

# Learning Handbook

## Transport Module

Develop sustainable transportation systems using innovative financing schemes.

This module covers the provision of and management of mass transit by public authorities, as well as private transport.

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## List of Abbreviations

CBS	Climate Bonds Standards
EBRD	European Bank for Reconstruction and Development
EIB	European Investment Bank
ESCO	Energy Service Company
EU	European Union
EPC	Energy Performance Contracting
ESG	Environmental, Social, Governance
GBP	Green Bonds Principle
HLEF	High Level Expert Group

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## Module Description

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The module on transport covers the provision of and management of municipal fleet (public works, school buses, fire, police, etc.) and mass transport systems by public authorities, as well as private and commercial transport. Actions under transport include municipal fleet procurement and mobility management.



## Module Objectives

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### Mentee

At the end of this module, mentees can achieve the following learning objectives:

- Understand the innovative financing schemes relevant to transport
- Recognize the barriers, incentives, advantages, and disadvantages of the innovative financing schemes
- Examine which sustainable energy and climate action projects can be financed by innovative schemes
- Analyse the success factors and lessons learnt from successful projects financed by innovative schemes

### Mentor

At the end of this module, mentors can achieve the following learning objectives:

- Share content knowledge on the topic of innovative financing schemes that are relevant under the transport module
- Share the practical experience in implementing sustainable energy and climate action projects and support others in overcoming different barriers
- Showcase sustainable energy and climate action projects successfully financed by innovative financing schemes in their municipality/ region
- Learn from mentees' cities and regions about what projects they want to implement and which innovative financing schemes they want to apply

## Sectoral Challenges

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In Europe, more than 60% of the population lives in urban areas (European Commission, 2018). Citizens share not only space but also the infrastructure developed for mobility. If current trends continue, by 2050 over 82% of the entire EU population will live in cities, demanding more infrastructure for transportation. What is even more challenging is the ever-increasing number of city dwellers that are moving to the suburbs, creating a phenomenon of urban sprawl leading to settlement structures with longer travel distances (Eurostat, 2017).

Longer distances and inadequate public transport imply larger numbers of car ownerships which results in increasing congestion (European Court of Auditors, 2014) and infrastructure maintenance costs while reducing the availability of parking spots. Transport congestion in and around urban areas has also economic costs. Delays and pollution amount to nearly 100 billion euros each year, or 1 % of the EU's GDP. Noise, due to road traffic, is also a growing problem.

According to the EU, in 2017, road transport contributed 21% of the EU's total emissions of carbon dioxide (CO<sub>2</sub>), the main greenhouse gas.

Moreover IEA confirmed that emissions from transport went up by 0.5% in 2019 (compared with 1.9% annually since 2000) from efficiency improvements, electrification and greater use of biofuels. However, IEA identified that: "transportation is still responsible for 24% of direct CO<sub>2</sub> emissions from fuel combustion" (<https://www.iea.org/reports/tracking-transport-2020> ).

These transport-related challenges have pushed cities to find new ways to improve mobility while, at the same time, reducing congestion, accidents, and pollution. Local governments, knowing more about their circumstances, are in the best position to create solutions for these transport challenges. Moreover, the European Commission aims to reduce greenhouse gas emissions by 55% compared to 1990 levels by 2030 through the Green Deal which touches climate, energy and transport within its policies.

## Typical Projects

The creation of biking lanes, awareness campaigns on the use of public transports, and mobility planning are among the typical projects to achieve sustainable transportation. Other projects, including ones from [PROSPECT+'s Replicable Practices \(https://h2020prospect.eu/replicable-practices/transport\)](https://h2020prospect.eu/replicable-practices/transport), can include the following actions with their features – from CO2 saving potential and estimated costs for a municipality to target groups and key actors.

**Table 1:** Example of actions under transport

Action	CO <sub>2</sub> -saving potential	Estimated costs for the municipality	Cost-benefit ratio	Implementation time frame	Target group	Key actors
Mobility management of municipal fleet	High	Medium	Medium to high	1 month	Municipality	Municipality , municipal staff
Bicycle promotion actions	Indirect - Medium	Medium - high	Medium	Months - Years	Municipality , citizens, companies, schoolchildren	Municipality , citizens, traffic consultants
Mobility action plans	Indirect - Medium	Medium - High	Medium	Months - Years	Municipality , citizens, companies	Municipality , citizens, traffic consultants
An attractive publictransport system	High	high	Medium to high	1 year	Municipality	Municipality , citizens, bus companies
Tools to foster environmental friendly traffic in cities – congestion charge	Indirect - Medium	medium	Medium to high	Months - Years	Municipality , citizens, companies	Municipality , citizens
Pedestrian promotion actions – infrastructure	Indirect - Medium	medium - high	medium	Months - Years	Municipality , citizens, companies, schoolchildren	Municipality , citizens, traffic consultants
Implementation of car sharing for citizens and enterprises	medium	none - low	medium	1 year	Municipality , citizens, companies	Municipality , citizens, public transport, private car-sharing companies

## Good Practices

The city of London wanted to enhance and provide a better and more sustainable transport service to the citizens. The expected increase in London's population pushed the municipality to consider an increase in the transport capacity of the city. To do that, the municipal authorities decided to align with the latest good practices.

