



# Bonds & Climate Change

## *State of the Market 2016* *Brazil Edition*

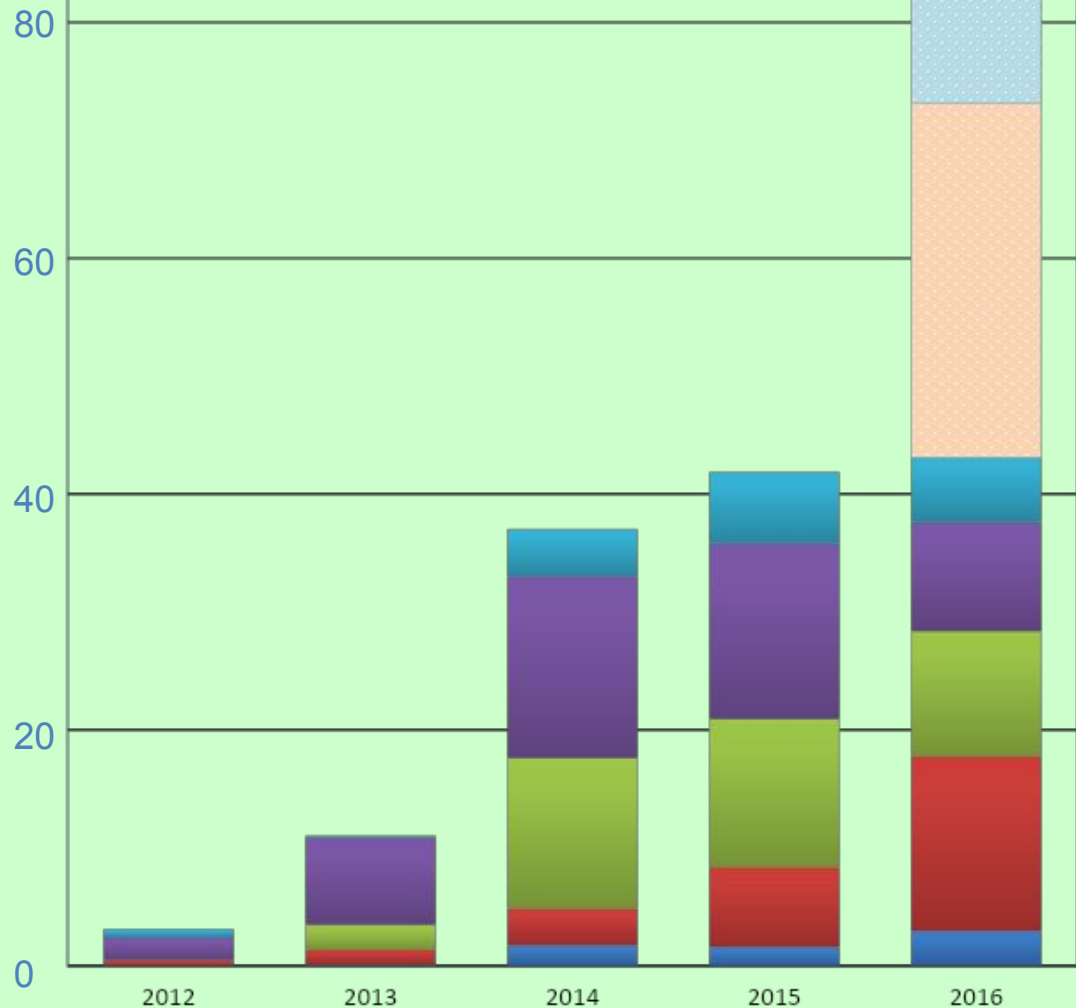
Sean Kidney, CEO, Climate Bonds Initiative

Sao Paulo  
2 August 2016



# Green bonds are making headlines

- Muni / Provincial / City
- Development Bank
- Corporate
- Banks
- ABS



2016 target - \$100bn

PBoC estimate \$41bn from China

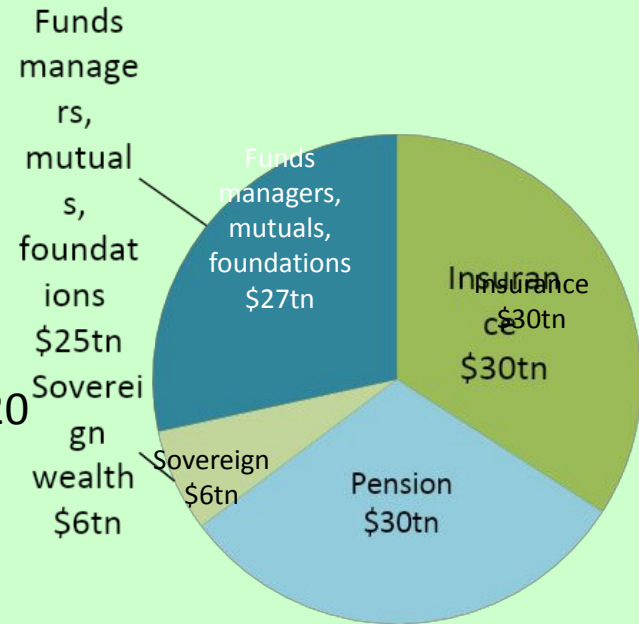
\$43 year to date (\$8bn from China)

