International Finance Corporation
WORLD BANK GROUP

Green Bonds

Presented at AQA High Level Strategy Session
Washington, D.C
April 2017

- Introduction to Green Bonds
- IFC's Green Bonds Experience
- Q&A

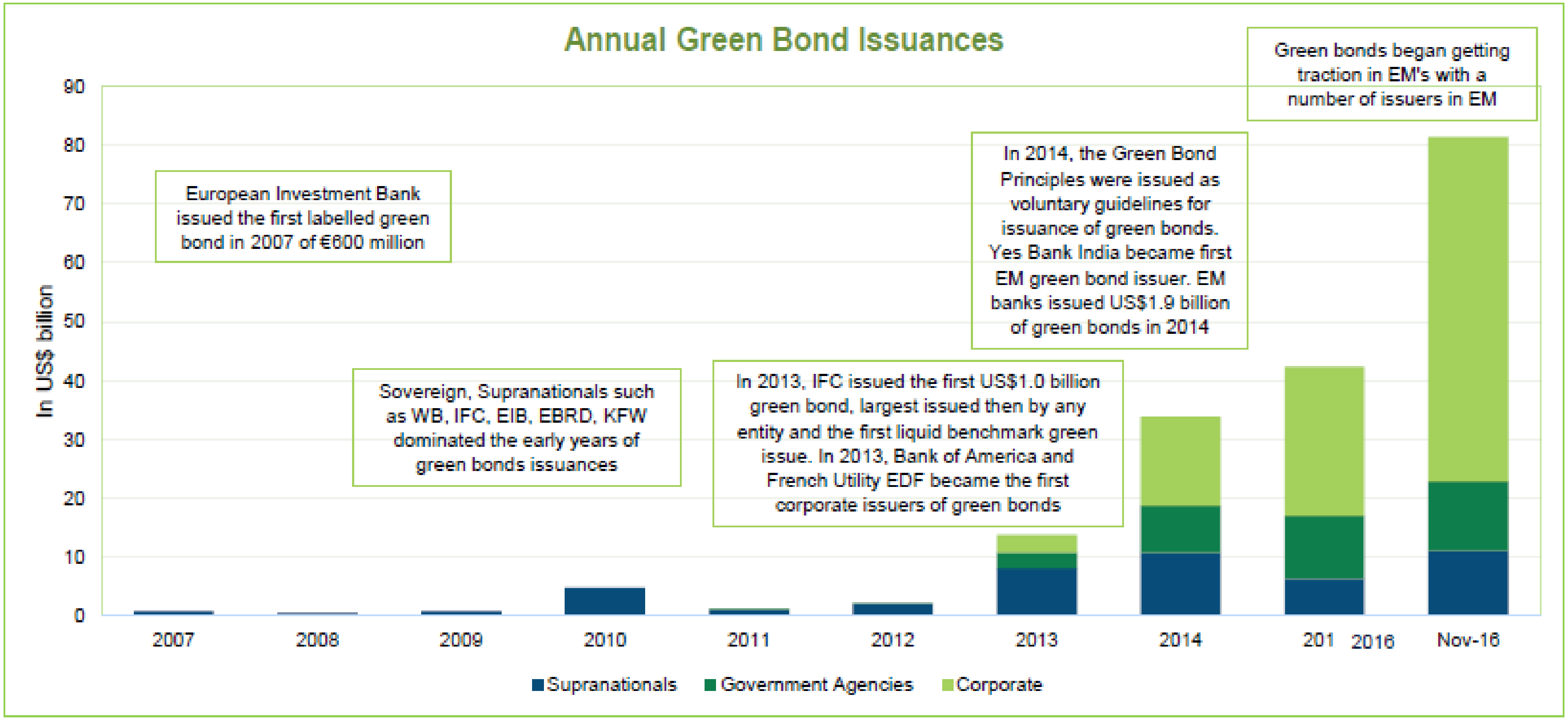
What are Green Bonds?

- **Green Bonds are a subcategory of Socially Responsible (SRI) Bonds**
  - Proceeds from **SRI bonds** are tied to "socially responsible" investments such as social, development, environment and governance needs
  - Proceeds raised from **Green Bonds** target climate friendly projects and environmental sustainability purposes

Green Bond Market Overview

- The first Green Bond was issued 10 years ago in 2007
- Market has grown 22 times in size of annual issuance in just 5 years

Green bond market evolution to date



What can Green Bonds finance?