Next to Paris, Gothenburg, Stockholm, and Orebro Kommun, London is a pioneering issuer of Green Bonds. This bond of GBP 400 million (approximately EUR 447 million) will fund low carbon transport projects from Transport for London's business plan until 2021.

London financed five eligible green project categories that could foster mobility in the city such as low carbon transport projects, station, and line upgrades on rail and underground, low-emission hybrid buses, and cycling improvements.

**Table 2:** Good practices in transport

Financing Scheme	City/Region	Good Practice	Source of funds
Green Bonds	Greater London Authority (UK)	Transport for London (TfL) Green Bond	Private Sector, <a href="https://www.climatebonds.net/files/files/Case%20study%20-%20TfL%20final(1).pdf">https://www.climatebonds.net/files/files/Case study - TfL final(1).pdf</a> <a href="https://tfl.gov.uk/info-for/investors/borrowing-programme">https://tfl.gov.uk/info-for/investors/borrowing-programme</a>
Participatory Budget (PB)	Lisbon	Green PB, Lisbon	Public votes, <a href="https://cfl.southpole.com/solutions/lisbonGr">https://cfl.southpole.com/solutions/lisbonGr</a>
Investment package	Smart EU cities	BABLE solutions	Private, <a href="https://www.bable-smartcities.eu/home.html">https://www.bable-smartcities.eu/home.html</a>

## Funding Sources

How can public authorities finance sustainable energy and climate action projects? There are different options for financing projects – from the city or municipality's own resources through direct budget allocation and via revolving funds to using grants from sub-national or European funds and the involvement of energy service companies (ESCOs) for energy performance contracting and financing by citizens through crowdfunding.

**Table 3:** Source of funds for sustainable energy and climate action projects

No.	Source of Funds	Description
1	<b>Own Local (City or Municipal) or Regional Budget</b>	Funds drawn from the budget of local or regional public authorities
2	<b>National Funds</b>	Subsidies provided by national governmental bodies or funding through grants from national programmes
3	<b>European Funds</b>	Grants and contracts from the European Commission from the Funding and Tenders portal.

3.1	<b>Managed at the EU level</b>	Funds that provide technical assistance and project development, usually for demonstration/pilot projects (e.g. European Innovation Partnership on Smart Cities and Communities, INTERREG Programmes, such as the North-West Europe Programme)
3.2	<b>Managed at the national, regional, or local levels</b>	Funding resources and technical assistance, such as the European Structural and Investment Funds, which are managed by national, regional, or local public authorities in partnership with the European Commission through operational programmes based on strategic goals or investment priorities
4	<b>European Banks</b>	These include European Investment Bank, European Fund for Strategic Investments, Private Finance for Energy Efficiency, European Energy Efficiency Fund, and European Bank for Reconstruction and Development
5	<b>Private funds</b>	Financing provided by private contractors, utilities, by institutional investors, crowdfunding, and through energy cooperatives

For financing opportunities for local climate and energy actions from the Covenant of Mayors learn more here: [quick reference guide](#)

<https://www.covenantofmayors.eu/IMG/pdf/Quick Reference Guide - Financing Opportunities updated2016.pdf>.

The guide shows who the beneficiaries are, the participating countries, the focus areas, the type of funding, managing structure and coordination, and further information.