# Investor interest

\$93<sup>tn</sup> institutional investors AuM

- SRI = \$21<sup>tn</sup> global
- \$43<sup>tn</sup> at UN Climate Summit
- \$20<sup>tn</sup> insurers x10 climate investments by 2020

Central banks: PBOC, BoE, various others



9 DECEMBER 2015

FROM INVESTORS REPRESENTING US\$11.2 TRILLION

## The Paris Green Bonds Statement

We, the undersigned signatories to this statement, represent asset owners, investment managers and individual funds managing a combined US\$11.2 trillion of assets. We are substantial investors in the US\$100 trillion global capital markets and climate

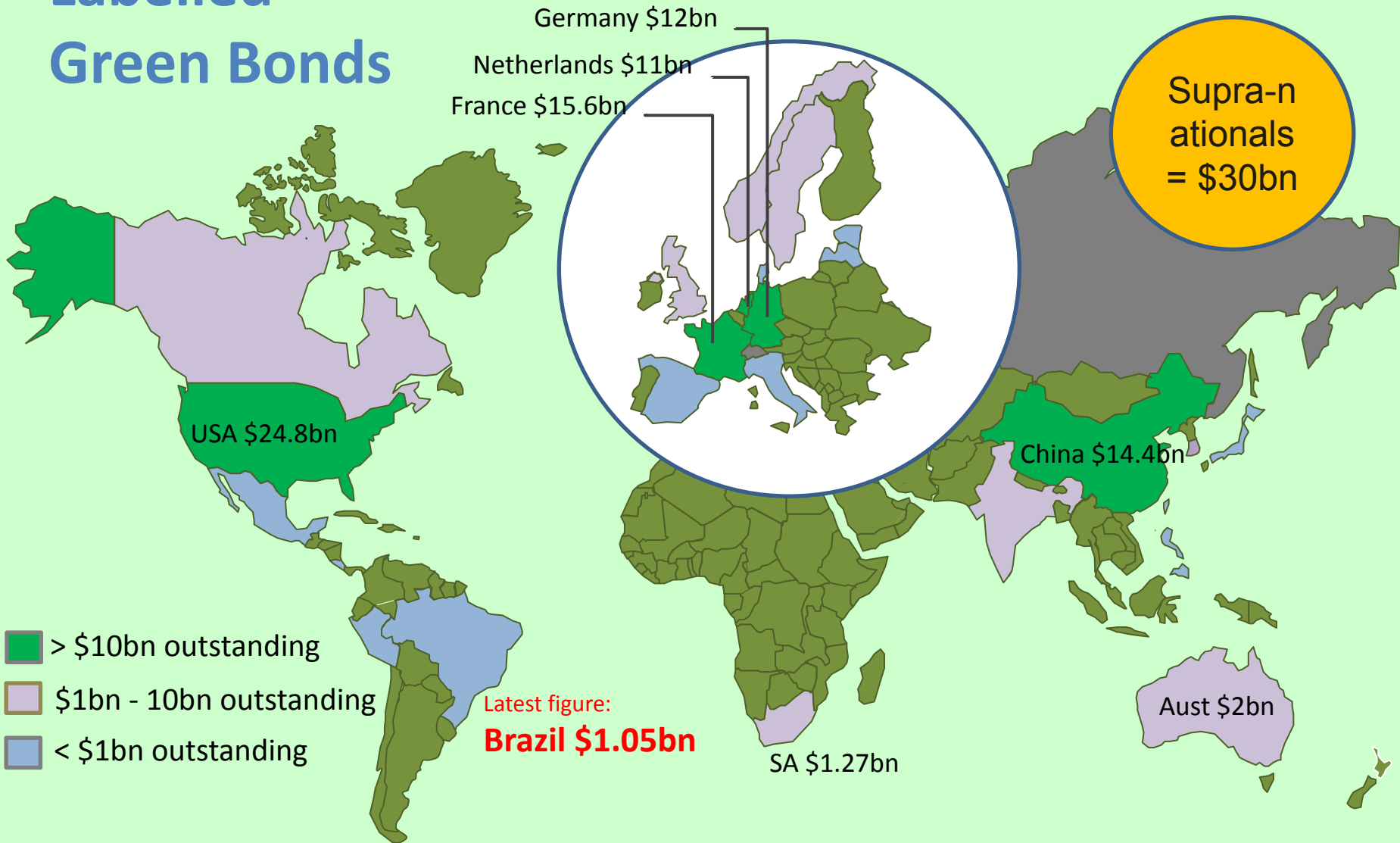
**We encourage,** in order to scale up investment in green bonds, climate bonds and other bonds financing mitigation of and adaptation to climate change that meet our risk and return requirements as institutional investors:

- Governments to act** through policy, regulation, risk mitigation, guarantees, tax credits and other mechanisms to support the issuance of bonds that both address climate change and allow us to meet our requirements to our beneficiaries.

