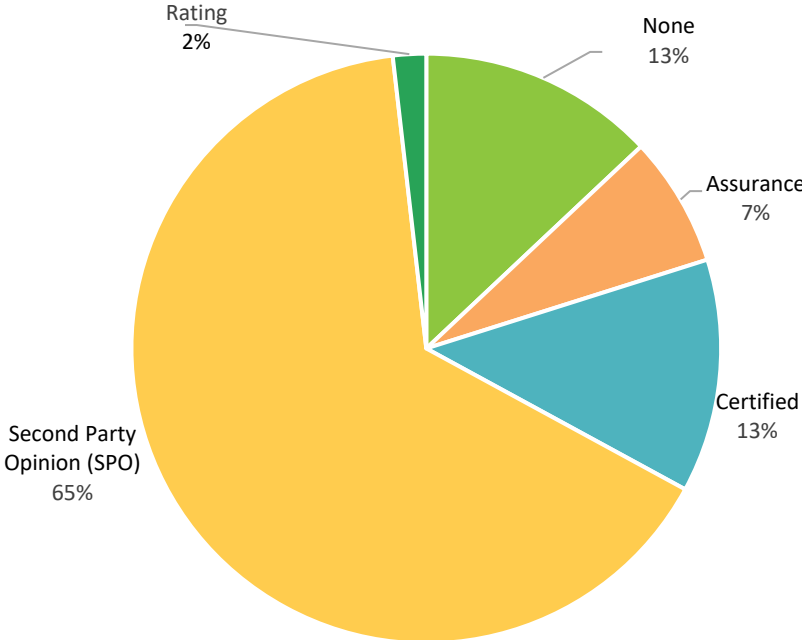
# Evolution of thematic bonds



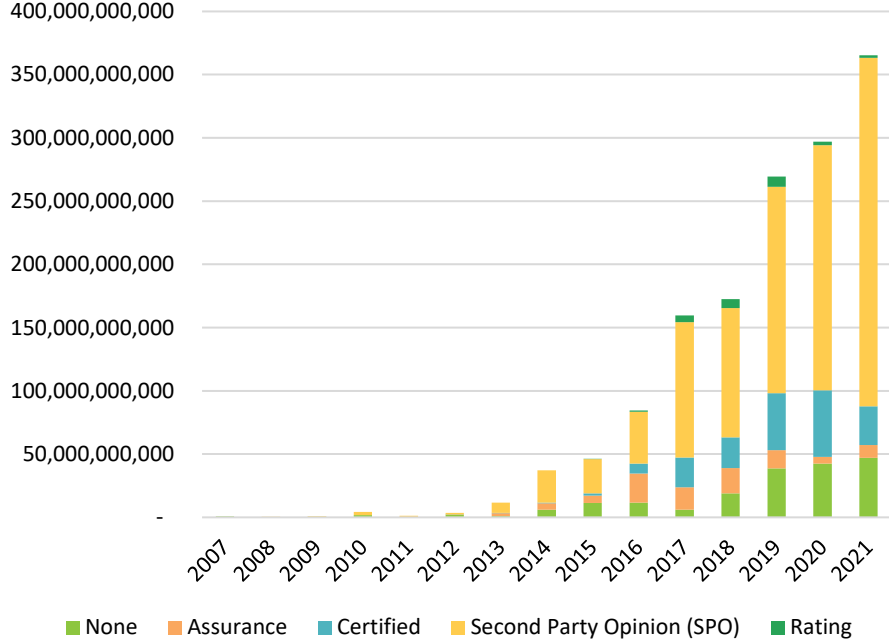
Source: Climate Bonds Initiative. Data as of June 2022

# External review Types

**Total amount of green bonds issued by type of external review**



**Volume of green bonds issued by type of external review**



Source: Climate Bonds Initiative. Data as of January 2022

# Climate Bonds Initiative

## *Mobilising capital markets for climate action*

### Intelligence

#### Standards

- Science-based definitions
- International alignment
- CBI Standards criteria

#### Certification

- Green label Certification scheme under CBI Standards
- How to apply for certification?
- Approved verifiers
- Resources for issuers and verifiers

#### Taxonomies

- Research in Taxonomies
- Taxonomy harmonization

#### Policy

- Country level analysis
- Market integrity
- Strategic issuance
- Securitization
- Improving risk-return profile
- Tax incentives
- Boosting demand
- Policy data

#### Markets Intelligence

- Research analysis & reports
- Database - Labelled Green Bonds
- Bond library



### Influence

#### Market Development

- Dedicated country teams
- Government liaison on a global, national and regional levels
- Stakeholders network
- Regional reports

