

From Zero to Hero

lessons and experiences from the growth of the
Chinese green bond market

Alan Xiangrui Meng

Green Bond Analyst

Climate Bonds Initiative

March 2018



Which is green?

1.



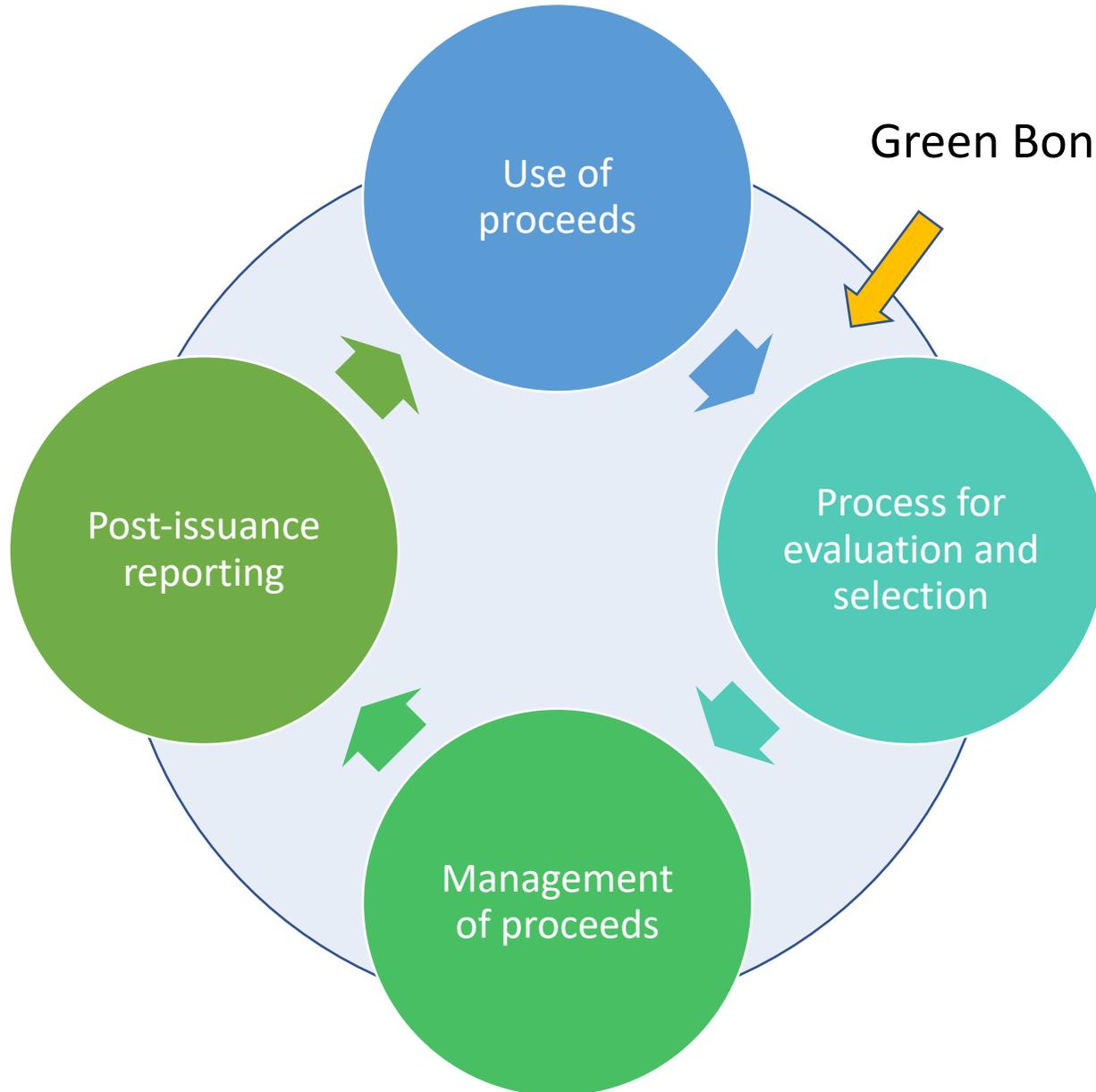
2.



3.



What is a green bond?