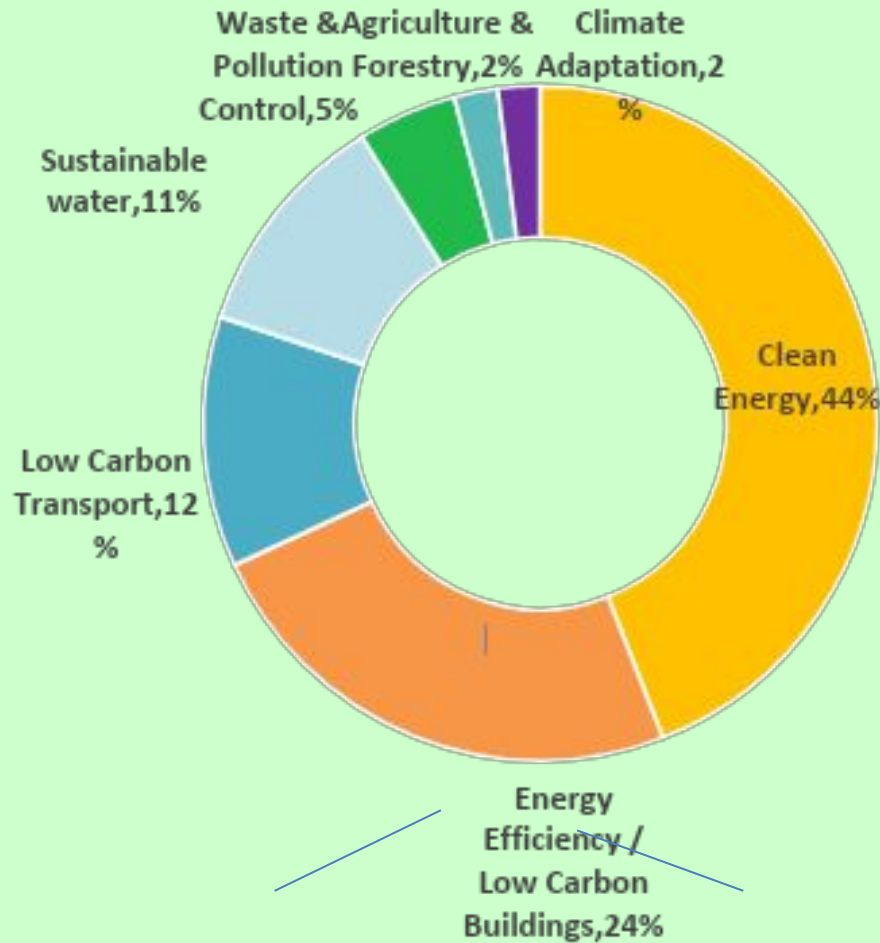
**SIGNATORIES**

- ACTIAM** — Ingrid de Wit, CFO
- Addenda Capital** — Brian Mirra, Sustainable Investing Specialist
- Affirmative Investment Management** — Stuart Kimmsey, CFO & Co-Founder
- AllianceBernstein** — Peter S. Kraus, Chairman and CEO
- Allianz Global Investors** — Frank Dixmier, Global CIO Fixed Income
- Amundi Asset Management** — Bernard Carayon, Deputy CIO
- APG Asset Management** — Herman Slooier, Managing Director Global Credits
- AP1/Första AP-Fonden** — Mikael Angberg, CIO of Communicatio
- AP2/Andra AP-Fonden** — Ulrika Danielson, Head of Communicatio
- AP3/Tredje AP-Fonden** — Peter Lundkvist, AP3 Corporate Governance
- Arnc Löf, Head of**
- Erlands**

# Labelled Green Bonds



# Renewables rather than transport



# Rules for a new market

## **Green Bond Principles – ICMA**



Proceeds must go to green / Explain process for project selection; use 2<sup>nd</sup> party review / Track proceeds; use auditor to verify / Report each year on details