## Decision Tree

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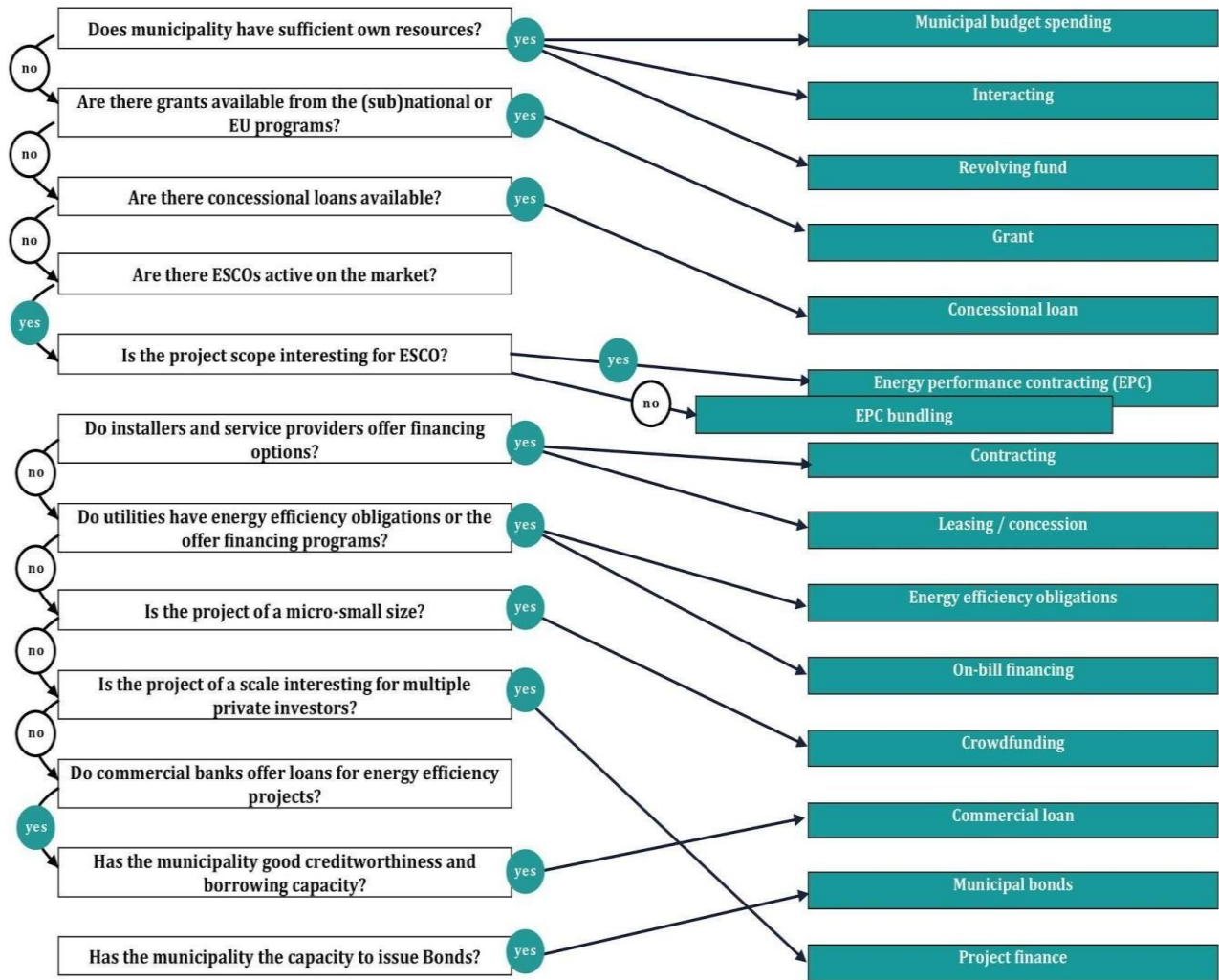
The decision tree represents a flow chart of the most appropriate financing mechanisms to address specific situations faced by municipalities in financing energy efficiency (EE) projects. The scheme is not binding as, in many cases, multiple mechanisms may be combined.

The first thing to address is whether the municipality has sufficient resources to fund the project(s) or not. If the municipality has sufficient financing for the project(s), it can allocate part of its budget for the project(s) by establishing a budget line item for a project and carrying out the mechanism of general budget financing. If the municipality does not have enough funds, it can seek any grants available from donors. If there are available grants, the municipality can apply for them. Often these grants do not cover the entire project cost as they represent a mechanism of partial budget financing. It is often possible that funds may also come from the national government; in this case, the municipality will capture a new budget for financing part of the project(s). If the fund does not come from the national government, it is possible to look for energy efficiency funds; this financing scheme is subject to EE fund eligibility criteria.

Besides these funds, commercial banks can also offer dedicated credit lines and/or risk-sharing programmes. To take advantage of these opportunities, the municipality must respond for its creditworthiness as well as its collateral and borrowing capacity.

Other financing systems can be found in commercial or financial ESCOs; if there are ESCOs in the market the municipality can develop favourable EPCs by negotiating them with ESCOs. If the ESCO is not an option, leasing or vendor financing programmes can be searched. In such a case, when the eligibility criteria are satisfied, similarly to the commercial financing scheme, the municipality can negotiate the leasing or the vendor financing agreement. Finally, if the municipality has the capacity to issue municipal bonds it can create a municipal bond programme by taking into account the transaction costs and market situations.