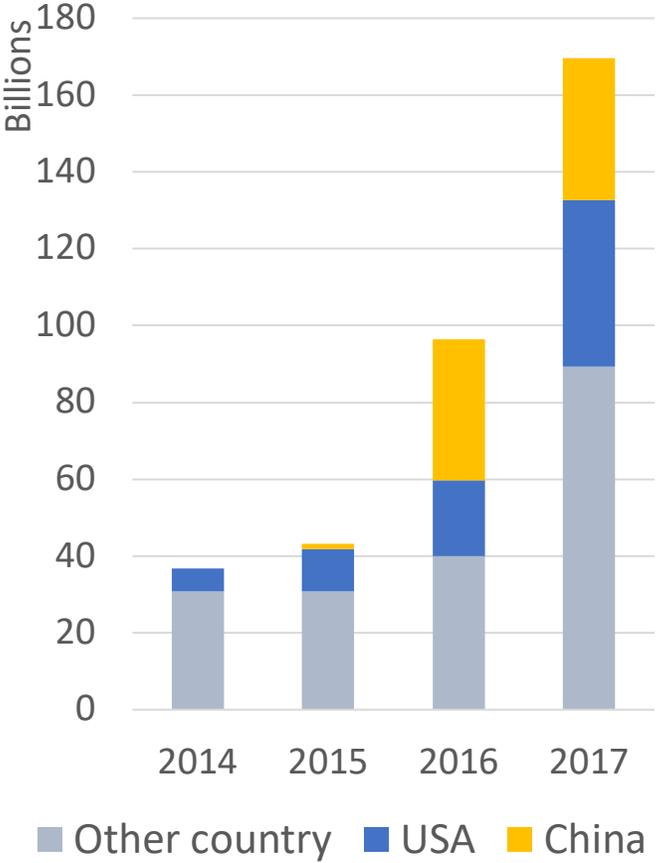
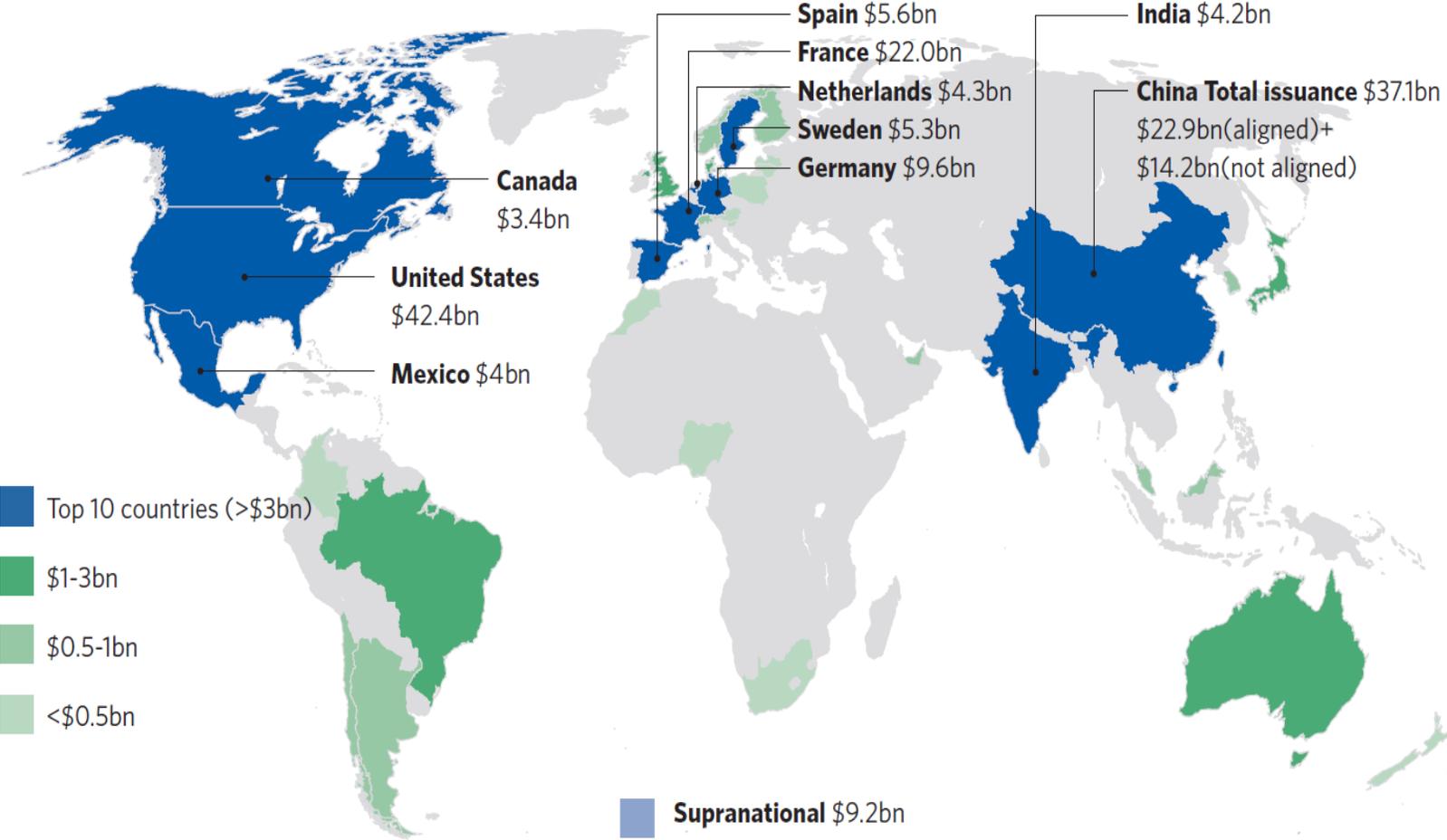
Green Bond External Review