#### Partnerships

- Over 150 partners globally
- Special packages and benefits
- Exclusive access to data, reports and CBI experts

#### Communications & media

- Social media
- Media relations
- Podcasts

#### Events

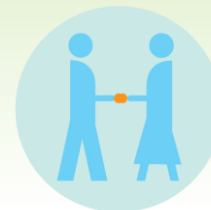
- Global conference
- Annual awards
- Regional seminars

#### Training

- Green bonds training portfolio
- Online and in-person options
- Annual conference for about 1000 global professionals
- Green bond pioneer awards

#### Technical Assistance

- High-level guidance on green bond issuance
- Technical assistance on roadmaps and frameworks



# CBI's standard and certification scheme

The scheme began in late 2014 and was developed with key market players.  
It is composed of two parts:



**Climate Bonds Standard details the management and reporting process.**



**Evidence-based sector criteria ensures consistency with the Paris agreement.**

Climate Bonds Standard updates are developed in consultation with market stakeholders.  
Fully aligned with ICMA's Green Bond Principles and Green Loan Principles.

Requirements for certification:







































- 1) **Internal procedures** and financial controls inside the bond issuer.
- 2) **Reporting arrangements** which have been set up by the issuer.
- 3) **Eligibility** of projects & assets.
- 4) **Independent Assurance verification** by a Climate Bonds Approved Verifier both before and after issuance




- Independent and transparent: sector criteria have been developed by Technical Working Groups (TWGs) and Industry Working Groups (IWGs) made of experts in those fields.
- Includes public consultations.
- Goes through regular updates to reflect the arrival of new technologies and the latest science available.

# Climate Bonds Taxonomy

The Climate Bonds Taxonomy identifies the assets and projects needed to deliver a low carbon economy and gives GHG emissions screening criteria consistent with the 1.5°C global warming limit set by the COP 21 Paris Agreement. More information is available at <https://www.climatebonds.net/standard/taxonomy>.










ENERGY	TRANSPORT	WATER	BUILDINGS	LAND USE & MARINE RESOURCES	INDUSTRY	WASTE	ICT
Solar 	Private transport 	Water monitoring 	Residential 	Agriculture Green Bond 	Cement production 	Preparation 	Broadband networks
Wind 	Public passenger transport 	Water storage 	Commercial 	Agri-food transition finance 	Steel production 	Reuse 	Telecommuting software and service
Geothermal 	Freight rail 	Water treatment 	Products & systems for efficiency	Commodity supply chains 	Basic Chemicals production 	Recycling 	Data hubs
Bioenergy 	Aviation	Water distribution 	Urban development	Commercial Forestry 	Hydrogen production 	Biological treatment 	Power management
Hydropower 	Water-borne 	Flood defence 		Ecosystem conservation & restoration 	Mining of metals and minerals 	Waste to energy 	
Marine Renewables 		Nature-based solutions 			Fossil Gas Transition 	Landfill 	
Electrical Grids & Storage 					Carbon Capture and Storage 	Radioactive waste management	
Nuclear					Early coal phase out 		

 Certification Criteria approved  
 Criteria under development  
 Due to commence



# Climate Bonds Standard & Certification Scheme

-  **A Global Standard: applicable across jurisdictions, attractive to international investors**
-  **Rigorous scientific framework for developing criteria aligned with Paris Agreement Goals**
-  **Scheme transparency supports investor due diligence**
-  **Network of Approved Verifiers provide reliable and consistent external review**
-  **A tool to fight greenwashing**
-  **Robust Framework: independent verification before and after issuance**
-  **Expert and independent oversight by the [Climate Bonds Standard Board](#)**