**Climate Bonds Standard & Certification:** green definitions + assurance



**China:** Central Bank-led

**France:** “Energy and Ecological Transition for Climate” Label

Moody’s green rating: quality of review & reporting

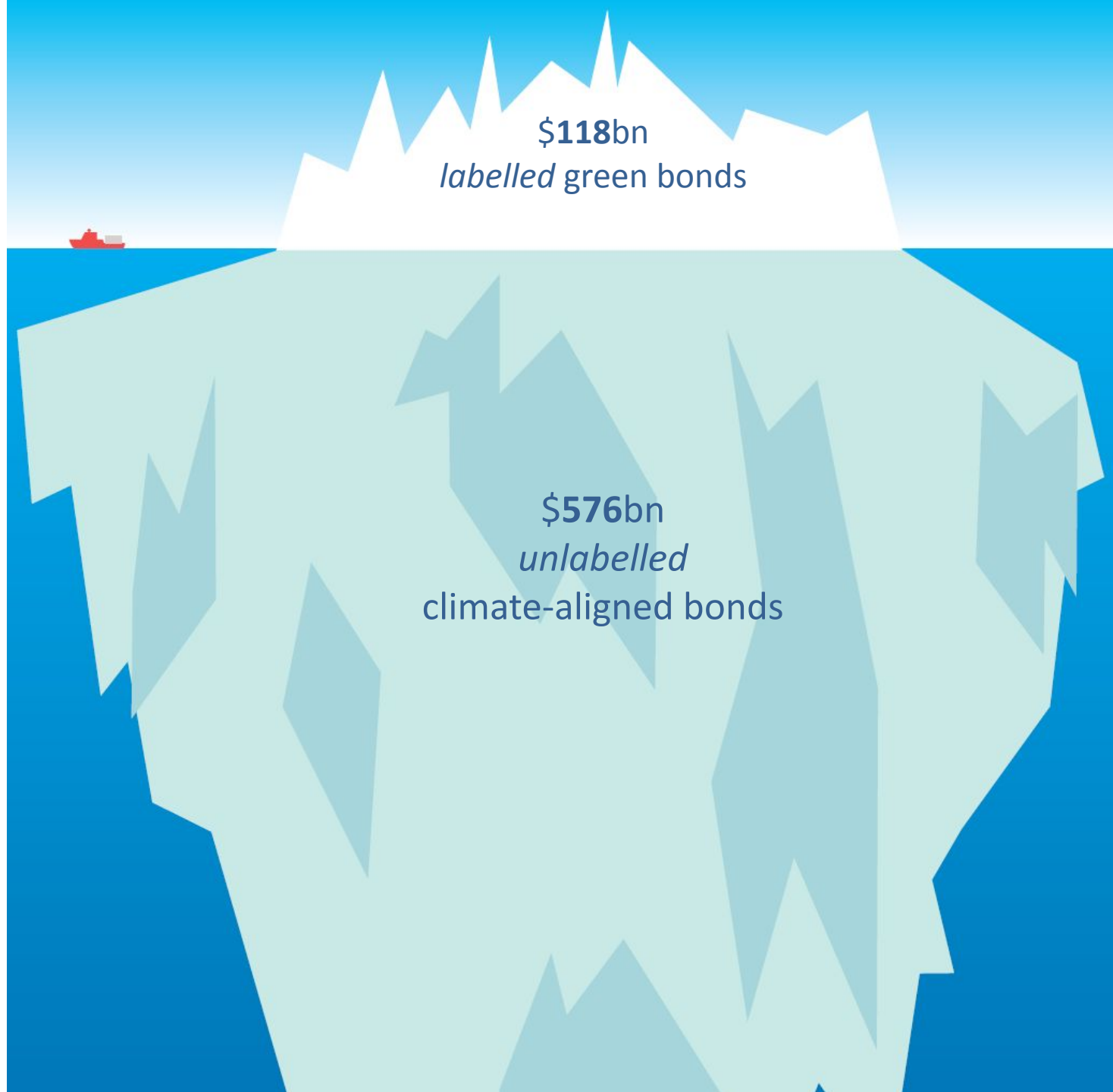
G20 Green Bond recommendations

# Expanding the investment landscape

ENERGY	LOW CARBON BUILDINGS	INDUSTRY & ENERGY-INTENSIVE COMMERCIAL	WASTE & POLLUTION CONTROL	TRANSPORT	INFORMATION TECHNOLOGY & COMMUNICATIONS	NATURE BASED ASSETS	WATER
Solar	Residential	Manufacturing	Recycling facilities	Rail	Power management	Agricultural land	Flood Defences
Wind	Commercial	Energy efficiency processes	Recycled products & circular economy	Vehicles	Broadband	Forests (managed and unmanaged)	Water distribution infrastructure
Geothermal	Retrofit	Energy efficiency products	Waste to energy	Mass transit	Resource efficiency	Wetlands	Water capture & storage infrastructure
Hydropower	Products for building carbon efficiency	Retail and wholesale	Methane management	Bus rapid transport	Teleconferencing	Degraded Lands	Water treatment plants
Bioenergy		Data centres	Geosequestration	Water-borne transport		Other land uses (managed and unmanaged)	Assets in energy & production industries
Wave and Tidal		Process & fugitive emissions		Alternative fuel Infrastructure		Fisheries and aquaculture	
Energy distribution & management		Energy efficient appliances				Coastal infrastructure	
Dedicated transmission		Combined heat & power					



