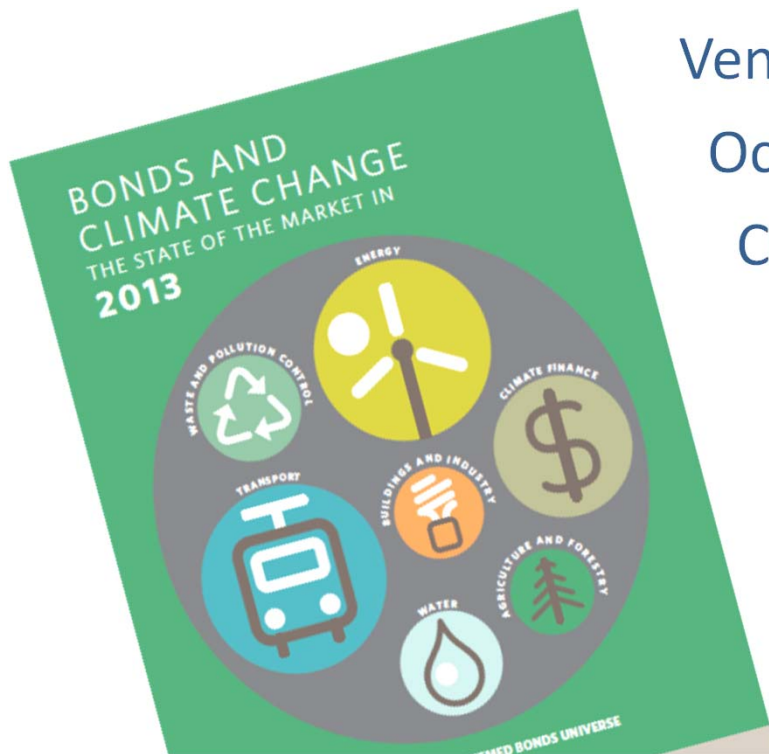

Bonds and Climate Change

The state of the market in 2013



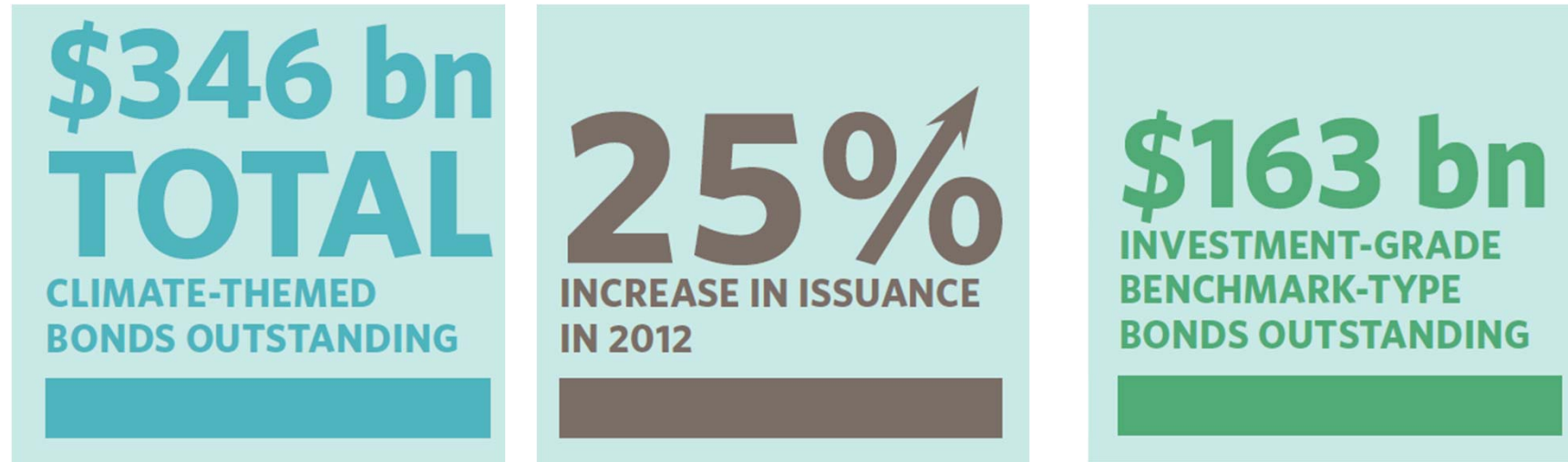
Venice

October 2013

Climate Policy Initiative



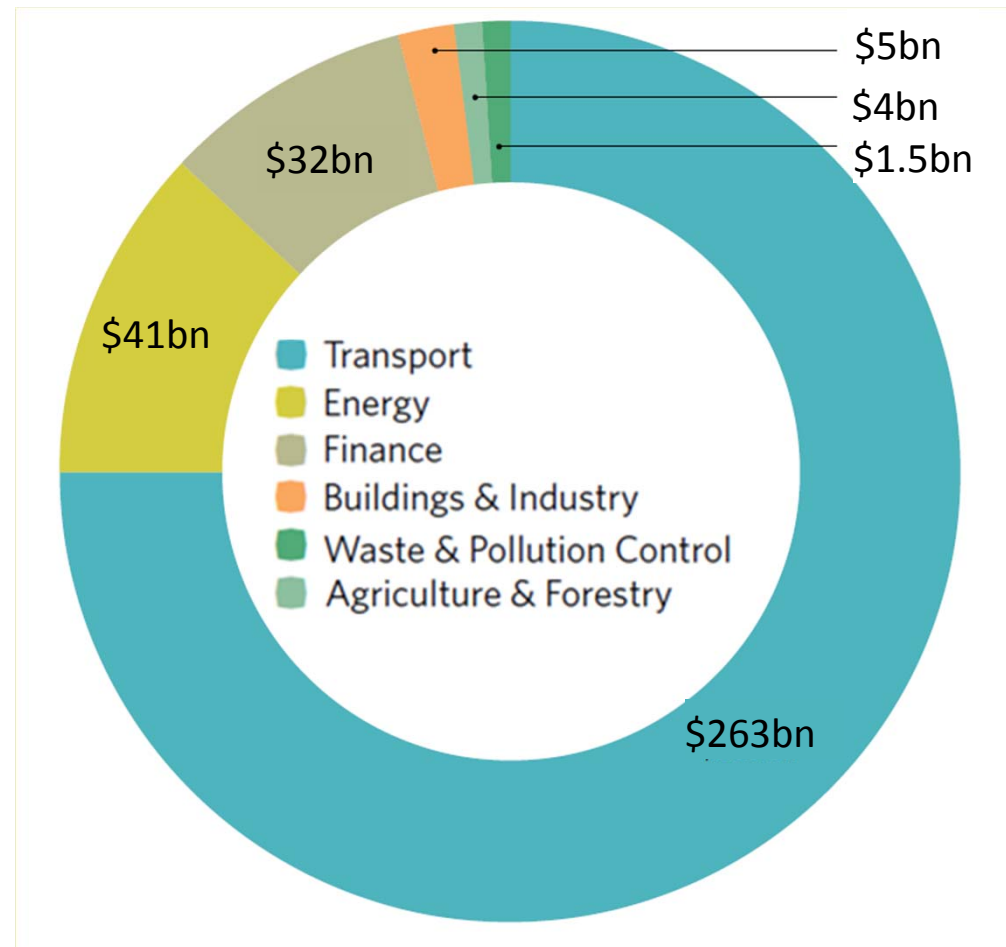
Key findings










- 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 ow carbon transport, esp. rail, then clean energy & climate finance