International Green Bond Definitions

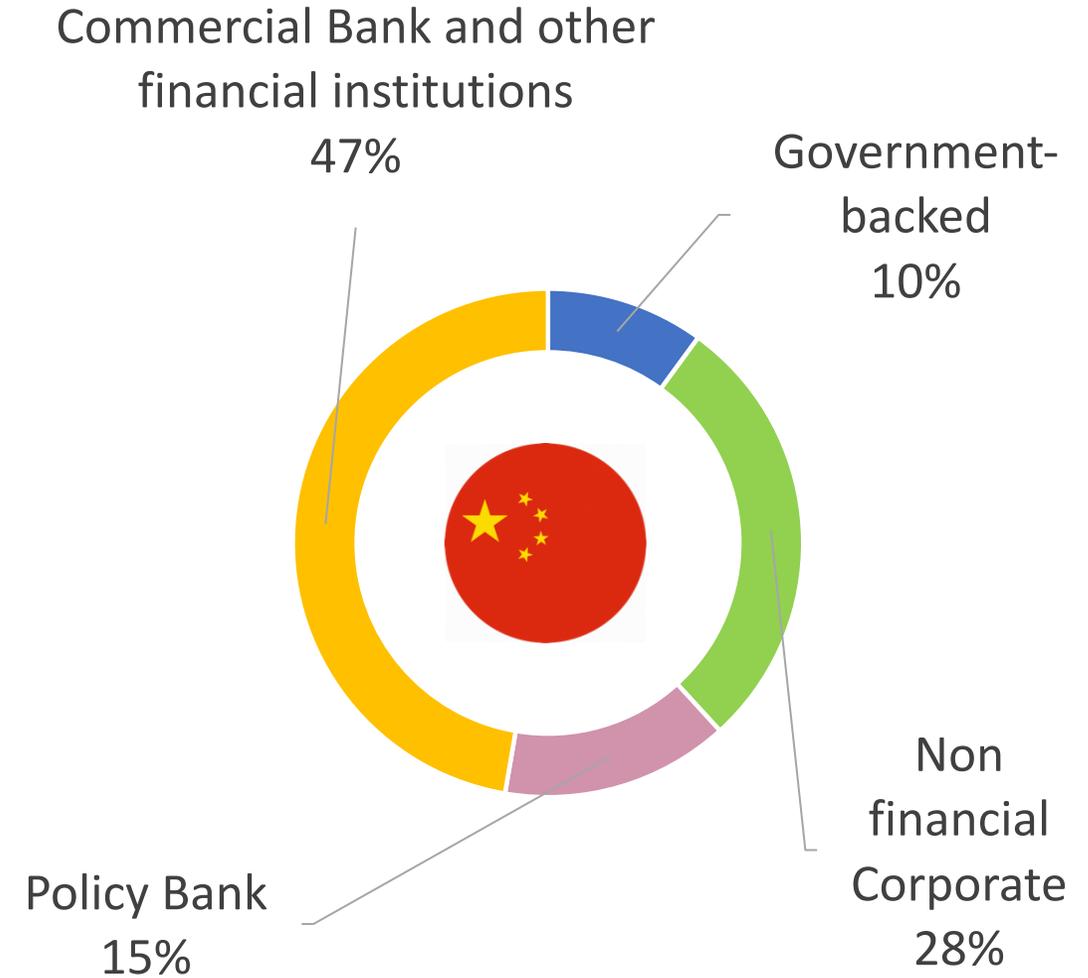
