

An Overview of Green Bonds and the Role of IENE

An Online Press Conference

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Green, Social and Sustainability Bonds

Use of proceeds bonds

- ❑ **Green bonds** are devoted to financing new and existing projects or activities with positive environmental impacts.
- ❑ **Social bonds** finance or re-finance social projects or activities that achieve positive social outcomes and/or address a social issue.
 - New type of social bond emerged in the form of COVID-related bonds.
- ❑ **Sustainability bonds** finance or re-finance a combination of green and social projects or activities.

Sustainability-linked bonds

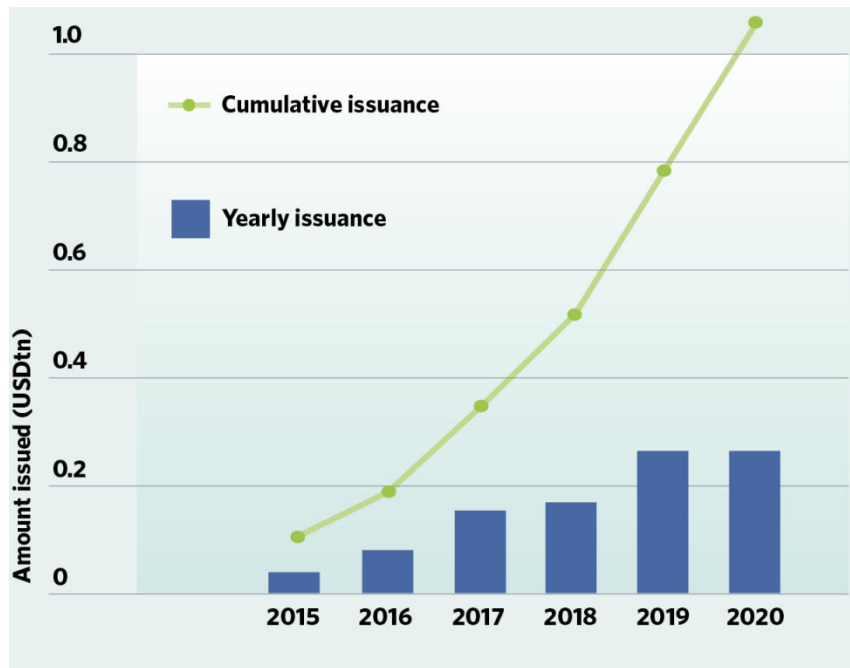
- ❑ **Sustainability-linked Bonds** are structurally linked to the issuer's achievement of climate goals or broader Sustainable Development Goals (SDG), such as through a covenant linking the coupon of a bond.

Who Can Issue a Green Bond?

- Any entity with bonding authority may issue Green Bonds, including private companies, financial institutions or governments. These include:
 - **Private companies:** Non-financial corporations, particularly energy and utility companies, finance specific environmental projects through Green Bonds issuance. Such issuances allow investors to know their investments are going to green solutions, as companies issuing Green Bonds obligate themselves to ring-fence the proceeds to specific, previously-outlined projects.
 - **Financial institutions:** Commercial, investment and development banks can all issue Green Bonds. Such issuances signal the companies' commitment to sustainable development.
 - **Municipalities and national governments:** Government entities can issue Green Bonds as a means to finance specific local projects or meet selected environmental targets. For municipalities, Green Bonds are a sure way to engage local stakeholders into financing sustainable solutions, while for national governments, sovereign Green Bonds aid in carrying out sustainable policy agendas and stimulate the flow of private capital investments.

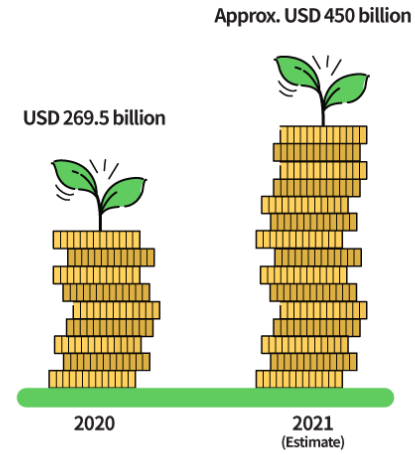
Green Bond Issuance Status

Green Issuance (2015-2020)



