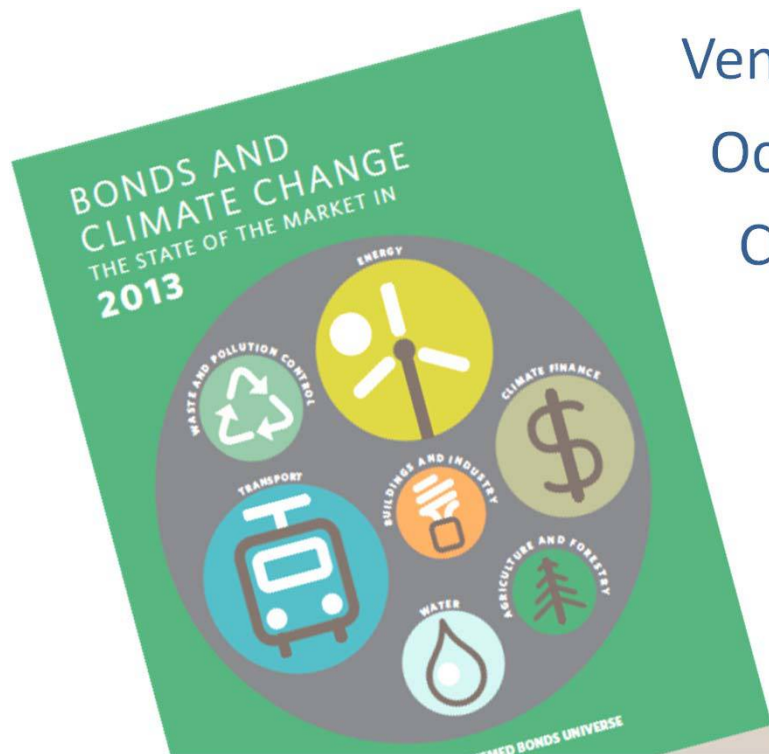


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# Bonds and Climate Change

The state of the market in 2013



Venice

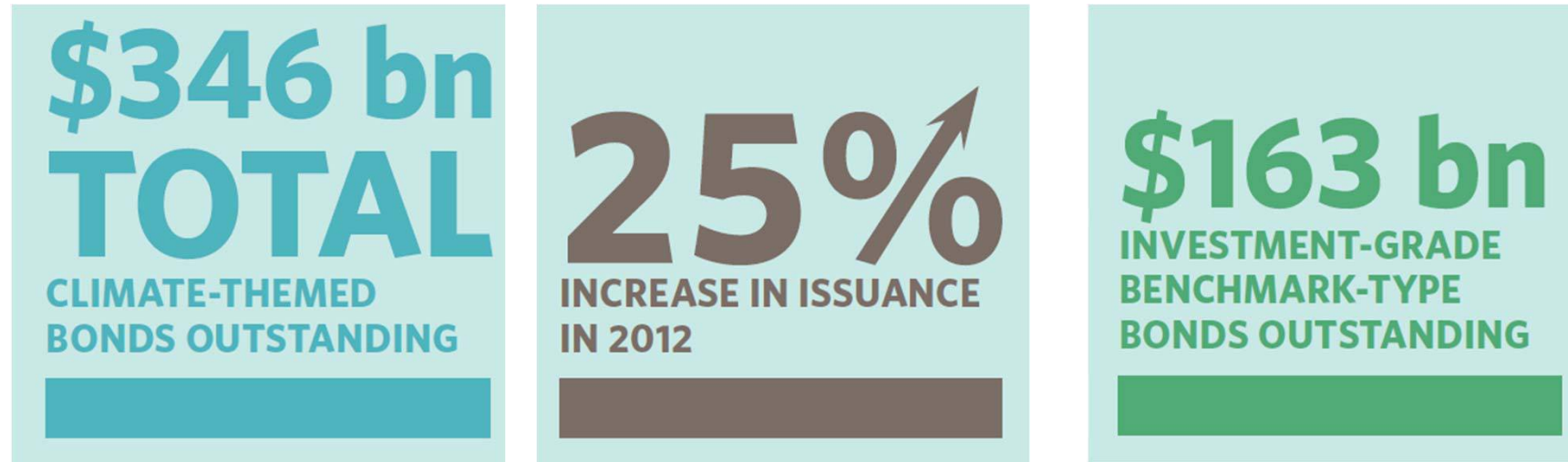
October 2013

Climate Policy Initiative

HSBC 

Climate Bonds INITIATIVE

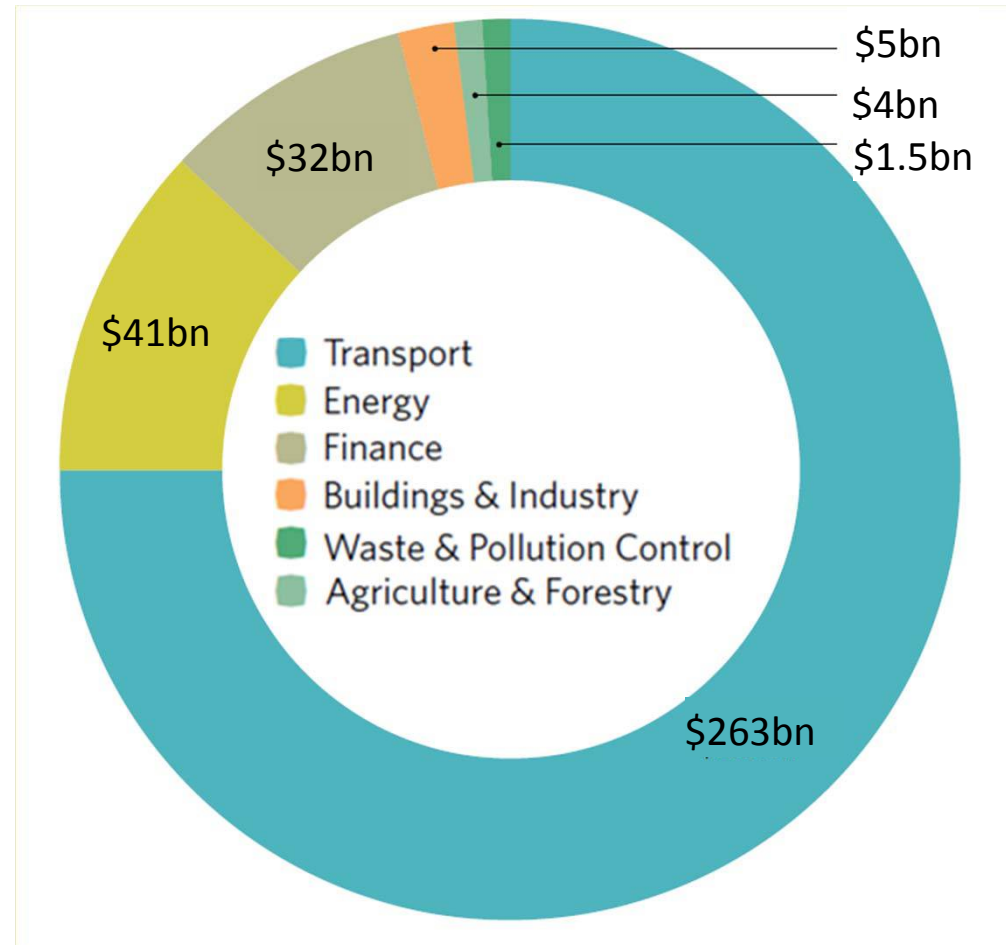