A **\$694bn**  
climate-align  
ed bond  
universe

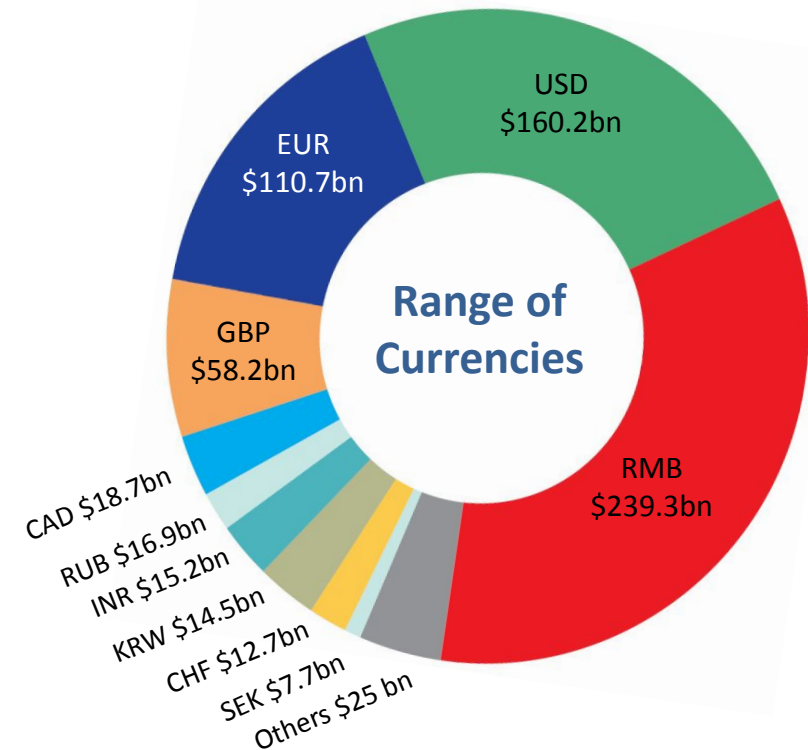
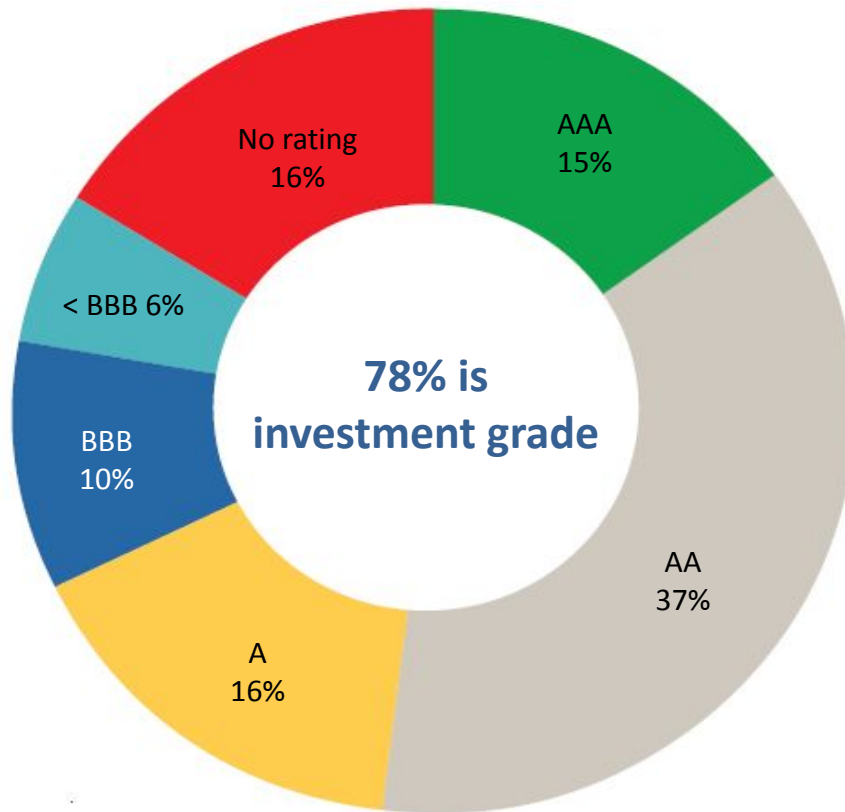