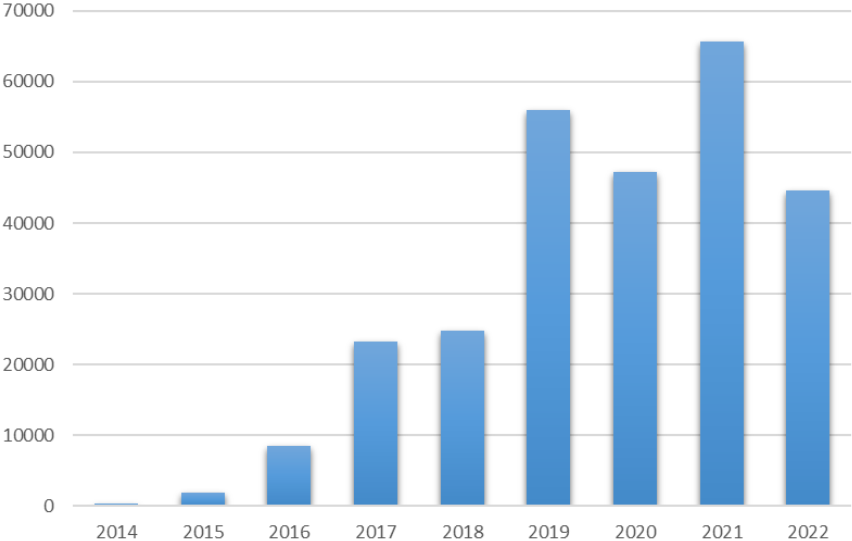


Investor Network on  
CLIMATE RISK

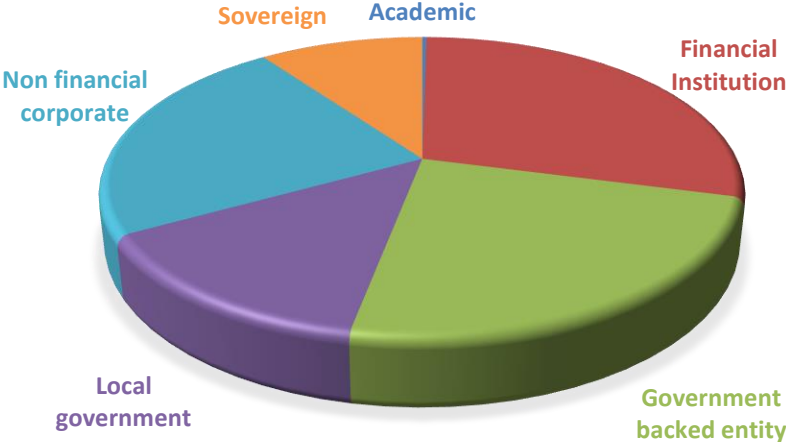


# CUMULATIVE CERTIFICATION METRICS

Annual Volume of Certifications \$mln



TOTAL CERTIFIED ISSUANCE



- **\$265bln Cumulative Certified Bond Issuance**
- **650 Issued Certified Instruments**
- **70 CBI approved Verifiers**
- **Certified Bonds amount to 12% of CBI labelled Green Bonds**

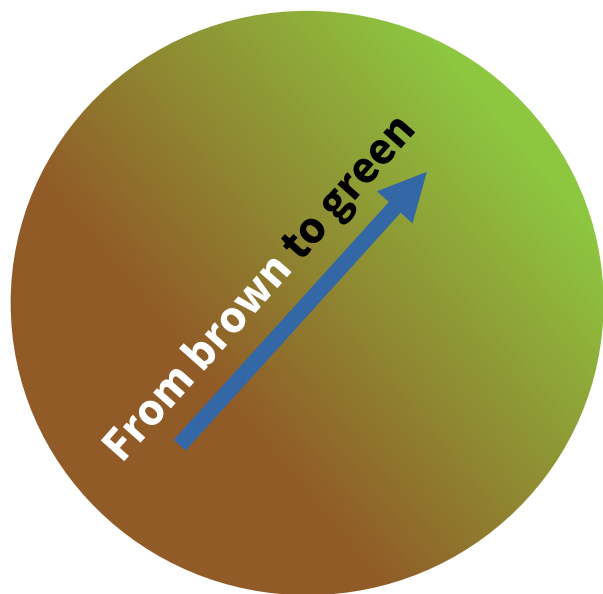
# Debt instruments that can be certified under the Standard

Use of proceeds bond	Deposits	Tranche in a deal	Loan	Subordinated bond
Covered bond	Senior unsecured	Perpetual/hybrid	Municipal bonds	Revenue bond
Sukuk	Securitisation	Medium-term note programme	Retail bond	Project finance
Repo	Schuldschein	Private placement	Commercial paper	Leases

***Focus is on the Use of Proceeds not the collateral***



# The concept of an inclusive transition



**A sustainable development requires clear and sufficiently ambitious transition pathways that have end-goals for all of the environmental and social objectives embedded in the SDGs, consistent with planetary boundaries and social and societal objectives.**

**Focus is on the transition that entities, activities and assets need to make from today's high GHG emissions to levels consistent with meeting the goals of the Paris Agreement.**

# Finance Sector stakeholders in Transition space



## BANKS

Align their lending and investment portfolios with net-zero emissions.