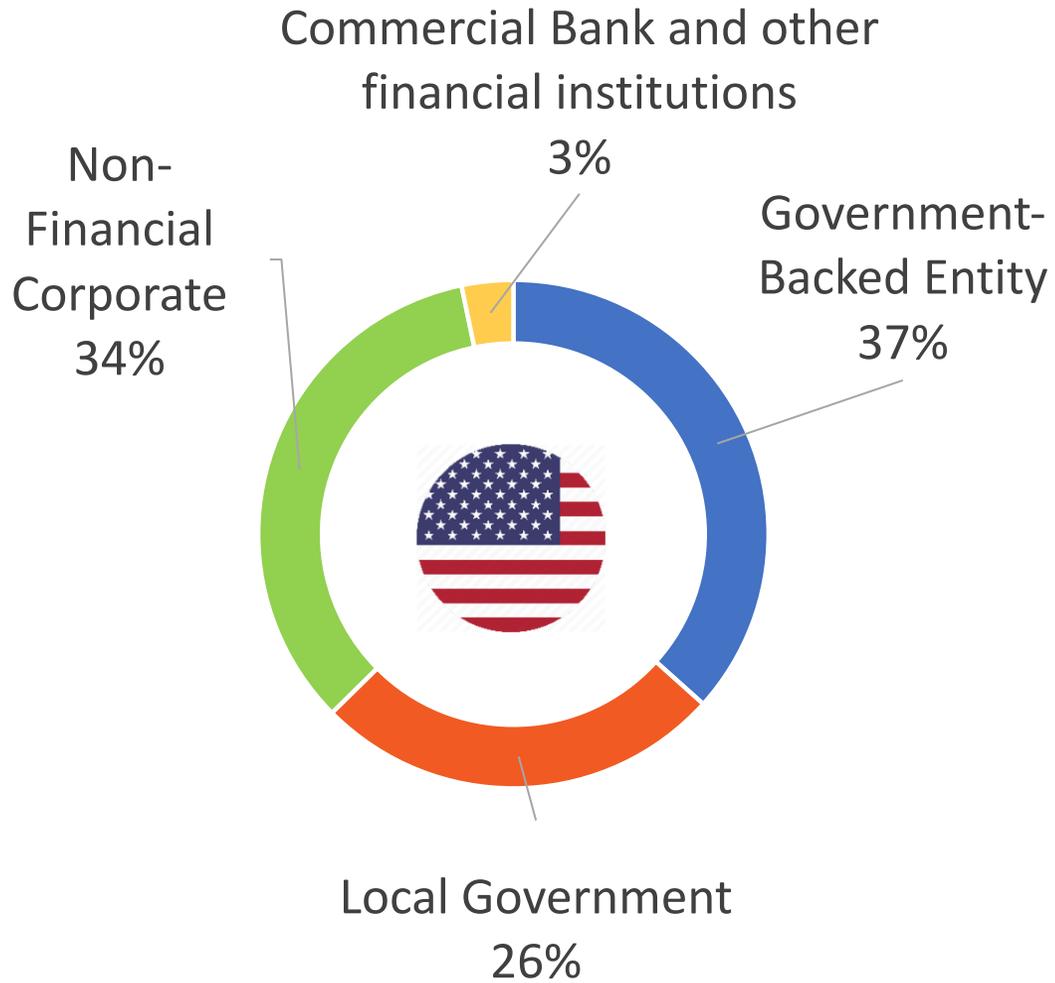
Green Bond Principles