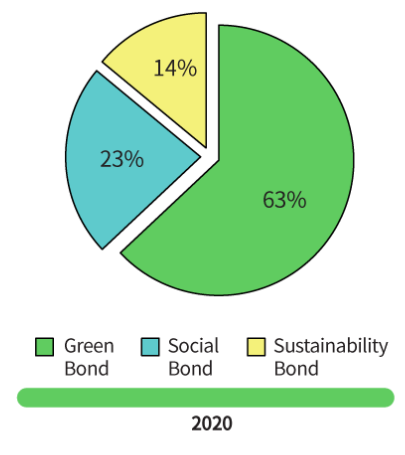
Note: Includes green bonds, loans, sukuk & green ABS.

Green Bond Issuance Status



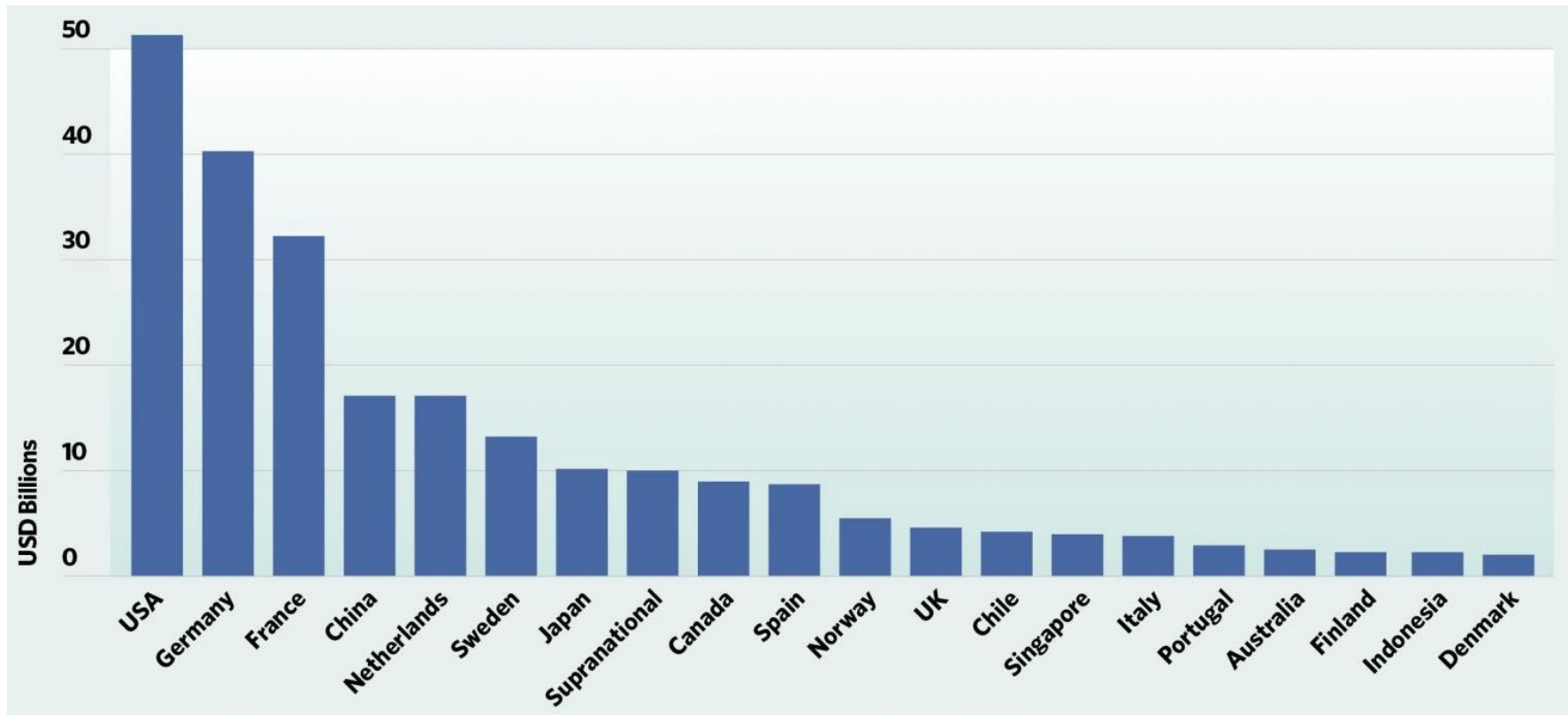
*Source: Climate Bonds Initiative (CBI)

