

GREEN BONDS:
Financing Adaptation Measures

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The slide features a central graphic of a green gear with various green icons (solar panels, wind turbines, buildings, trees) around it. The text is positioned to the right of the gear.

Agenda

- What is a Green Bond?
 - Definitions and principles
 - Market trends
 - Municipal Green Bonds examples
- Key Considerations?
 - Potential drawbacks (risks)
 - Potential benefits (rewards)
- About First Environment
 - Training and green bond development
 - Third party verification



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The agenda is presented in a light blue rounded rectangle. To the left of the agenda is an image of a small green seedling with three leaves growing out of a pile of gold coins.

What is a Green Bond?

Exactly the same as a “vanilla” bond but with a “green” benefit

- **“Labeled”**: Issuer formally declares funding must go to eligible Green Projects in Official Statement; typically follows *Green Bond Principles*
- **“Unlabeled”**: Although funding may go to eligible categories, there is no requirement that funds be “ring fenced” nor is there a formal declaration



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How Does the Market Define “Green”

Define your green bond in line with available guidance and investor expectations

- Green Bond Principles (2015)
- Climate Bonds Standard 2.0
- Sector-specific guidelines (GRESB 2015)
- Green bond indices (Barclays/MSCI, S&P, BOA-ML)
- Green City Bonds Coalition (CBI, C40 Cities, NRDC, CDP, CERES, As You Sow)



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Green Bond Principles

- Use of Proceeds
 - Declare eligibility
 - Direct financing vs. re-financing
- Project Evaluation and Selection
 - Verifiable process
 - Clear criteria
 - Clear environmental objectives
- Management of Proceeds
 - Verifiable process to Ring Fence Assets
 - Allocated and unallocated funds
- Reporting
 - Performance Disclosure
 - Assurance

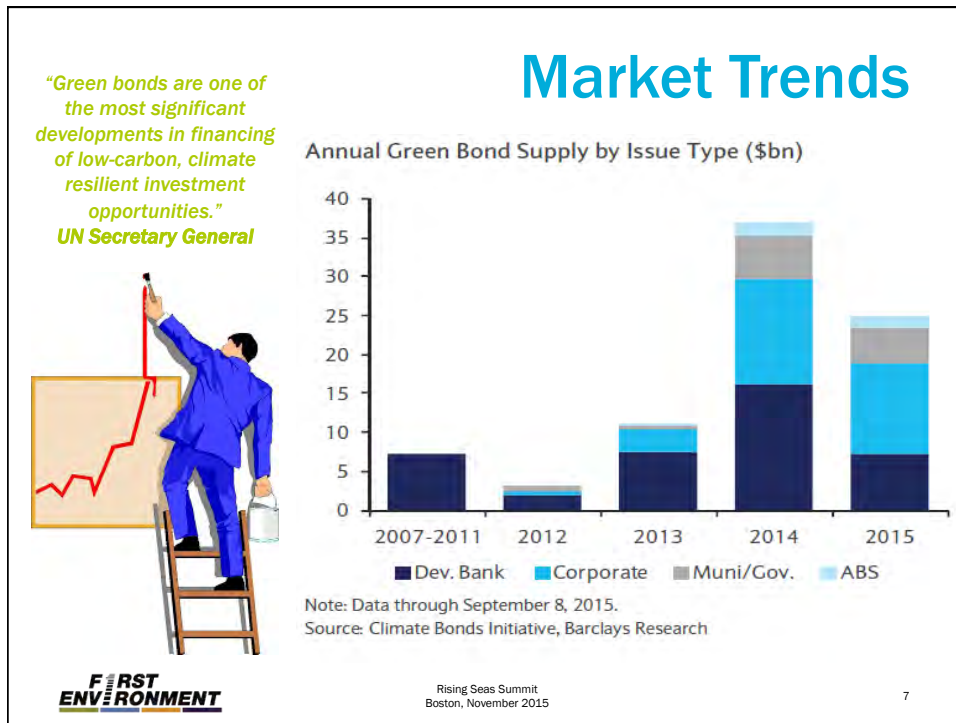
What is a Green Project?

Eligible Categories*

- Renewable energy
- Energy efficiency
- Sustainable waste management
- Sustainable land use
- Biodiversity conservation
- Clean transport
- Sustainable water management
- Climate change adaptation






* Pursuant to the 2015 Green Bond Principles



Municipal Green Bond Programs

- State of Massachusetts (2013)
 - First to formalize municipal General Obligation “Green” Bond program
- State of Connecticut (2014)
 - \$250 million “All” Green Bond for clean water and drinking water
- New York Green Bank (2014)
 - Established key mechanisms for issuing Green Bonds

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Key Considerations

Drawbacks

- Additional transaction costs
- Potential risks (e.g., greenwashing)
- Market uncertainties, including evolving standards and expectations
- Lack of preparedness for Green Bonds

Benefits

- Access to new investors
- Enhanced green reputation for the issuer and buyers
- Resilience or Adaptation are acceptable categories
- Increased demand resulting in Pricing Premium



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Green Bond Pricing



- Initial signs of favorable pricing:
 - Vornado real estate issue saw a “Negative New Issue Premium” of 1-15 bps*
 - DC Water: Lowered yields by 2-6 Basis Points**
 - Barclays Research 20bps pricing premium and growing!***
- Potential impact
 - Significantly Lower cost of capital
 - Potential savings offsetting additional transaction costs

* Dentons Law, February 2015 presentation

** DC Water, Investor Relations, August, 2015

*** Barclays Research, Sept 2015




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Conclusion

Public - Private - Partnerships



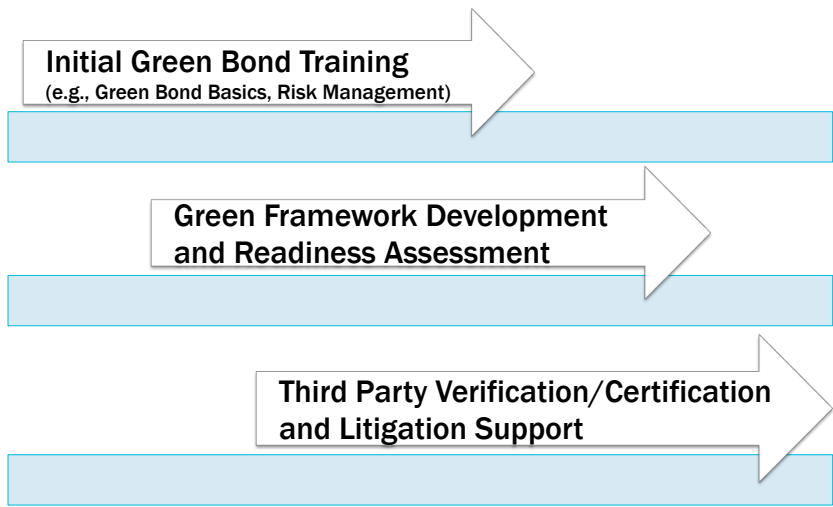
- Green/Climate Bonds will be vital in addressing rising sea levels given the scale of the investments required and the urgency with which we need to make them.

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About First Environment Green Bond Support Services



Initial Green Bond Training
(e.g., Green Bond Basics, Risk Management)

Green Framework Development and Readiness Assessment

Third Party Verification/Certification and Litigation Support

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For More Information

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