Climate Bonds Standards

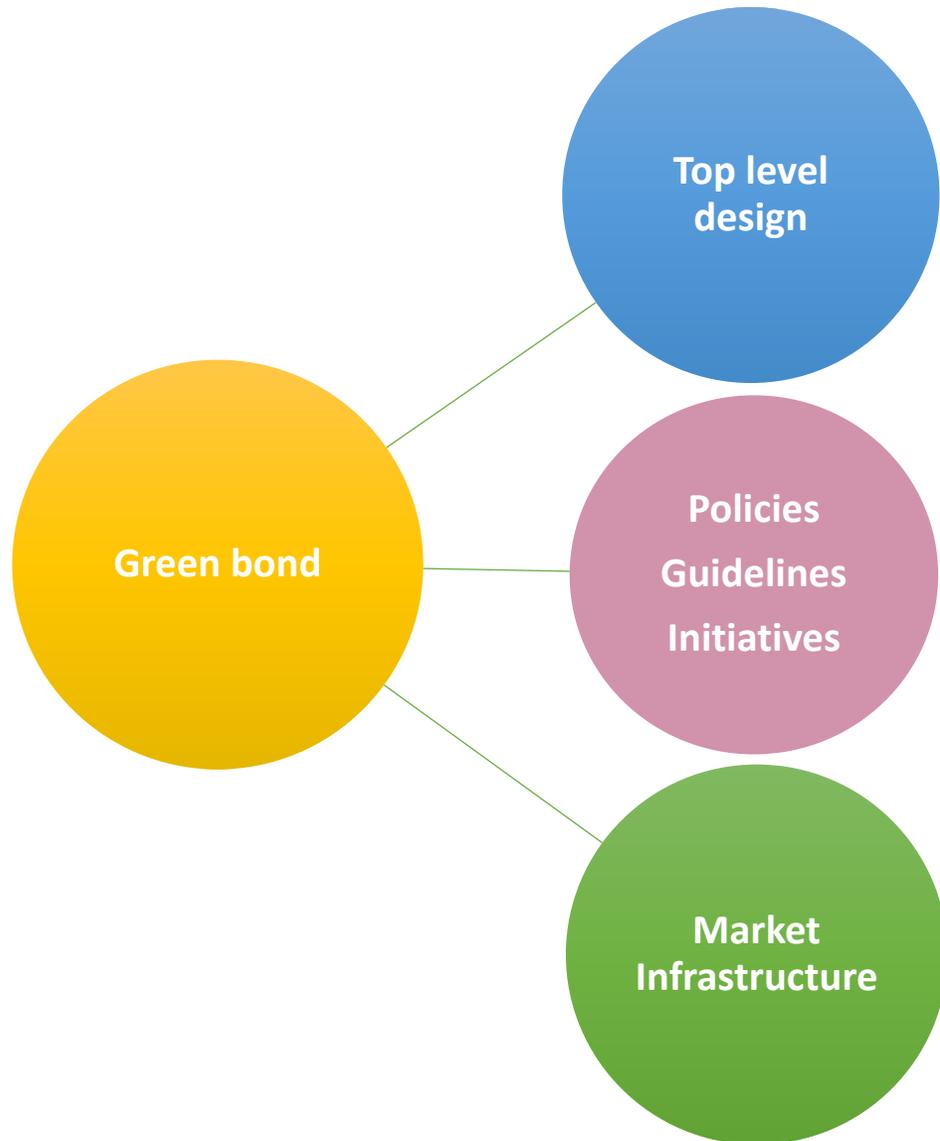
A global green bond market in 2017



Issuer type: US vs China



The Troika that has been driving the China green market



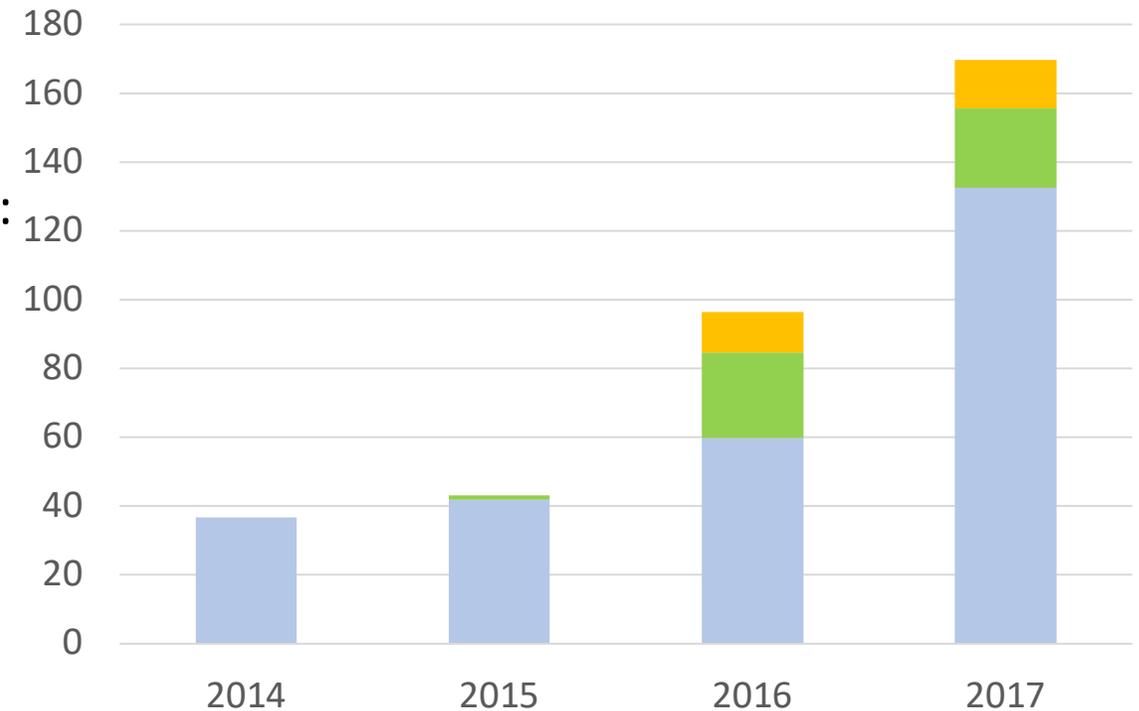
- Xi Administration's commitment to develop the "Ecological Civilization"
- People's Bank of China (PBoC)
- National Development and Reform Commission(NDRC)
- China Securities Regulatory Commission (CSRC)
- National Association of Financial Market Institutional Investors (NAFMII)
- Stock exchanges
- Green bond indices
- Green bond verification agencies

Challenges: harmonization of green bond definitions

Only **62%** of green bonds from China are in line with international definitions

Bonds fail to meet international definitions because:

- 1. Differences in green eligibility definitions**
- 2. More than 5% of proceeds allocated to working capital**
- 3. Lack of disclosure**