Portion by ESG Bond Type



*Source: Bloomberg, SK Securities

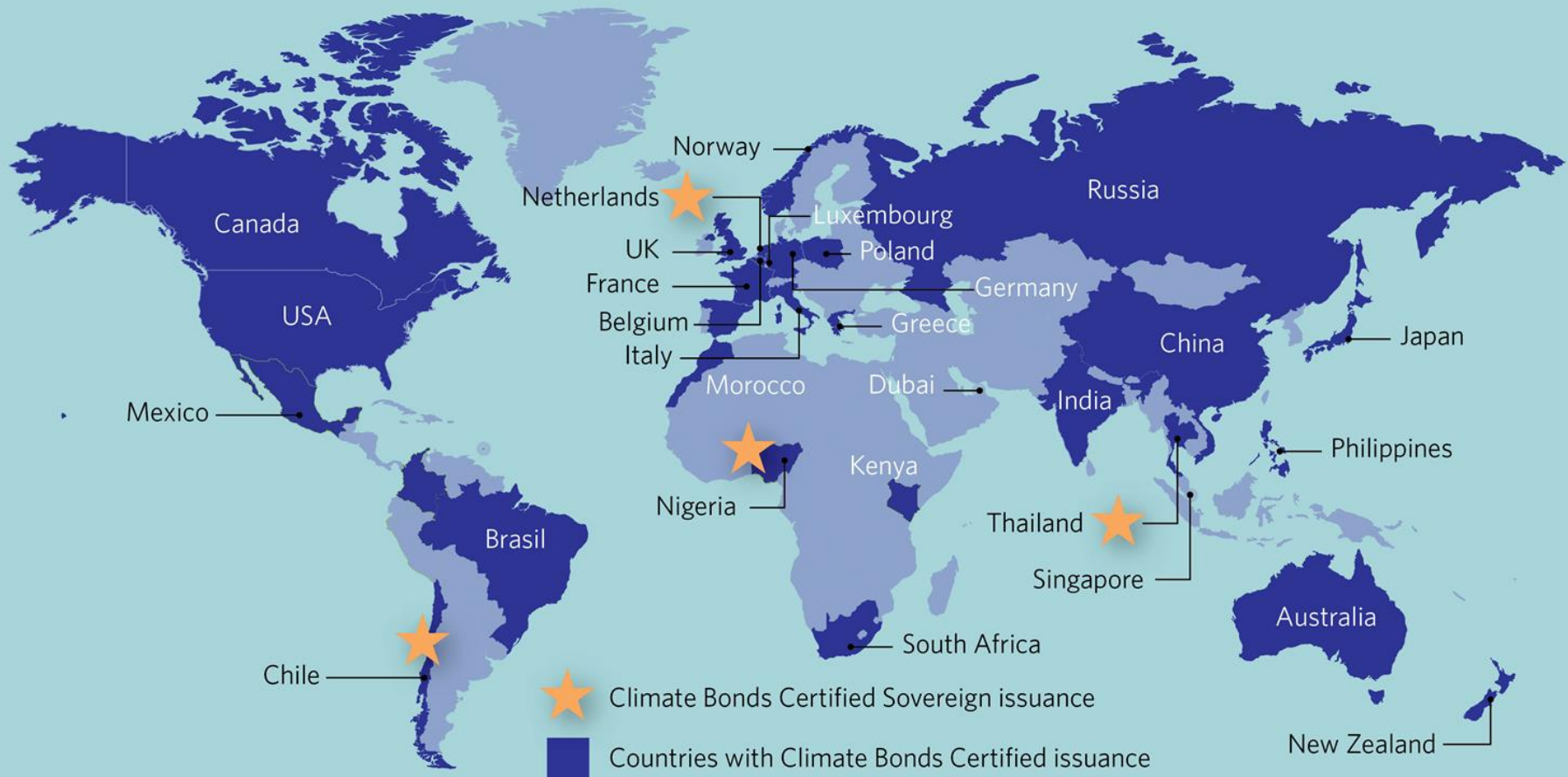
Top 20 Countries for Annual Green Bond Issuance (2020)







