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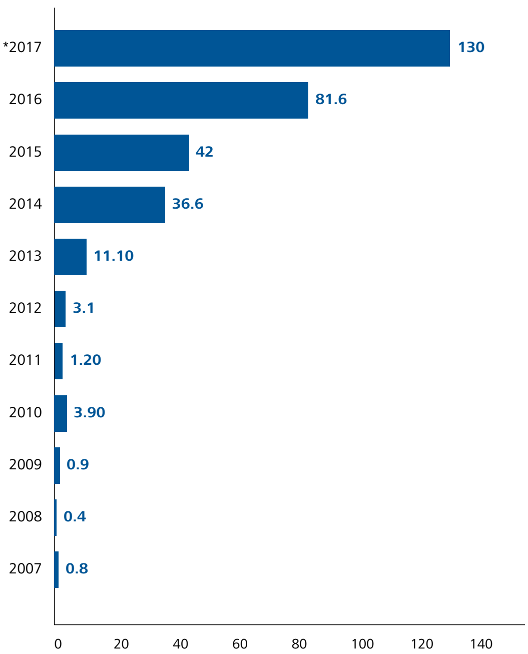
IDENTIFY GREEN BONDS’ AVOIDED EMISSIONS THROUGH IMPACT ASSESSMENTS

KEY CHART

Green bond issuance by year

In US$ billion



Source: Climate Bonds Initiative, Moody’s

* Estimate

South Pole’s Green Bond Impact Assessments calculate the emissions reduction potential of projects financed through green bonds, enabling investors to identify and issuers to market those bonds that offer the best environmental impact measured in potential avoided emissions (PAEs). Assessments quantify the impact of green bond frameworks or individual bonds by considering the framework principles bonds adhere to, allocation of proceeds and, if available, project-level information.

Need for increased transparency on impacts

The green bond market is thriving, confirming the growing interest of investors in achieving ‘‘green’’ returns alongside financial gains. However, as the market continues to expand, the need for transparency on the actual environmental impact of green bonds is becoming urgent. Investors and the wider climate change community are increasingly demanding greater disclosure from issuers.

Assess green bonds’ potential avoided emissions

South Pole has developed a methodology for assessing the GHG emissions reduction potential of green bond frameworks. This allows investors to identify and issuers to promote those bonds that offer the greatest environmental impact in terms of potential avoided emissions.

We quantify the potential avoided emissions (PAEs) by assessing the potential emissions reductions of projects underlying the bonds and expressing this in tonnes of carbon dioxide equivalents (tCO_2e). This calculation takes into account the tenor of a bond and its share of the underlying projects’ capital investment.

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Unique Selling Points

- Simplified, standardised carbon impact reporting associated with green bond frameworks adaptable to the needs of both green bond issuers and investors
- Compelling for issuers to signal the impact of their green bond framework in a transparent way
- Crucial for investors to estimate the carbon impact of their portfolio and to inform their investment decision
- Continuous adaptation of the methodology beyond GHG emissions consistent with the development of the green bond market and industry guidelines

Process for calculating the potential avoided emissions of a green bond

1. Assess the framework projects	The issuer presents the reasoning behind labelling the bond framework ''green'' and further details including the capital committed on a project-level and regions of implementation for the underlying projects. The basis of calculation is the total number of projects financed within the green bond framework.
2. Categorize the framework projects	The framework's projects are then categorized according to the Green Bond Principles' guidelines ("Use of Proceeds" categorization).
3. Establish baselines	South Pole calculates the potential avoided emissions (PAE) for a particular bond - i.e. difference in GHG emissions between the baseline level and a scenario where the projects occurs.
4. Calculate and aggregate results	Calculations are carried out for categories where the Use of Proceeds has the potential to yield emission reductions.

Contact us to discuss the impacts of your green bond issuance or investment

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Why work with us?

We are a global provider of sustainability solutions and services made up of over 200 skilled and enthusiastic professionals from over 20 different countries.

Regional offices   Headquarters   Representations

Climate impact/renewable energy projects

eit Climate-KIC

The green bond impact assessment has been developed for city-relevant sectors in partnership with Climate-KIC Low Carbon City Lab. The Low Carbon City Lab is a Climate-KIC Flagship programme addressing the current and future gap in access to finance for municipal authorities.