Select the relevant financing model for sustainable energy and climate action projects using a simple decision tree below:



Source: Novikova, et al., 2017

Figure 1: Decision Tree

## Innovative Financing Schemes

Innovative financing schemes are non-traditional ways of raising funds and facilitating sustainable energy and climate investments for cities and regions by mixing different sources (own fund, public and private funds) or engaging different partners (e.g. citizens, private sector) aside from established financial institutions (e.g. banks).

**Table 4:** Innovative financing scheme under transport

Financial Schemes	Description
Green bonds	Local government (or their agencies) can issue green bonds to fund their sustainable energy and climate projects. A green bond can operate as a normal bond, which is a debt that will be paid back, depending on the characteristics of the bond, with interest. These can be made attractive via tax-exemptions.
Participatory Budget	Green Participatory Budget in Lisbon: The city of Lisbon launched The Lisbon Climate Citizen Commitment, a local government-led initiative that put together climate projects into its Participatory Budget via a “Green Seal”. The Green Seal was a platform that made Lisbon’s Commitment for Resilience to Climate Change material and attracted new private funding sources. In order to implement commitments, Lisbon launched its Green Participatory Budget (PB), a new variant on its traditional PB, doubling its value from 2.5 million in 2019 to 5 million in 2020. The Green PB follows the same civil society engagement process as the traditional PB, with the main difference that, throughout its annual cycle, participants can present projects which have measurable and achievable climate mitigation and/or adaptation goals and targets. All the selected projects related to environment and climate change were awarded Lisbon’s “Green Seal”, including two projects related to mobility with bike lanes and green spaces. ( <a href="https://h2020prospect.eu/replicable-practices/transport">Transport - Replicable Practices   PROSPECT+ (h2020prospect.eu)</a> , <a href="https://h2020prospect.eu/replicable-practices/transport">https://h2020prospect.eu/replicable-practices/transport</a> )

# Green Bonds

## What you need to know about green bonds



**Figure 2:** Green Bonds in a Nutshell (Doris Kramer, 2018)

## What are green bonds?

Green Bonds are bonds where proceeds are exclusively applied to finance or refinance, in part or completely, new or already existing green projects. In this handbook, we focus on green projects in the sector of transport. These can be bicycle promotion, car sharing, or other projects presented in Table 1: Examples of projects under transport.



## Who can issue a green bond?

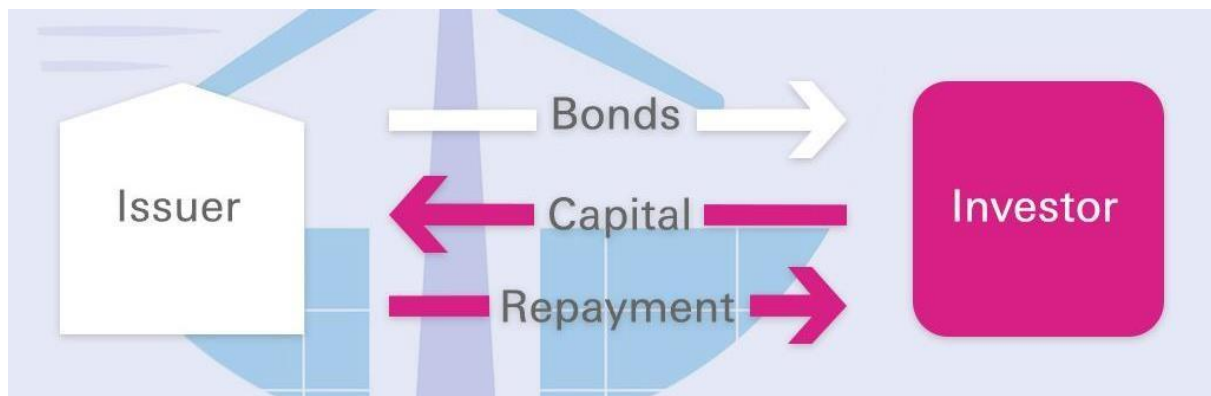
Green bonds can be issued by:

- City governments
- Utilities: water, transport, energy, etc.
- Corporations that are developing, building, or managing green assets for issuers
- States or development banks

## What is the difference between a normal bond and a green bond?

As with any bond, green bonds are financial assets used for raising capital from investors through the debt capital market. During the “maturity” phase, the issuer - whether governments, corporations, banks, or individuals - raises a fixed amount of capital from investors; when the “principal” phase is reached, the issuers repay the capital with an agreed amount of interest called “coupons”.