Source: Climate Bonds Initiative

Certified Issuances

Global Climate Bond Certifications

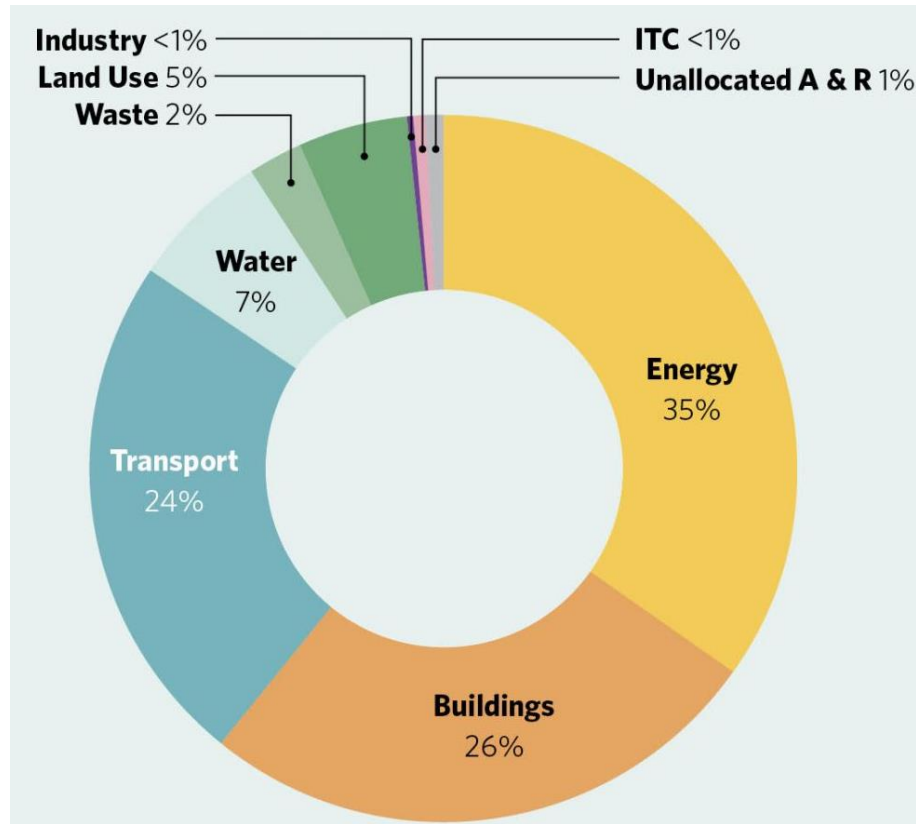


Top 10 Largest Green Bond Issuers

Position	Issuer	Amount Issued (USD)	Climate Bonds Certified
1.	Fannie Mae	13.0bn	
2.	Federal Republic of Germany	12.8bn	
3.	Société du Grand Paris	12.2bn	
4.	KfW	9.4bn	
5.	Republic of France	6.9bn	
6.	EIB	4.1bn	
7.	New York MTA	4.0bn	
8.	Republic of Chile	3.8bn	
9.	Dutch State Treasury Agency	3.4bn	
10.	TenneT Holdings	2.6bn	

Source: Climate Bonds Initiative

Use of Proceeds Breakdown 2020



Source: Climate Bonds Initiative

2021 – What Lies Ahead

- The impact of COVID-19 in 2020 proved a huge economic and social negative.
- In that context, the resilience of green finance markets led to a record year of issuance at \$269.5bn issuance, albeit a small increase over 2019. **2021 may enable a sustained resurgence.**
 - **NN Investment Partners** posits a 2021 green bond market of €300bn (\$360bn).
 - **HSBC** is predicting strong growth in Asia during 2021 and total green bond issuance between \$310-360bn.
 - The leading Nordic financial services group **SEB** envisages green bonds ‘moving towards’ \$500bn, subject to EU issuance.
 - **Credit Agricole** expects up to €600bn (\$720bn) in combined green, social and sustainability bonds for 2021.
 - **Climate Bonds Initiative** forecasts 2021 to produce a tenth consecutive green finance record with a figure ranging from a low to high \$400bn-\$450bn in global green bonds, loans and sukuk. Social and sustainability bonds are expected to deliver \$250-300bn on top of that.

