



Case 34 Green Banking and Green Bonds

Example: Gothenburg, Sweden

Problem to resolve:

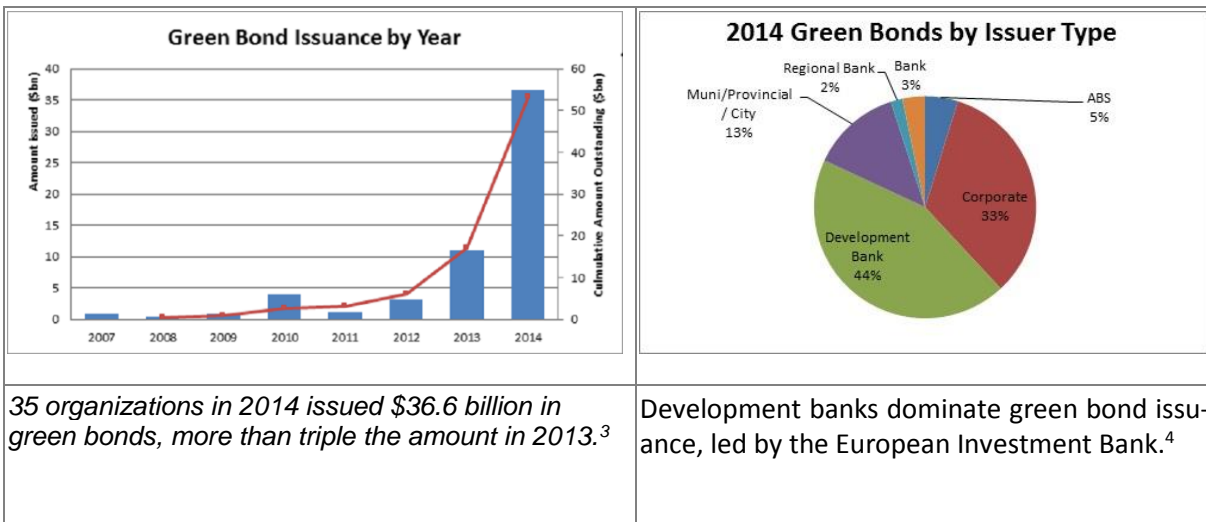
Generally speaking, Banking operation is based on interest gains on lend money whereby money is detached from ethical or 'green' principles. The Banking economy follows demand and offer. However, a growing number of individuals or organizations don't agree with these principles and want to avoid supporting ethically or environmentally critical investments.

The alternative:

Green Bonds are short-hand for Qualified Green Building and Sustainable Design Project Bonds, i.e. tax-exempt bonds which are issued by federal-qualified organizations and/or municipalities for the development of brownfield sites. The tax-exempt status makes purchasing a green bond a more attractive investment when compared to a comparable taxable bond. The public sector can facilitate a bank's development by creating the institutional framework and rules while feeding the institution with public capital can then attract greater shares of private funds. The World Bank has been a leader in the market, and has issued over \$USD 5.3 billion in Green Bonds since an initiating activity in 2008.^{1 2} The Climate Bonds Initiative, an international NGO, reports that issuances grew by 25% between 2011 and 2012 globally; that the market is overwhelmingly populated by investment grade bonds; and that issuers come from both the municipal, corporate, and institutional sectors. →**Tool URR 2**

Another option for scaling up the available capital for green technology and infrastructure investments is the creation of a public-private '**Green Bank.**' Creating this type of institution can leverage public funds with private sources that are attracted to the long-term returns of infrastructure projects from investors motivated by a low-carbon or green innovation ethos. Pension and insurance funds are often cited as ideal investor candidates. →**Tool URR 2**





Case Study: Gothenburg, Sweden: the first city in the world to issue green bonds ⁵

In 2013 the City of Gothenburg was the first in the world to introduce green bonds starting with the issue of SEK 500 million and can lead to two billion. In May 2014 there was an announcement of a second bond from the City of Gothenburg. The issue of SEK 1.8 billion (\$273 million) received “tremendous” interest.

The Green Bond Programmes and funds are used primarily to support projects that counter or help adaptation to climate change. For investors there is no difference in credit quality – but a big difference exist in transparency as investors get a picture of what the funding is used for. There is a huge international interest in green bonds reaching up to international agencies, like in the case of Gothenburg opening a bond jointly with the United Nations Environment Programme

As part of the environmental programme, the City of Gothenburg continues to issue bonds for financing various environmental projects in the areas of renewable energy, public transport, water treatment, energy efficiency, smart grids, urban planning and waste management. The projects are financed, in whole or in part, by the City of Gothenburg to promote the transition to low carbon dioxide and climate-resilient growth as determined by the City of Gothenburg. →Tool URR 2



City of Gothenburg- the first city in the world to issue green bonds.⁶ (but not the first to hear about gender equality)

Credentials

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References

¹ <http://www.tbli.org/tbliconference/news/conferences/will-green-bonds-incentivize-more-direct-investments-perspectives-from-tbli-conference-nordic-2015.html> seen 7/31/2015

² <http://www.worldbank.org/content/dam/Worldbank/document/Climate/climate2014-green-bonds-brief-091214.pdf> seen 7/31/2015

³ Source: <http://www.forbes.com/sites/annefield/2015/01/15/36-6b-in-green-bonds-issued-last-year/>

⁴ Source: <http://www.climatebonds.net/2015/01/>

⁵ http://carbonn.org/uploads/tx_carbonndata/Green%20Bonds.pdf seen 7/31/2015

⁶ Source: <http://www.lseg.com/markets-products-and-services/our-markets/london-stock-exchange/equities-markets/raising-equity-finance/market-open-ceremony/welcome-stories/london-stock-exchange-welcomes-city-gothenburg-green-bond>