The difference between green bonds and other regular bonds is the term/label “green”, which assures the bonds’ proceeds will be exclusively used to finance or refinance “green” projects that result in environmental benefits (OECD, 2015).



**Figure 3:** Issuer and Investor in the Green Bond market (Deutsche Bank, 2014)

## Which are the existing standards for Green Bonds?

There are different standards. The most renowned standards are The Green Bonds Principles (GBP) and the Climate Bonds Standards (CBS). Nowadays, all bonds labeled as green are aligned with the GBP (or GBP-based frameworks). The GBP is the “de facto” market standard for green bonds. The CBS, which integrates the GBP, are still relevant as they include “*more detailed sector-specific eligibility criteria and have a certification mechanism.*” (European Commission, 2016)

As an example, the city of Paris issued green bonds, declaring: “*The City of Paris is committed to the wellbeing of its population, sustainable development, and supporting the French economy. As part of this commitment, the City of Paris has elected to develop a Sustainability Bond Framework in accordance with the Green and Social Bond Principles 2017, for the future issuance of Climate and/or Sustainability Bonds*” (City of Paris Sustainability Bond Framework.)

**Table 5: Types of Bonds (Adapted from Climate Bond Initiative, 2018)**

Type	Proceeds Raised by Bond Sale	Debt Recourse	Example
General Obligation Bond	Earmarked for green projects	Full recourse to the issuer; therefore same credit rating applies as to the issuer's other bonds	As of 31 December 2016, European Investment Bank (EIB) remains the largest issuer of Green Bonds with over EUR 15bn raised across 11 currencies, of which the EUR equivalent of 3.8bn so far this year. The EIB provides the market with benchmark Green Bond issuances in EUR, USD and GBP, but has also issued CABs in SEK, CAD, ZAR, CHF, AUD, JPY, TRY and BRL (in synthetic format). EIB is increasing liquidity, size, and scale of Green Bond issuance, in addition to gradually building green reference yield curves. For more information, see: <a href="http://www.eib.org/">http://www.eib.org/</a>
Revenue Bond	Earmarked for green projects	Revenue streams from the issuer, such as taxes or user fees, provide repayment of the bond	Iowa Finance Authority issued \$321,5 millions of State Revolving Fund revenue bonds in February 2015, with 1- to 2- year tenors, 1% to 5% coupon, rated AAA. The green bonds were backed by water-related fees and taxes. Proceeds were earmarked for water and wastewater projects.
Project Bond	Ring-fenced for the specific underlying green project(s)	Recourse is only to the project's assets and revenue.	No issuance seen in the market yet
Securitized Bond	Either (1) earmarked for green projects or (2) go directly into the underlying green projects.	Recourse is to a group of financial assets that have been grouped together as collateral.	Hawaii State Government issued \$150 million, AAA-rated of green asset backed securities in November 2014. The securities were issued in two tranches: \$50 million, 8 years, 1.467% coupon and \$100 million, 17 year, 3.242% coupon. The bonds were backed by a Green Infrastructure Fee applied to the bills of the State Utility's electricity customers. Proceeds went to loans to install distributed solar panels, connectors, and storage
Municipal Bond	Either (1) earmarked for green projects or (2) go directly into the underlying green projects.	Recourse is to a group of financial assets that have been grouped together as collateral.	In 2013, Gothenburg issued its first green bonds for SEK 500 million. The city made a second foray into the green bonds market in 2014 with a SEK 1.8 billion issuance, the third issuance for SEK 1 billion in 2015, and a fourth issuance for SEK 1 billion in 2016. To date, the city has been able to raise a total of SEK 4.36 billion via the financial markets. Gothenburg's green bonds are the first financial product that allows mainstream investors (about 98% of the capital market) access to climate financing at no additional cost. (Gothenburg Green Bonds, Sweden)

The EU green bond market is generally well developed due to its well-established existing finance infrastructure; the active involvement of EU-based organisations and political support. However, there are significant differences in the green bond market development across the EU Member States, caused mainly due to the differences in the national bond market development and policy frameworks. The EU green bond market is led by Multilateral Development Banks (such as EIB, EBRD), municipalities (e.g. Ile de-France, Gothenburg), and corporations (e.g. utilities and producers of green solutions) (European Commission, 2016)

To develop an overarching strategy in this area, the European Commission set up a High-Level at the end of 2016. The group was tasked to prepare a comprehensive blueprint for reforms along the entire investment chain.