Climate Bonds Initiative and IENE

- As of January 2021, **IENE became the first organisation in Greece and SE Europe to be granted Approved Verifier status** under the Climate Bond Standard. This is a significant milestone in the development of Green Bond markets in SE Europe.

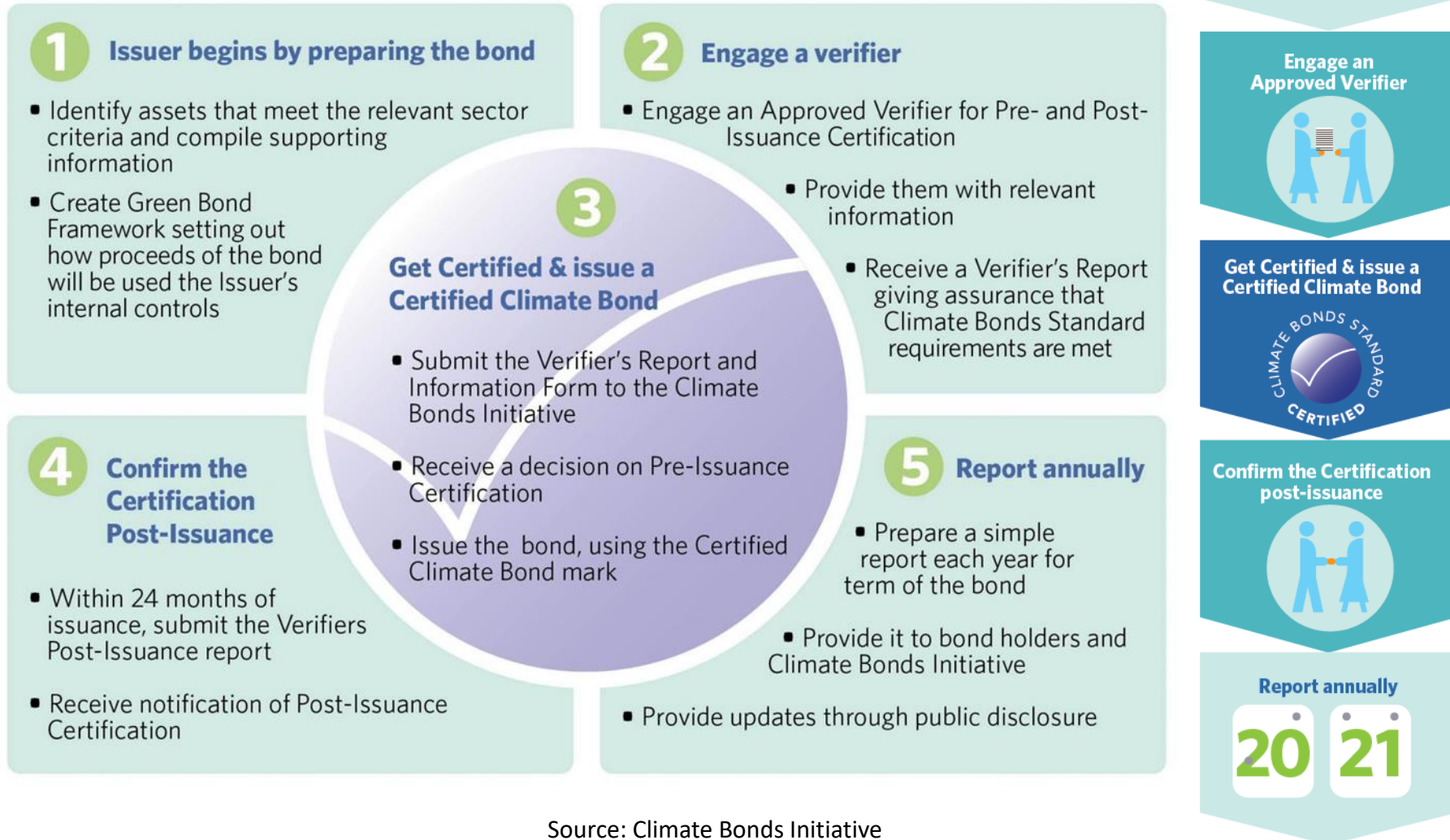
- As an Approved Verifier, IENE is in a position to **assess project eligibility** against the solar, wind, biomass, geothermal, energy efficiency, cogeneration and low carbon buildings criteria under the Climate Bonds Standard for green bond issuance.
 - Verification services will be provided across all low carbon energy sectors for **pre-issuance** and **post-issuance assurance**.