**\$118bn**  
*labelled green bonds*

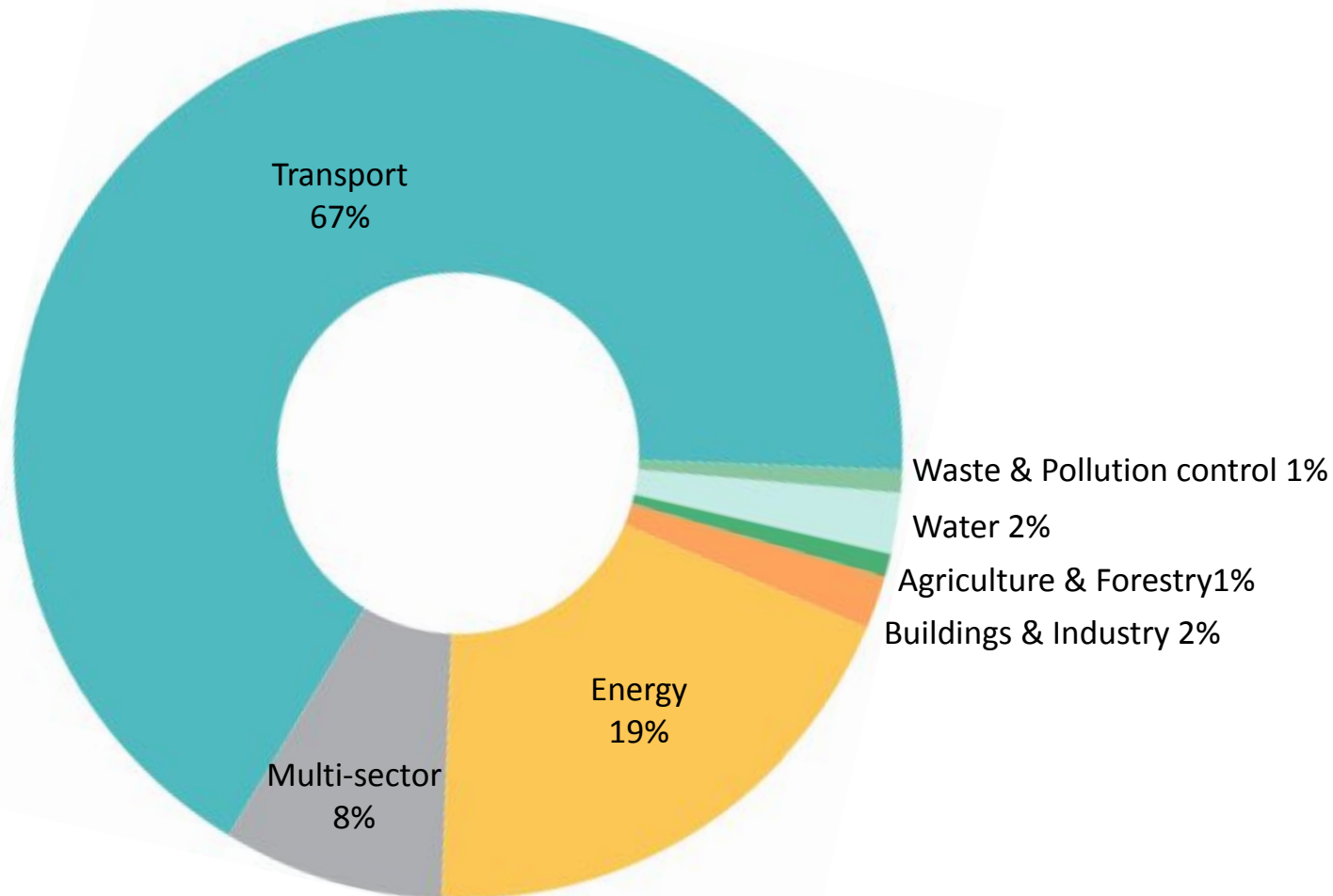
**\$576bn**  
*unlabelled*  
climate-aligned bonds