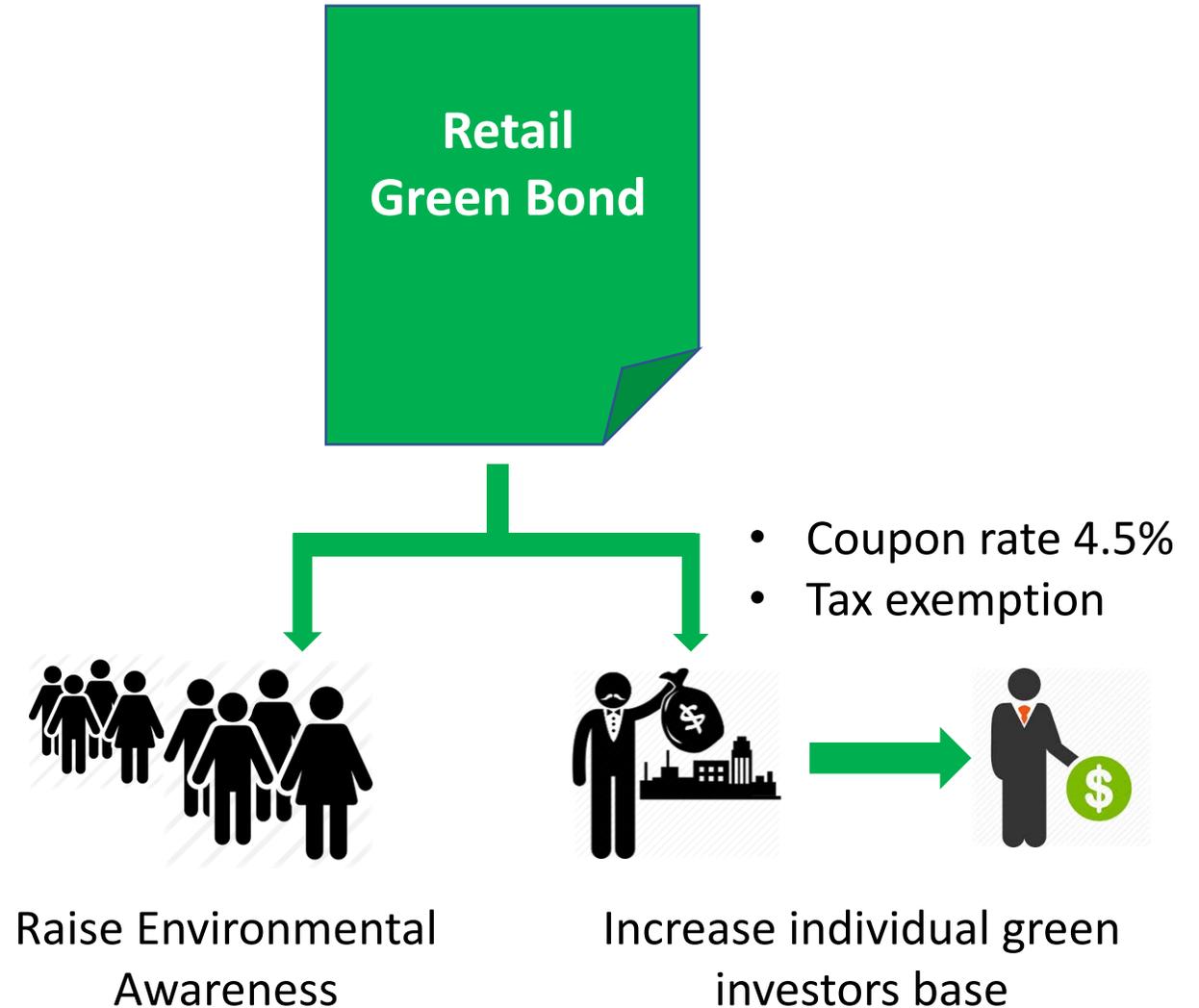


- China's issuance (only aligned with China's definitions)
- China's issuance (aligned with both China and international definitions)
- other country's issuance (aligned with international definition)

Key deals: retail green bond

China Development Bank

- CNY 5bn (\$763.2m), CNY 600m of the bond is available to individual investors
- Expected environmental impacts:
 - Reduction in BOD 365 t/a;
 - TSS 5787 t/a;
 - TN 761 t/a;
 - TP 60 t/a;
 -



Key deals: one belt one road and opportunities for green bonds

Industrial and Commercial Bank of China's (ICBC)



- USD2.15bn in 3 tranches
- Listed on Luxembourg Green Exchange
- “One Belt One Road Green Climate Bond”
- European investors took over 70% of the deal



Opportunities:



Key deals: green investment overseas

Geely Auto (London Taxi Company)