**Figure 4:** Tasks of the technical expert group (European Commission, 2018)

## Who are the actors involved?

The main actors in the market can be categorized as **issuers** (entities with green projects needing funding or refunding), **underwriters** (financial institutions arranging the issuance of the green bonds), **external reviewers** (verifying the "greenness" of the underlying projects) including rating agencies, intermediaries (such as stock exchanges), and **investors** (particularly those with a mandate to invest in green assets).

Issuers of green bonds may benefit from reputational gains and upgraded environmental risk management processes due to commitments to green disclosure. On the other hand, bond investors, especially long-term and responsible investors, are provided with an emerging class of green assets and more opportunities to actively engage with issuers on ESG (Environmental, Social, Governance) factors related to the financed projects (European Commission, 2016).

## What are the roles of each actor?

**Issuer:** It is the main actor, the entity that decides to create the bond for financing green projects.

**Underwriter:** In support of the issuer, generally is a bank that provides the economic and environmental knowledge necessary to structure the Green bond and its framework

**External Reviewers:** An external actor provides an independent assessment of the green bond framework created by the issuer and the underwriter.

## What are the advantages for the issuer?

Local governments that set up a Green Bond normally mention the following advantages (OECD, 2017):

1. Demonstrating and implementing the issuer's approach to ESG issues
2. Improving diversification of a bond issuer's investor base, thereby expanding funding sources and potentially reducing exposure to bond demand fluctuations
3. Strong investor demand can lead to oversubscription and the potential to increase issuance size
4. Evidence of a greater proportion of "buy and hold" investors for green bonds which can lead to lower bond volatility in the secondary market
5. Reputational benefits (e.g marketing can highlight the issuer's green credentials and support for green investment)
6. Articulation and enhanced credibility of sustainability strategy (putting one's "money where their mouth is) leading to enhanced dialogue with investors
7. Access to "economies of scale" as a majority of issuance costs are in setting up the

processes Other less common advantages related to green bonds are:

1. Tracking of proceeds use and reporting leads to improved international governance structures, communication, and knowledge sharing between the projects side and treasury side of the business (G20 Green Finance Study Group, 2016)
2. For municipalities, a tool to reach constituencies physically located close to the green project they intend to support and provide them with opportunities to invest in programmes that have a direct proximal impact (World Bank Group, 2015)

## What are the common challenges?

Green Bonds are a recent financial instrument to support green investments and international organizations and banks are currently developing standards to regulate and stream the growth of this emerging market. Because of these, most of the current barriers to setting up a Green Bond are based on the lack of knowledge of the green bond technical requirements and the



impediments to access the green bond market. Here are the barriers adapted from the G20 Green Finance Study Group (2016):

**Financial** related barriers:

- Costs of Meeting Green Bond Requirements
- Difficulties for International Investors to Access Local Markets
- Lack of Domestic Green Investors

**Knowledge** related barriers:

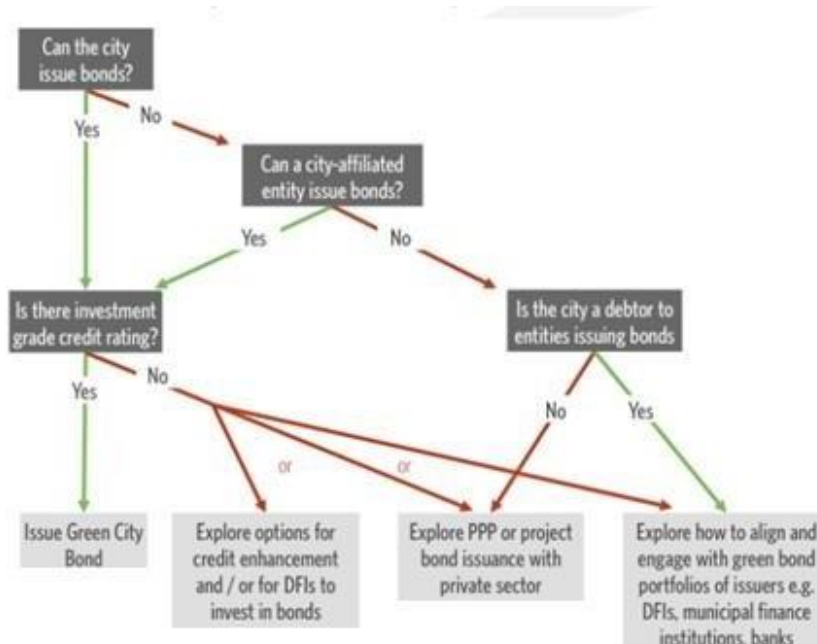
- Lack of Awareness of the Benefits of Green Bonds
- Lack of Univocal International Guidelines and Standards
- Lack of Green Bond Ratings, Indices, and Listings
- Lack of Supply of Labelled Green Bonds

