What are green bonds?

Green bonds work like a normal bond by offering a fixed return and a guarantee that proceeds will be used to finance or re-finance sustainable projects.

How does it work?

a) Create guidelines and define ‘green’ criteria
i) Can be done internally or through a consultancy, audit, or third party certification
b) Decide tenure, issue size, and prepayment penalty clause, and other details
c) Monitor performance of the projects/assets to maintain trust with investors. Third-party verification will increase trust and demand
d) Communicate transparently

What are the benefits?

1. Large pools of finance
2. Applies to several types of projects
3. Limited need for public funding
4. Attractive to new investors

Example

Paris, France
i) Finances climate adaptation projects
ii) More than 30 investors
iii) 475 million EURs