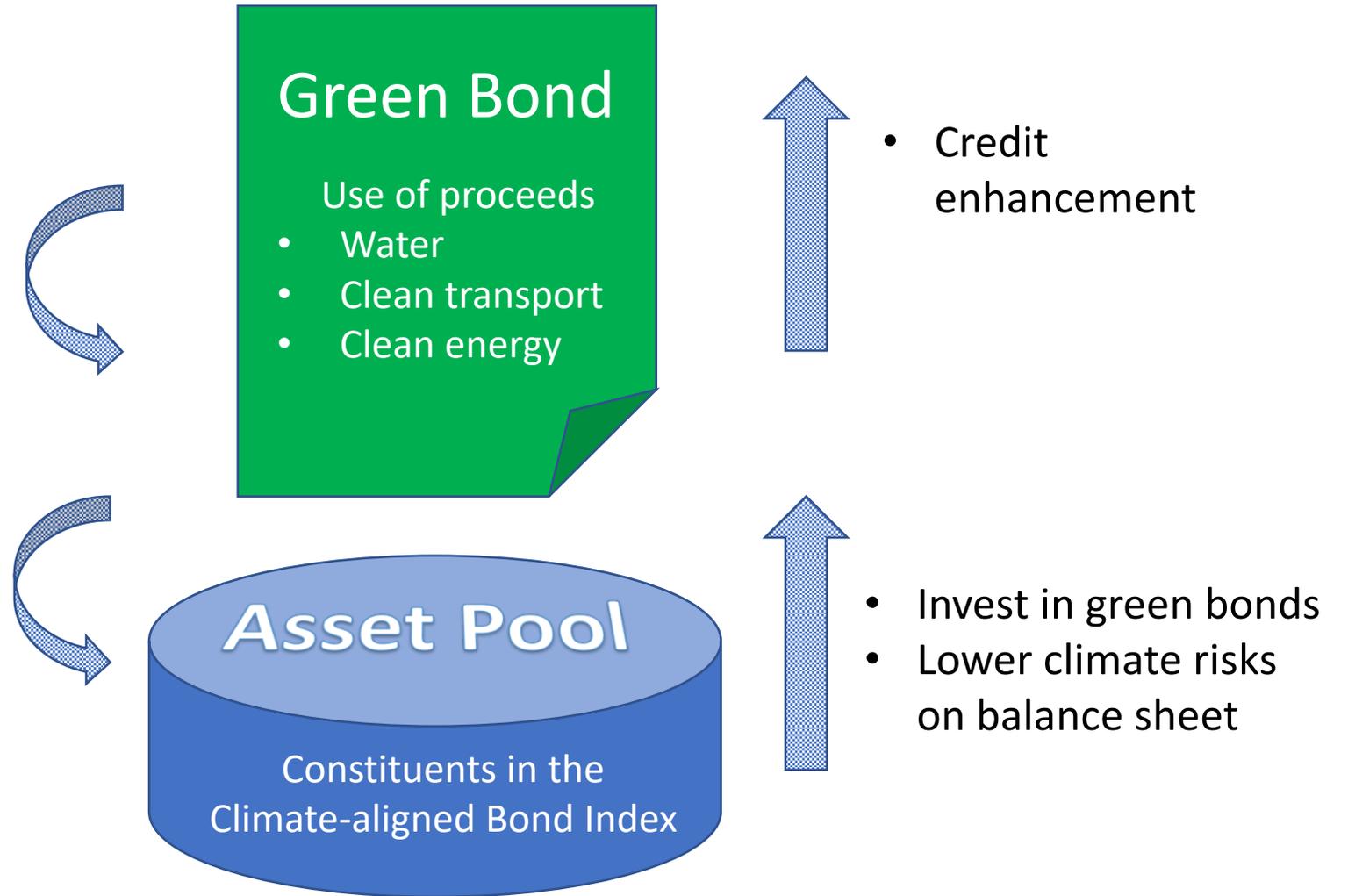
- USD 400million
- Listed on Singapore Stock Exchange
- 90% allocated to Asian investors
- 6 times oversubscribed



Key deals: dual recourse green bond

Bank of China

- USD 500m
- Listed on London Stock Exchange
- Dual recourse structure



Key deals: moving to green

Three Gorges Finance II(Cayman Islands) Limited

- EUR 650 million
- Listed on Irish Stock Exchange



Sector	Location	Project	Use of Proceeds (€ Mil.)
Green Energy	Germany	Offshore Wind	€400
Green Energy	Portugal	Onshore Wind	€250

- Expected climate impact: reduction of 2.21 million tons of CO2
- **Can a brown company issue green bonds?**

Next steps – what to expect in 2018?

1. Harmonization of green bond definitions

- Domestic: PBoC and NDRC
- International: EIB and PBoC

2. Opportunities: greening the one belt one road

3. Local government financing vehicles (LGFVs)

- What is a LGFV?
- Longer investment horizon
- Green Finance Pilot Zones will accelerate green bonds issuance from local government and LGFVs



Next steps – what to expect in 2018?

4. Green securitization

5. Hong Kong, the next powerhouse for green bond market

- Bond Connect scheme
- The largest government green bond programme just released
- Incentives for green bond issuing

6. More green bond based financial products

- Green bond fund and ETF



Thank you!

For further information please contact:

Alan Xiangrui Meng: alan.meng@climatebonds.net

Climate Bonds Initiative www.climatebonds.net