## Key findings










- Total of \$346bn is double last year's estimate
- 89% is investment grade
- China accounts for \$127bn (37%), followed by the UK and France
- 75% is low carbon transport, esp. rail, then clean energy & climate finance

# \$346bn breakdown (at 1 Mar)

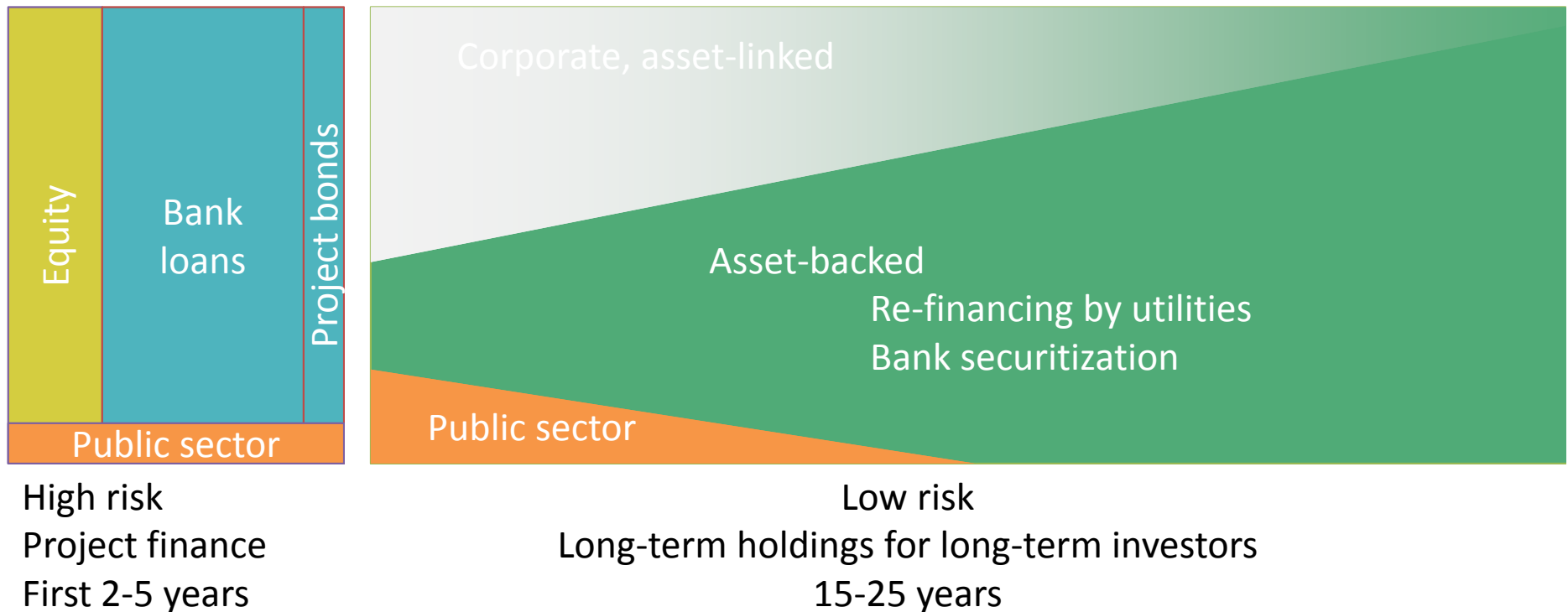
- Transport dominates at 76%
- Energy = \$41bn
- Climate Finance = \$32bn