There are several sets of criteria defining eligible Green Projects in the market that can be used as a guide.

The **Green Bond Principles** explicitly recognize several broad categories of potential eligible Green Projects including:

- Renewable energy
- Energy efficiency (including efficient buildings)
- Sustainable waste management
- Sustainable land use (including sustainable forestry and agriculture)
- Biodiversity conservation
- Clean transportation
- Sustainable water management (including clean and/or drinking water)
- Climate change adaptation

Governance

- **The Green Bond Principles (GBP):** are voluntary process guidelines that call for transparency and disclosure and promote integrity in the development of the Green Bond market by clarifying the approach for issuance of a Green Bond in four components:

    1. Use of Proceeds

    2. Process for Project Evaluation and Selection

    3. Management of Proceeds

    4. Reporting

  *As of June 2016, the **GBP Executive Committee** has a total of 24 members reflecting a representative group of: 8 Investors, 8 Issuers **including IFC** and 8 Underwriters*

- **3rd Party Opinion providers:** Agencies that verify the eligible projects criteria and assist in setting up a project selection and reporting process or audit the program

Steps to set up Green Bond program

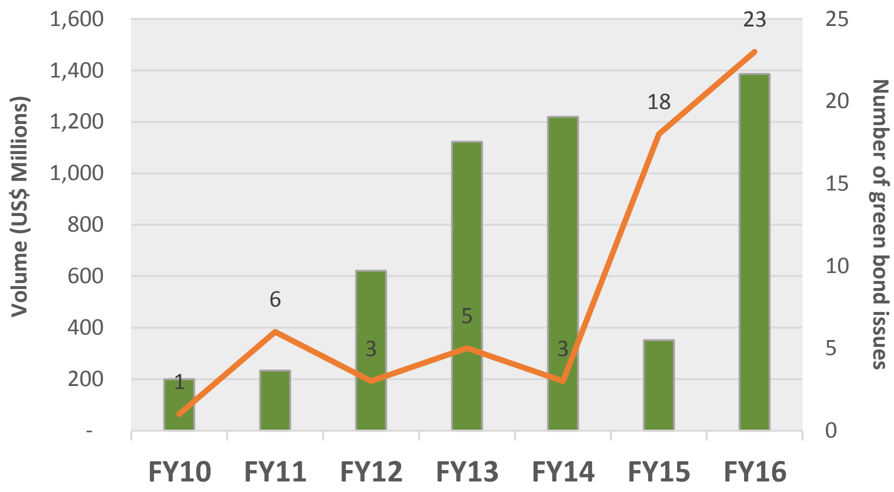
1. Establish a criteria for use of proceeds
2. Consult a third party for an opinion/verification of criteria
3. Outline an internal process for project selection
4. Set up a system to segregate and manage the proceeds separate from the liquidity pool
5. Create controls for transparency and assurance
6. Report the impact of projects funded to investors annually