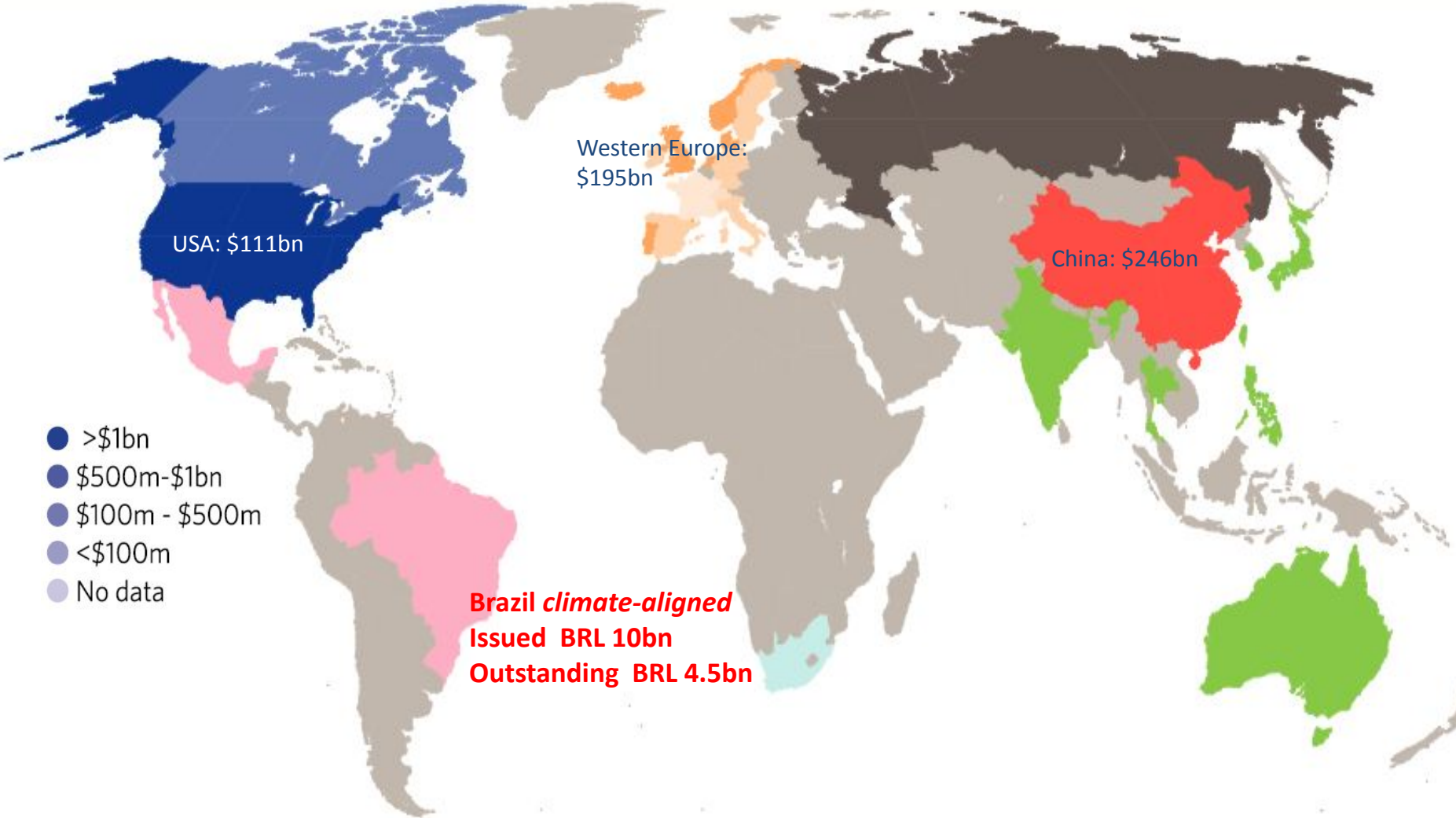
# Climate-aligned bond universe



# Transport & energy are the largest themes



# Climate-aligned bonds are in Brasil



- >\$1bn
- \$500m-\$1bn
- \$100m - \$500m
- <\$100m
- No data

**Brazil climate-aligned**  
**Issued BRL 10bn**  
**Outstanding BRL 4.5bn**

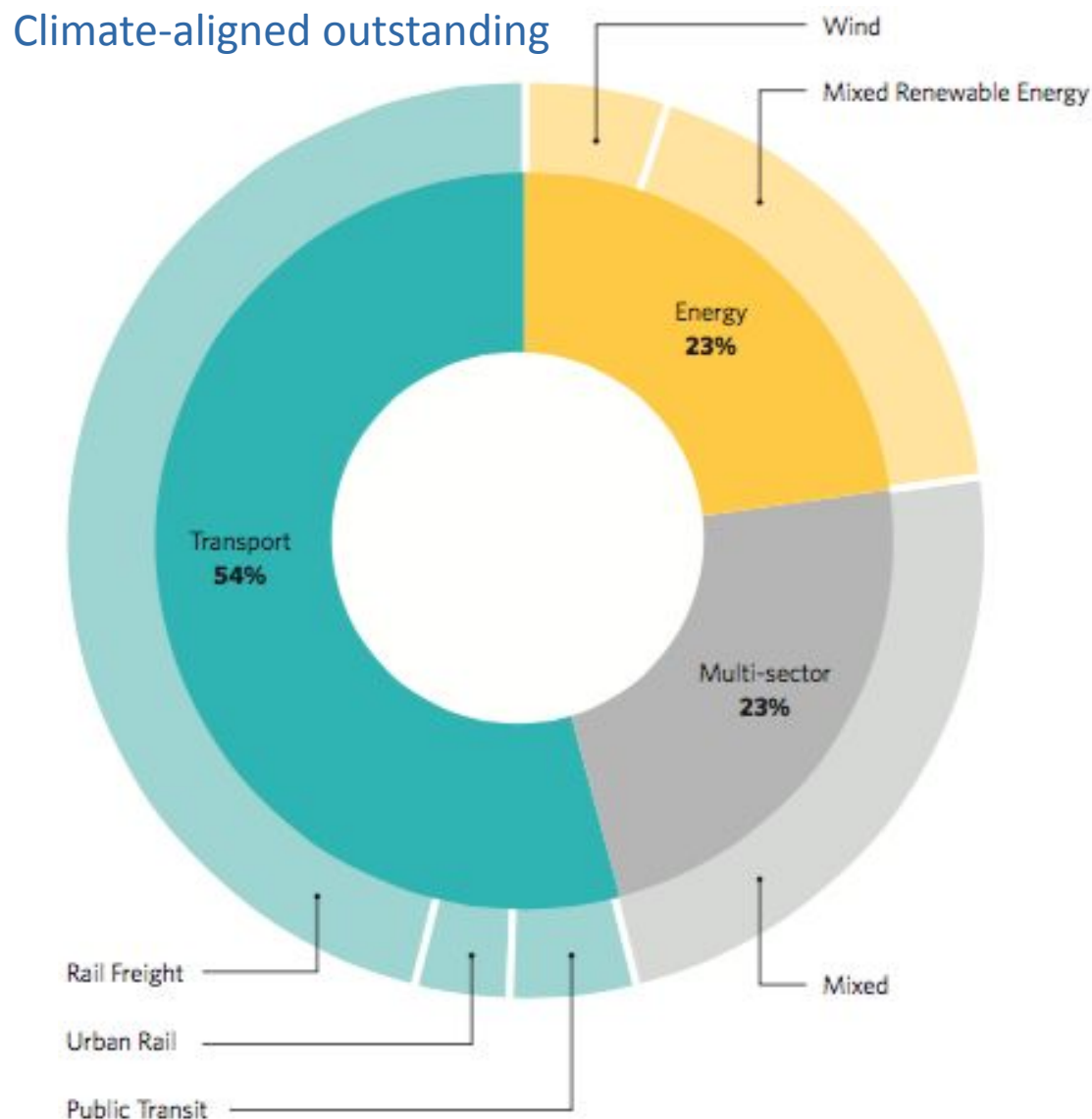
# Brazil green & climate-aligned bonds

## Examples of climate-aligned

- Suzano Papel - paper/pulp 1,440m
- CPFL Energias – renewables 1,026m
- Sao Miguel de Gosto - wind 481m
- All America Lat Logistic - rail 4,112.2m
- All Malha Norte – rail 326.7m
- All Malha Paulista – rail 166.7m
- Concessao Metro RJ - rail 575m
- MRS Logistica - rail freight 1,530.7m
- Supervia - transit 300m

## Labelled green bonds

- BRF: EUR500m
- *Suzano Papel: US\$500m*



# Opportunities in Brazil

Agribusiness  
Forestry & paper  
Renewable energy



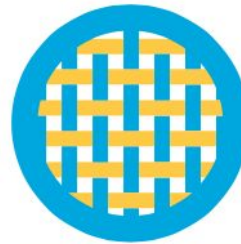
**1st**  
exporter of  
sugar and  
soybeans



**2nd**  
largest forested  
area by country



**3rd**  
largest exporter  
of corn



**4th**  
largest producer  
country of fibre  
furnish



**5th**  
largest country  
by area

# Roadmap

1. Blue-chip issuance
2. Market education
3. Fiscally efficient support & incentives
4. Aggregation vehicles
5. Grow green projects pipeline

## Fundamental Actions

Establish green project pipeline

Strengthen local bond markets

Strategic public green  
bond issuance

Develop green  
standards



## Proven Support Tools

Instruments to aggregate assets and  
structure risks

Strategic public green  
bond investment

Credit enhancement

Tax incentives



## Innovative Additions

Adjust risk weightings for green  
investments

Preference green  
investments in central  
bank operations



# Green Infra Investment & INDCs

Investor-country dialogue

India

Brazil

China

## GREEN BONDS & CAPITAL MARKETS

# Green Infrastructure Investment Coalition

Investors + Green Infra Developers + Public Sector + Development Banks



### Multi-trillion \$ investor coalition backs green investment platform

At the UN Climate Conference in 2014, investors representing \$43 trillion signed statements about the importance of acting on climate change. They also said they stand ready to invest in climate solutions, with insurers pledging to multiply by 10 their climate related investments by 2020!

In Paris at COP21 investors representing \$11.2 trillion undertook to work to grow a vibrant green bonds market?

Clearly, capital is available to invest. From the institutional investor perspective, what's missing are available investible propositions suitable to their needs. Many governments are well advanced in developing domestic green investment plans. Now they need investment.

