Climate Bonds INITIATIVE

2015 Green Bond Market Roundup

$41.8bn labelled green bonds issued in 2015

Highlights of the year

Policy support driving higher market supply

There has been increasing involvement by emerging markets given their strong political commitment to grow local green bond markets – inaugural bonds, green bond framework and policy development in China (Goldwind and Agricultural Bank of China) and India (Yes Bank, CLP, Export-Import Bank of India, and IDBI). Development banks also play an active role in scaling up the green bond market through credit enhancement.

Diverse range of issuers financing a wider range of green assets

Similar to 2014, the entry of more corporates, banks, and municipalities into the green bond market bolstered growth in 2015. There was also a widening of the type of projects financed by green bonds with more proceeds leveraged for other green sectors (i.e. low carbon transport and water).

Strong demand from institutional investors

Continuously growing investor demand, particularly by institutional investors and corporate treasuries, is shown in oversubscriptions as well as billions in pledges from; HSBC, Barclays, Credit Agricole CIB, Deutsche Bank and KfW; to invest in green bonds.

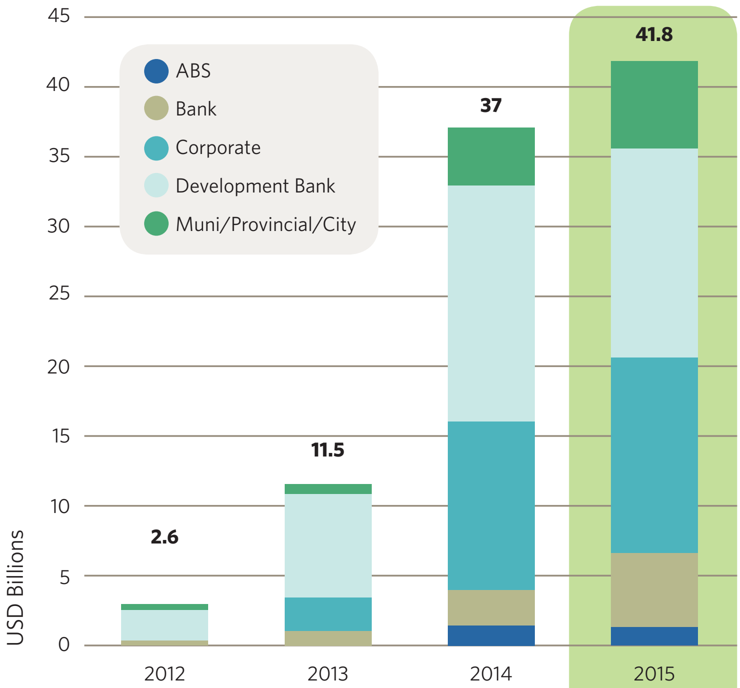
Review and audit is the flavour of the year

Second review becomes more common in issuance. There are some new precedences in providing second review for green bonds by banks and U.S. municipalities (e.g. Morgan Stanley, Renovate America, Central Puget Sound Transit, and DC Water).

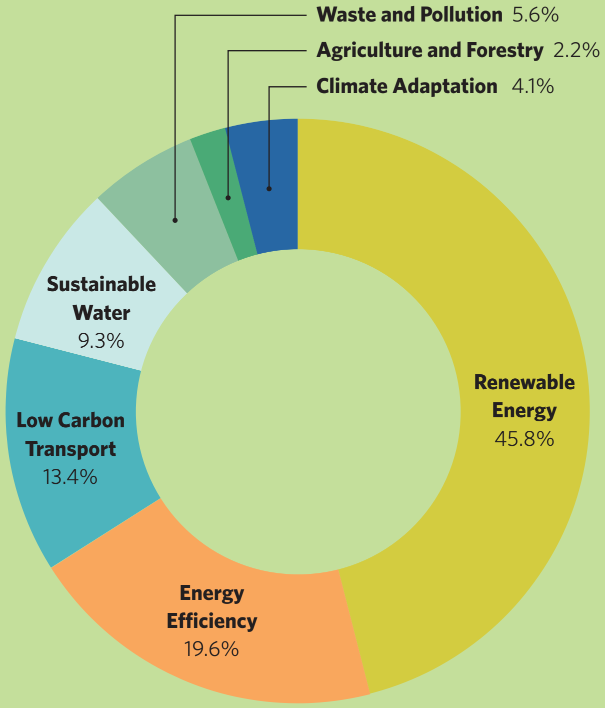
Evolution of standards and guidelines

The Climate Bond Standard V2 was launched in December, along with the development of sector-specific standards on Water, AFOLU, Geothermal, Bioenergy, Low Carbon Transport and Low Carbon Buildings. Another key development was the update of Green Bond Principles in March to includes more emphases on reporting and assurance.

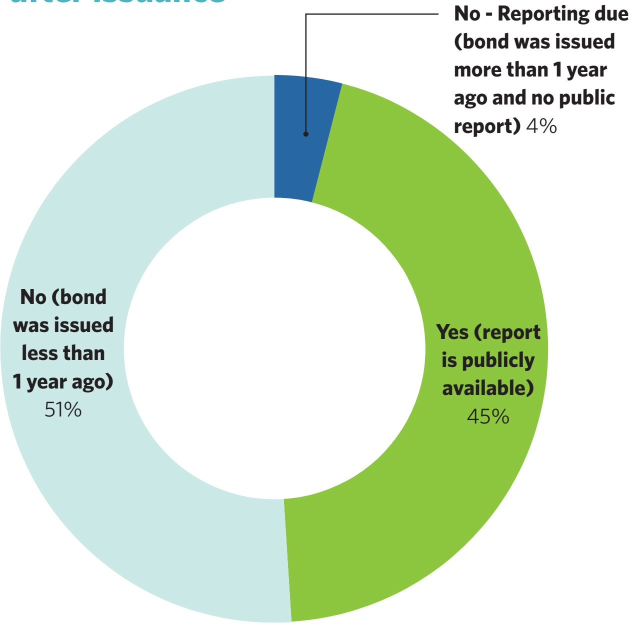
Annual green bond issuance continues to grow



2015 green bond proceeds



Most reporting on green bonds is public a year after issuance



2015 Top 5 largest green bonds

1. **KfW - $1.66bn (€1.5bn)**
2. **ING Bank - $1.3bn (€0.5bn & $0.8bn)**
3. **Electricite De France (EDF) - $1.25bn**
4. **Toyota Finance - $1.25bn (in 6 tranches)**
5. **Tennet Holding BV - $1.12bn (€1bn)**

The rising tide on reporting

Importance of reporting

Reporting is key to validating the green credentials of the bonds. Investors need to know what their green bond holdings are financing. The Climate Bonds Initiative strives to dive further into reporting on trends and market states in 2016.

There have been increasing efforts in green bond reporting

We have seen higher quality in reporting (e.g. EIB Climate Awareness Bonds broke down proceeds allocation by bonds and projects). There have also been strong trends in establishing outcome KPIs, disclosing reporting framework, and committing to third-party assurance on reporting.

Majority of issued green bonds provide annual reports

Half of outstanding green bonds were issued more than a year ago, and therefore should have produced a green bond report. The majority of them have disclosed annual reports. Over 90% of the reports disclosed on proceed allocation and climate impacts of projects or assets financed.

Growing awareness in the market

In addition to the update of the Green Bond Principles wording on reporting, several development banks jointly drafted a framework on Green Bond impact reporting harmonization.

From tall trees to green shoots: green bonds are spreading across the world