## ASSET MANAGERS

Work in partnership with asset owner clients on decarbonisation goals, consistent with an ambition to reach net zero emissions.



## ASSET OWNERS

Transition their investment portfolios to net-zero GHG emissions.



## INSURERS

Commit to individually transitioning their underwriting portfolios to net-zero greenhouse gas emissions.

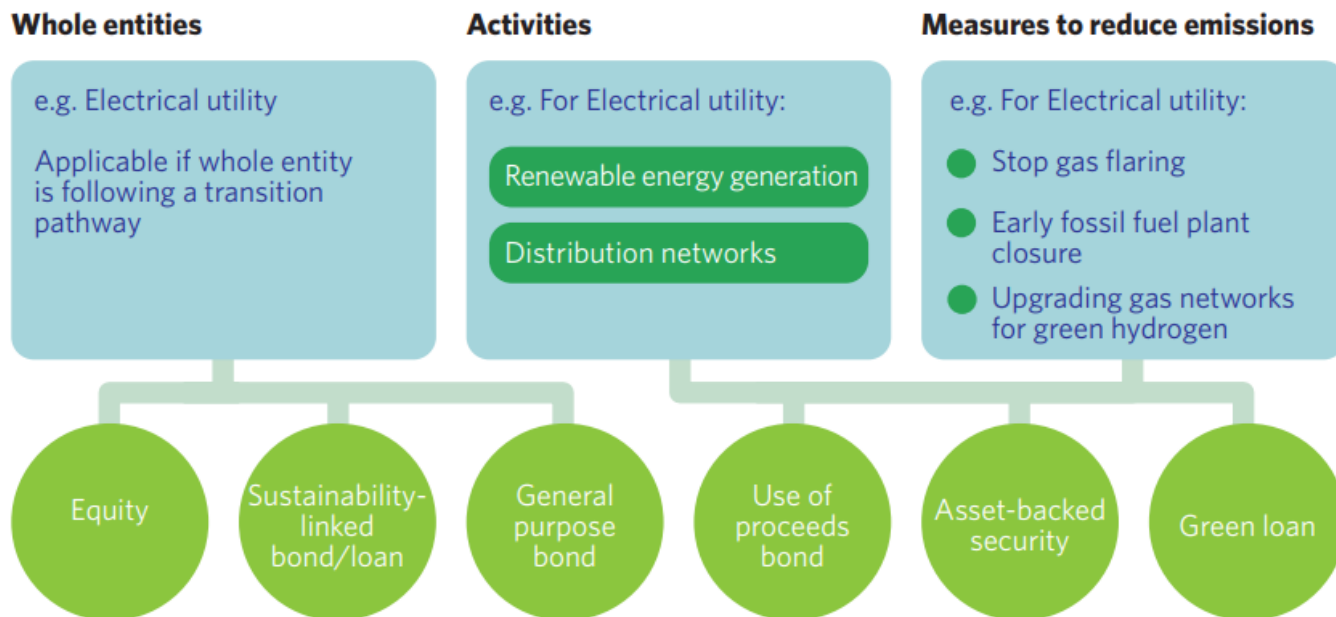


## FINANCIAL SERVICE PROVIDERS

Align all relevant services and products to achieving net-zero greenhouse gas emissions.



# Transition finance comes in various complementary forms



[Financing Credible Transitions - A framework for identifying credible transitions | Climate Bonds Initiative](#)



# The Five Hallmarks of a Credible Transition



## Paris-aligned targets

- Select sector-specific transition pathway aligned with Paris Agreement goals
- Company-specific KPIs that align as early as possible with that pathway
- Science based, address scope 1, 2 & 3 emissions and address short, medium and long term



## Robust Plans

- Set the strategy and plan to deliver on those KPIs
- Prepare associated financing plan detailed cost estimates and expected sources of funding
- Put in place necessary governance frameworks to enact change



## Implementation action

- Capital expenditure, operating expenditure
- Other actions detailed in the strategy



## Internal reporting

- Track performance
- Re-evaluate and recalibrate KPIs as needed



## External reporting

- External reporting and independent verification on the KPIs and strategy to deliver (per Hallmarks 1 and 2)
- Annual reporting of independently verified progress in terms of action taken and performance against targets (per Hallmarks 3 and 4)



[Transition-Finance-for-Transforming-Companies-6092022\(1\).pdf \(climatebonds.net\)](https://www.climatebonds.net/transition-finance-for-transforming-companies-6092022(1).pdf)

# Expansion of Climate Bonds Standard to Corporate Entities