#### Objectives

The aim of the Coalition is to bring together investors, governments, green infra developers and development banks to help increase the flow of capital to green infrastructure investments around the world. Participants want to:

- Better understand the forward pipeline of green infrastructure investments.
- Examine and address barriers to capital flows and propose solutions.
- Shape the capital market instruments needed to ensure capital flows.

The Coalition will also support investors to review asset allocation strategies to make sure they will be able to take advantage of the huge deal flow on the horizon.

The key activity of the Coalition will be to hold round tables to find out about and promote green investment opportunities.

### Coalition Organisers



The **Climate Bonds Initiative** is an investor focused NGO working to mobilize debt capital markets for green investments.



The **Principles for Responsible Investment** represent investors with assets under management of US\$60 trillion.



The **International Cooperative Mutual Insurers Federation** represents insurers around the world with assets under management of US\$9 trillion.



The **UNEI Inquiry** brings together regulators, central banks, governments and investors to examine how to align the financial system with sustainable development.



**Long-Term Infrastructure Investors Association** and **Long-Term Infrastructure Investors Association** made up of development banks and infrastructure financiers in Europe.

### Global Coalition Members (see over page for Country Participants)

**Legal & General Investment Management**, an fund managers with assets of USD 11tn.



**London Stock Exchange**, a globally focused capital markets business.



**AB**, a global investment-manager with USD 46.4bn under management.



**The Inter-American Development Bank**, financing development in Latin America.



**The European Investment Bank**, the EU's development bank.



**IRENA**, the International Renewable Energy Agency.



**Institutional Investor Group on Climate Change**, a network of pension funds & asset managers in Europe, representing EUR 13tn.



**The City Of London Green Finance Committee**, bringing together UK investors and banks.



**Ceres Investor Network on Climate Risk** representing US investors with USD 13tn AUM.



**Meridiam**, an infrastructure investment fund backed by development banks and institutional investors.



**Investor Group on Climate Change** Australasian investors association.



**The Terrawatt Alliance**, promoting solar investment globally.



**World Business Council for Sustainable Development**



# Potencial de Investimentos no Brasil pós COP 21

São Paulo, Brasil  
2 de agosto de 2016