## What are the prerequisites to set up Green Bonds?

The key factors that influence a city's Green Bond strategy are (Padraig Oliver & Climate Policy Initiative, 2016):

- National regulation dictates whether a city is legally able to issue its own bonds in domestic or international capital markets and currencies
- The size and risk profile of the green infrastructure investment indicates the likely investor segment to target
- The creditworthiness of a city's own balance sheet established either through a rating from an external credit rating agency or implicitly rated through external due diligence dictates its attractiveness to investors. Investment-grade credit ratings denote if the city has a low risk of default with typical thresholds at BBB- or Baa up to an AAA maximum rating.
- A city's level of engagement with or ownership of other organizations that have access to capital markets and may want to include city-based green projects in potential bond issuance, including:
  - City-based entities such as public utilities or agencies that city administrators exert a degree of control over
  - Public-private partnerships
  - Commercial banks or private sector companies with access to capital markets
  - National-level development agencies and banks
  - Multilateral or bilateral development agencies and banks

Some cities may have all these variables in place, while others can find limited options. You can easily check your options for developing a Green Bond strategy by using the decision tree below:



**Figure 5:** Decision Tree for Municipalities (Padraig Oliver & Climate Policy Initiative, 2016)

## What are the steps for issuing Green Bonds?

The process has three (3) different phases: Pre Issuance, Issuance, and Post-Issuance, which are further explained below.

### What is the Pre Issuance Phase (Phase I)?

It is the preparation for issuing the green bond. The first step is to **identify and qualify Green Projects and Assets**. Here the “greenness” of the issuing entity doesn’t matter, it is all about the project or the specific physical asset. Therefore, if you are able to issue a regular municipal bond, you can also issue a green bond as long as there are green assets or projects (Green City Bonds, 2015).

Also, it is essential to set up an **independent review** that will help to identify green assets, protecting the issuer's reputation. In a further stage, the issuer needs to establish the right procedures for **tracking and reporting** the use of the proceeds. *“To ensure all proceeds are applied to green projects, the sum of the cash on hand and amounts invested in assets or projects must not be less than the amount of the bond.”* (Green City Bonds, 2015)

In summary, the key steps of the Pre Issuance Phase are:

- Analysis of the green bond market, to check the risk and opportunities given by the issuance of the bond. Capital and debt markets should be regulated and stable to minimize the risks.
- Creation of a Green Bond Framework, to structure the bond and align it with international standards.

- Verification of the Green Bond Framework (and offer) by an independent institution, to assess the quality and coherence of the Framework.

### **What is the Market Analysis?**

The market analysis supports the issuer to verify the existing conditions to access the green bond market. Through this preliminary analysis, the issuer can check how feasible and convenient it is to issue a green bond; for example, by checking opportunities and threats offered by the market. This phase is focused on three aspects:

- Analysis of Existing Assets
- Target Investors
- Assessment of Environmental Risks & Opportunities

While assessing risks and opportunities inherent to the business of the company, the issuer should give special attention to environmental aspects. *“This is because these issues will be subject to the analysis of potential investors.”* (FEBRABAN & CEBDS, 2016)

### **What is the Green Bond Framework?**

The Green Bond Framework is the core of the pre-issuance phase. In this document the issuer firstly provides an overview of its commitment to sustainability issues, generally through the support of a financing institution (i.e. bank) that acts as an “underwriter”. Then there is a clear statement of how the bond will be aligned to the 4 Green Bond Principles, which are:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

To have a practical example of what the framework is please check the link: [FRAMEWORK FOR A TFL GREEN BOND - London Case Study, http://content.tfl.gov.uk/tfl-green-bond-framework.pdf](http://content.tfl.gov.uk/tfl-green-bond-framework.pdf)

### **What is External Review?**

The issuer should use an external reviewer to confirm the alignment of their Green Bonds with the key features of the GBP. The external review can be performed through:

- a) Consultant Review
- b) Verification
- c) Certification
- d) Rating

The review may be partial or used only to cover certain critical aspects of the issuance phase. Although there is this chance, it is suggested that the external review should be performed on the entire framework and be open to public consultation.

## HOW TO GET CERTIFIED

The Climate Bonds Standards Scheme provides a simple certification and verification process for potential issuers, similar to a “Good Housekeeping Seal of Approval”.

Achieving certification is easy:

1. Locate qualifying green assets or projects. These can be existing assets or projects to be completed. Details at <http://www.climatebonds.net/standards/standard>
2. Get independent verification of compliance. Use approved verifiers like Ernst & Young, KPMG, Bureau Veritas, Trucost or DNV-GL. See <http://www.climatebonds.net/approved-verifiers-under-climate-bond-standard>
3. To finalize certification simply send in a verification report to the Climate Bond Standards Board for review. Board members representing \$34 trillion of assets under management will be deciding on the application.