IFC'S GREEN BOND EXPERIENCE

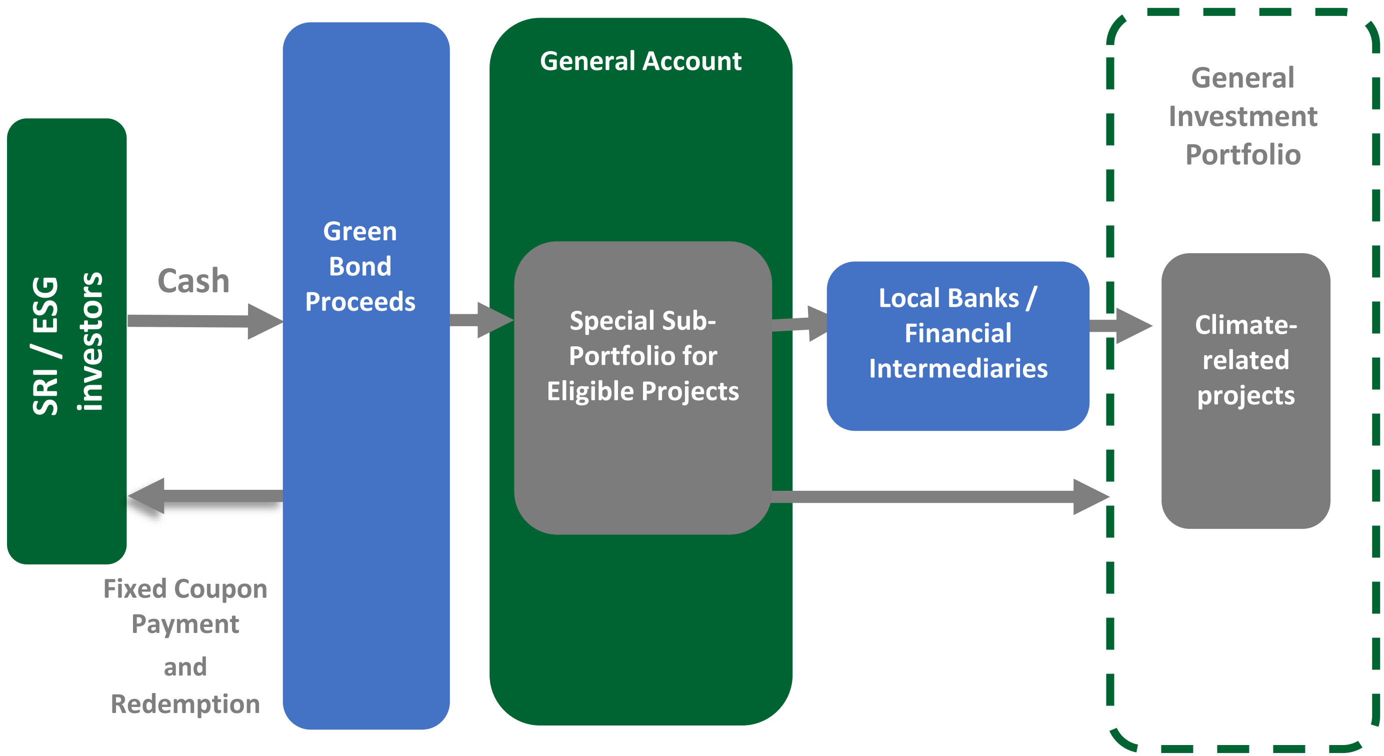
Green Bond Issuance to Date

- **Context**: IFC has played a pioneering role in creating investment opportunities, which support climate change-related projects
- **Objective**: IFC's Green Bond program supports private sector projects that tackle climate change in emerging markets
- **Issuance**: IFC's Green Bond program was launched in 2010 and has raised about $5.8 billion to date, including:
    - the market's first benchmark-sized green bonds issued in 2013 and a recent 10-year benchmark
    - the first US focused retail green bond program
    - issues in EM currencies such as CNH, ZAR, INR

Green Bond issuance: historical breakdown



IFC's Management of Green Bond Proceeds



Green Bond Eligible Projects:

- In the last two years, commitments to 73 new projects for more than $2 billion; and
- disbursements to projects of $1.7 billion

Green Bond Eligible Portfolio Committed in FY16 and FY15: Impact Indicators

Sector	No. of projects	Climate Loan Committed	Annual energy produced	Annual energy savings	Renewable energy capacity constructed/ rehabilitated	Annual GHG emissions reduced/ Avoided
		$ million	*MWh*	*KWh*	*MW*	*Tons of CO2 equivalent*
Solar Energy	21	394	1,925,596	N/A	855	1,180,683
Wind Energy	8	264	1,911,076	N/A	823	1,112,877
Hydro Energy	3	82	665,333	N/A	156	345,129
Green Buildings	16	500	4,809	72,467,798	4	45,843
Green Banking	15	592		N/A		829,384
Agribusiness	4	63		N/A		81,305
Transport	3	91		N/A		
Industrial Energy	3	118	N/A	450,238,615	N/A	155,317
TOTAL	**73**	**2,103**	**4,506,814**	**522,706,413**	**1,838**	**3,750,538**

Scaling Solar Capacity in India

- **Azure Power**, the leading provider of solar photovoltaic energy technology in India, is developing a 130 MW solar power plant in the state of Karnataka to address power shortage
- IFC has provided $31 million loan on its own account and syndicated additional financing of $80 million
- As a result, the Karnataka Azure solar complex will contribute 226 GWh of electricity yearly, reaching more than 100,000 people and will help to avoid GHG emissions, **reducing approximately 166,000 tons of carbon dioxide per year**

IFC Climate Business and Treasury Contacts

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