- **Quarterly Assurance Roundtables** with Climate Bonds Initiative to share updates with Approved Verifiers

- **Regular communication with Climate Bonds Standard Secretariat for questions or issues**

Certification Process

Certification Process for a bond, loan or other debt instrument



Climate Bonds Sector Criteria

- ❑ The Sector Criteria contain the requirements that specify what assets and infrastructure can be financed with bonds/loans, which have received Climate Bonds Certification.



The SE European Region as Defined by IENE



- Core countries**
- Albania
 - Bosnia and Herzegovina
 - Bulgaria
 - Croatia
 - Cyprus
 - Greece
 - Hungary
 - Israel
 - Kosovo
 - Montenegro
 - North Macedonia
 - Romania
 - Serbia
 - Slovenia
 - Turkey

- Peripheral countries**
- Austria
 - Egypt
 - Italy
 - Lebanon
 - Moldova
 - Slovakia
 - Syria
 - Ukraine

Prospects for Issuing Green Bonds in SE Europe

- In **SE Europe**, the issuance market of green bonds **does not actually exist**, with only a small number of private sector companies and financial institutions having issued green bonds, but there are great prospects as the region is moving towards decarbonization and RES and energy efficiency projects are constantly increasing. **For instance**,
 - Greece's **TERNA Energy** issued a seven-year €150mn green bond in October 2019. EBRD invested €18mn in the green bond issuance, being the first certified climate bond that the EBRD is supporting in the country. Ernst & Young has verified that the bond meets the Climate Bonds Initiative's classification as a certified climate bond.
 - 2019 was also the year in which Greece's **ELLAKTOR Group**, taking into account the favorable conditions in the international capital markets, proceeded to the issuance of an international, green bond, with fixed rate without collateral, totaling €670mn over a five-year period.
 - This was the largest high yield green bond in Europe for 2019 and the first high yield green bond in Greece.

IENE's Advisory Role in the Issuance of Climate Bonds

IENE can offer the following range of services:

1. **Review financing options:** IENE reviews and challenges the financing objectives and alternatives, enabling the investor to optimize the capital structure and making the most of debt market appetite. IENE specialists can help determine a preferred funding route, and act as a sounding board for the investor's management team.
2. **Design green bond criteria:** IENE can help develop a green bond framework, 'green' criteria and specifications for the management of proceeds. IENE professionals can advise on project selection and evaluation, fund management processes and controls, and benchmark processes against industry best practice and evolving standards.
3. **Execution:** IENE specialists can advise on the presentation of green credentials to potential investors and the issuance process of the debt, and liaise with stakeholders including credit rating agencies.
4. **Ongoing stakeholder management:** Once issued, IENE can help the investor assess the performance of a green bond through independent bond investor studies, giving unbiased insight into bondholders' perspectives and into the profile of bondholders.
5. **Third-party independent assurance:** To increase the credibility of the green bond, IENE can provide assurance on the issuer's processes and control for selecting green projects and managing proceeds, as well as on the issuer's progress reports.
6. **Monitoring and reporting:** IENE can undertake to develop performance indicators and project evaluation metrics to monitor and report on the financial and environmental outcomes of projects. Furthermore, IENE can support the investor in reporting to his company's internal and external stakeholders.



INSTITUTE OF ENERGY
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For detailed information concerning green bonds verification by IENE,
please visit:

<https://www.iene.eu/en/congress/33/green-bonds?p=158>

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