\$346bn breakdown (at 1 Mar)

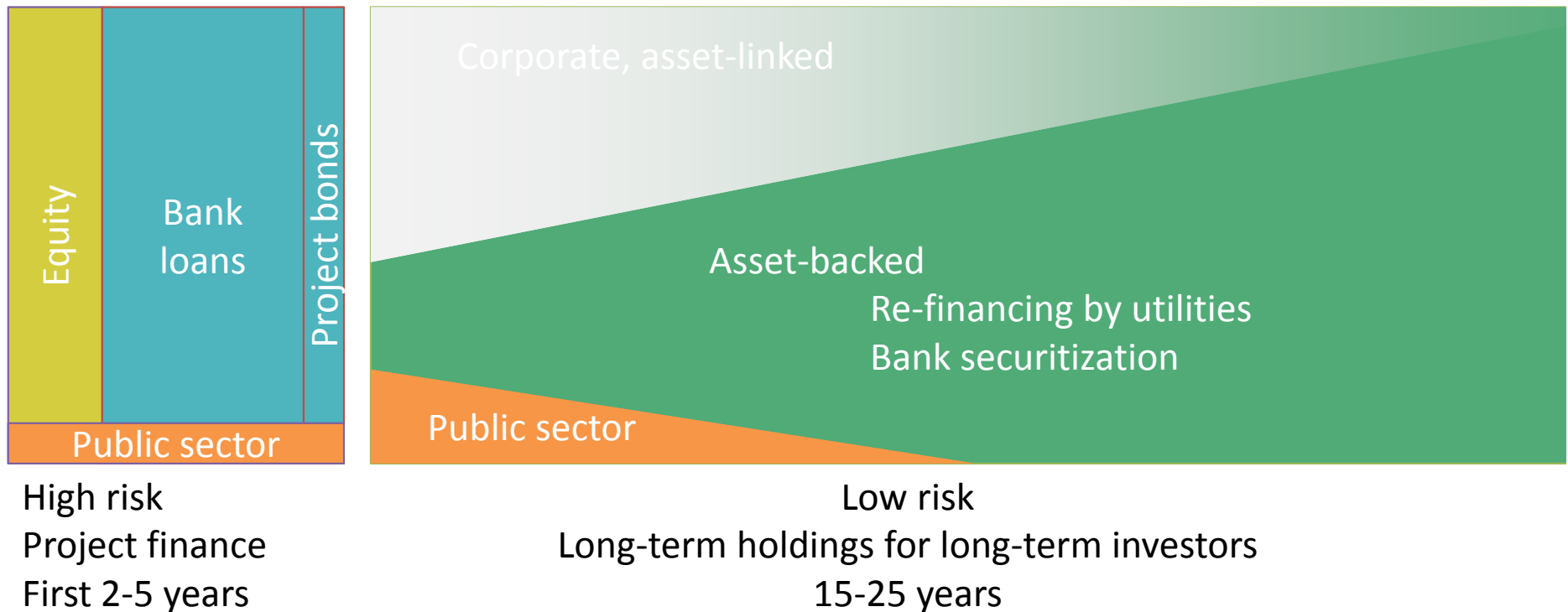
- Transport dominates at 76%
- Energy = \$41bn
- Climate Finance = \$32bn



Low-carbon, climate resilient transition

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

Bonds, re-fi, and the capital pipeline



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



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