# Low-carbon, climate resilient transition

						
<p><b>Transport: 263bn</b></p> <ul style="list-style-type: none"> <li>- Rail, metro</li> <li>- Evs</li> <li>- Biofuels</li> <li>- Rail FF excl.</li> <li>- Mature</li> </ul> <p>Future:</p> <ul style="list-style-type: none"> <li>- EVs: Tesla, auto mnfrs</li> <li>- Tripling of rail: Africa, CA HS</li> </ul>	<p><b>Finance: 32bn</b></p> <ul style="list-style-type: none"> <li>- MDB programs</li> <li>- Conduits: EuroFIMA \$16bn, Indian Rail \$7bn, IREDA</li> </ul> <p>Future:</p> <ul style="list-style-type: none"> <li>- Munis</li> <li>- Banks</li> <li>- Corporates</li> </ul>	<p><b>Energy: 41bn</b></p> <ul style="list-style-type: none"> <li>- Wind 24%</li> <li>- Solar 21%</li> <li>- Hydro 8%</li> <li>- Nuclear 32%</li> <li>- Biomass</li> </ul> <p>Future:</p> <ul style="list-style-type: none"> <li>- RE invest funds</li> <li>- Rooftop solar ABS</li> <li>- Utility ABS</li> </ul>	<p><b>Buildings &amp; industry: 4.8bn</b></p> <ul style="list-style-type: none"> <li>- LEDs 13%</li> <li>- Insulation</li> <li>- Energy star appliances: LG</li> <li>- EE munis</li> <li>- Retrofit</li> <li>- Green buildings</li> </ul> <p>Future: Siemens, GE, Schneider Electric etc.</p>	<p><b>Waste &amp; pollution control: 1.4bn</b></p> <ul style="list-style-type: none"> <li>- Recycling / recycled products / circular economy</li> <li>- Air filters</li> <li>- Landfill gas, WTE</li> </ul> <p>Future:</p> <ul style="list-style-type: none"> <li>- Corporate waste mngmt</li> </ul>	<p><b>Water</b></p> <ul style="list-style-type: none"> <li>- Sustainable water mgmt</li> <li>- Efficient technology</li> <li>- Resilient infras.</li> <li>- Criteria difficult</li> </ul> <p>Future:</p> <ul style="list-style-type: none"> <li>- flood protection</li> <li>- water infra in drought-threat areas</li> </ul>	<p><b>Agriculture &amp; Forestry: 3.8bn</b></p> <ul style="list-style-type: none"> <li>- 88% paper /wood / forest mgmt</li> <li>- Afforestation</li> <li>- Organic seeds &amp; fertilizers</li> <li>- Sweden, Portugal, USA</li> </ul> <p>Future</p> <ul style="list-style-type: none"> <li>- Climate-resilient ag</li> </ul>

# Bonds, re-fi, and the capital pipeline



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# Needed

Common definitions; transparency; standards

Public sector

- Credit support, tax incentives, pension incentives, green monoline
- Green covered bonds & ABS: regulation, standardisation, risk weighting
- Cornerstone issuers & investors

MDBs

- Leverage to stretch capital
- Aggregation in EMs
- Portfolio packaging for investors



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## Takeaways

Thematic bond investing is **no longer niche**

Demand focus will be on **corporate use-of-proceeds-linked bonds**

Expect China to take global lead