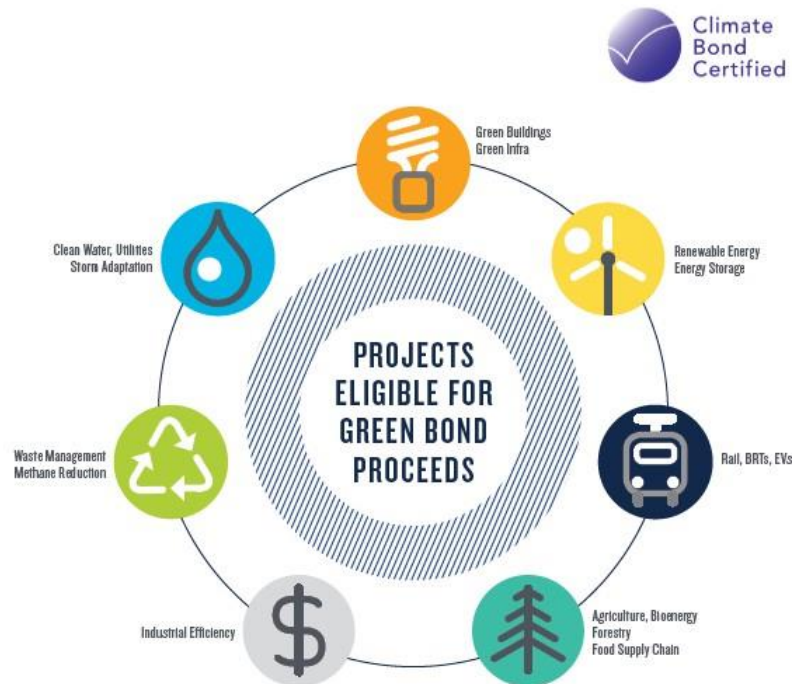


Figure 6: Example of Certification: Climate Bond Initiative (Green City Bonds, 2015)

## What is the Issuance Phase (Phase II)?

According to Febraban and Cebds (2016), the key steps of the Issuance phase are:

- Preparation of the offer:
  - The preparation of a Green Bond offer is very similar to that of a conventional bond, thus the issuance will follow the rules and procedures applicable to the type of bond chosen for the operation.
  - The preparation of the offer includes a series of documents to support the issuance (such as the issuance indenture, rating report, corporate documents of the issuance approval, and audited financial statements of the issuer), which may vary depending on the type of bond used.
- Structuring the offer:

When applicable, the issuer must choose the financial institution that will structure the bond offer
- Presentation of the offer to potential investors:

This happens through a series of presentations (roadshows) made with the support of the underwriting bank.
- Offer distribution and allocation:

The Bond is placed on the market, they can circulate among the major stock markets as the London Stock Exchange Market.



Actors Involved:

- Issuer
- Underwriting Bank structures the bond offer and can act as a sustainability consultant
- Investor

## What is the Post Issuance Phase (Phase III)?

The key steps of the Post issuance phase are:

- **Monitoring and Reporting**, which consists of:
  - Annual Reports
  - List of the Projects to which Green Bond proceeds have been allocated
  - Brief description of the projects and the amount allocated
  - Expected impact of the project. Best Practice, Not mandatory
    - Transparency in communicating the expected impact
    - Monitor the achieved impact
- **Management of the Proceeds**, which implies:
  - Tracking of proceeds
  - Managing unallocated proceeds
  - Earmarking funds for Nominated Projects & Assets
  - Assessment of the process by a third party
  - Transparency

### What are the monitoring and reporting activities?

The Issuer must keep up to date the information on the use of the proceeds, as previously mentioned. Therefore, an annual review should be provided for public view. The annual review should include a brief description of the projects and the amounts allocated, and their expected impact. The core aspect of this phase is transparency: the GBP recommends using qualitative performance indicators and, when possible, quantitative ones.

### How are the proceeds managed?

Net proceeds coming from green bonds (or an equal amount to these net proceeds) need to be tracked by the issuer and *“attested to by the issuer in a formal internal process linked to the issuer’s lending and investment operations for Green Projects. So long as the Green Bond is outstanding, the balance of the tracked proceeds should be periodically adjusted to match allocations to eligible Green Projects made during that period”* (ICMA, 2017).

The issuer should also inform investors about the types of temporary placement for the balance of unallocated proceeds.



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