

# Green Finance

## What can stock exchanges do?

Green finance offers enormous untapped investment opportunities in developing countries. All financial actors have to work together to create the mechanisms for making these investments possible. With focus, resolve and ambition, we can lower the global thermostat and raise the level of economic opportunity for all.

SSE Executive Dialogue on Green Finance  
UNCTAD World Investment Forum  
20 July 2015 | Nairobi, Kenya

**- Ban Ki-moon**  
**United Nations Secretary General**

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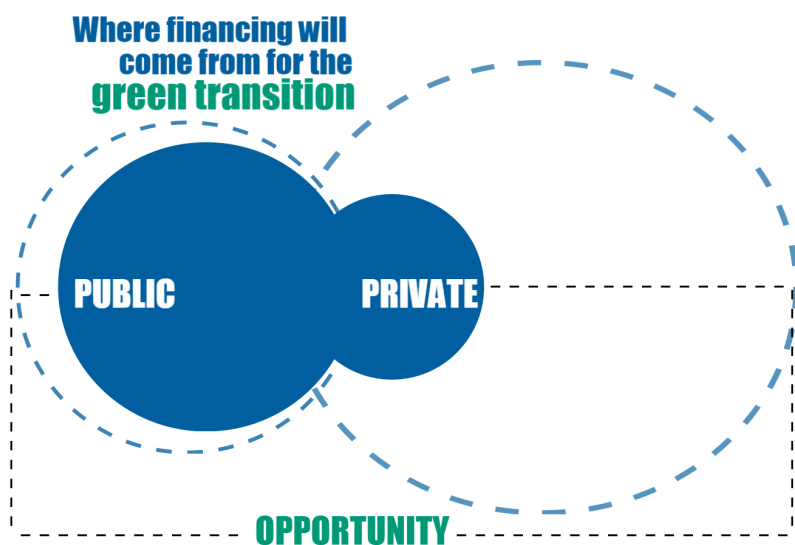
# Green finance for stock exchanges

Green finance is the financing of the transition to a less polluting and less resource-intensive global economy: what is called the "green transition."

From green bonds and ratings to yield-cos and green ETFs, private finance has a suite of different vehicles at its fingertips to direct investment towards climate change mitigation and adaptation projects.

## The green transition requires a mix of private and public financing

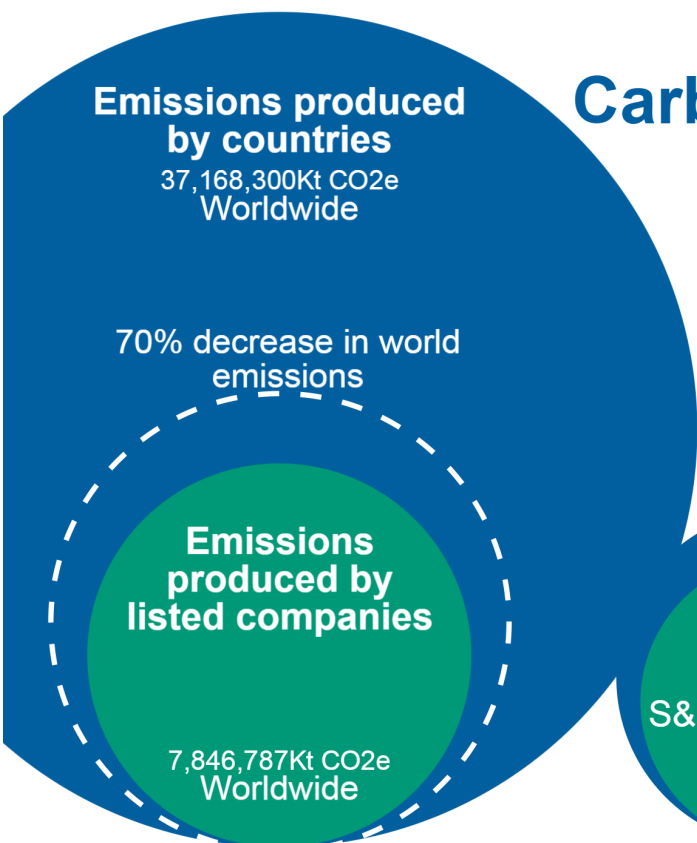
Source: SSE



## How will equity portfolios react to emission cuts worldwide?

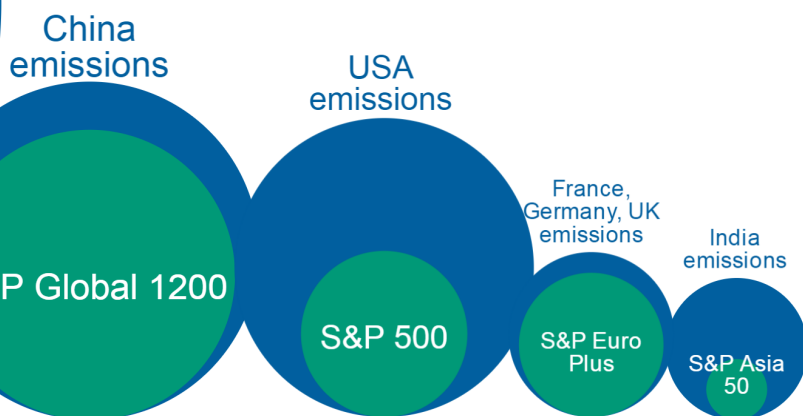
### Carbon emissions: listed equities vs. total country emissions

Source: S&P Dow Jones Indices Carbon Emitter Scorecard



## Carbon risk of equity markets

In order to reach the targets set in the Paris climate agreements, the world's carbon emissions need to peak then fall between 40-70% by 2050. **Can companies cut emissions 40-70% while maintaining and growing their revenues?**



## Overcoming barriers to green finance

Source: SSE

Negative environmental externalities need to be integrated into financial decisions and market prices



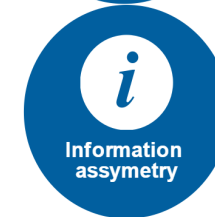
Issuers should know what opportunities are available to them in green finance and how to access them



Skills need to be developed to more adequately estimate and address risk in green sectors to develop more bankable projects



Investors need to know what is green, how to find green products and to what extent these products align with their strategy



Financial tools need to be developed to provide more long term sources of financing

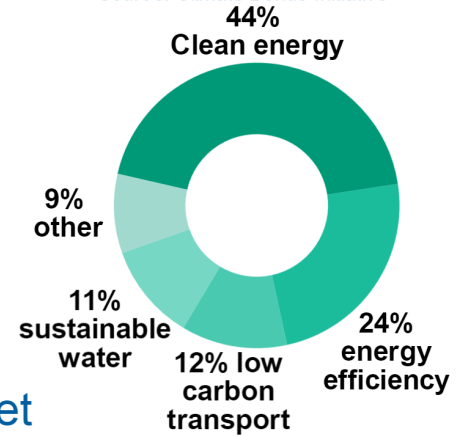


# Green bonds: A growing opportunity for stock exchanges

Green bonds are growing exponentially as a means of financing all types of climate-related projects. They are one of the most diverse forms of green finance, used increasingly by the corporate, finance and public sectors. As green-initiatives and climate adaptation and mitigation become priorities worldwide, green bonds are consistently oversubscribed, in both developed and developing countries.

## What green bonds finance

Source: Climate Bonds Initiative

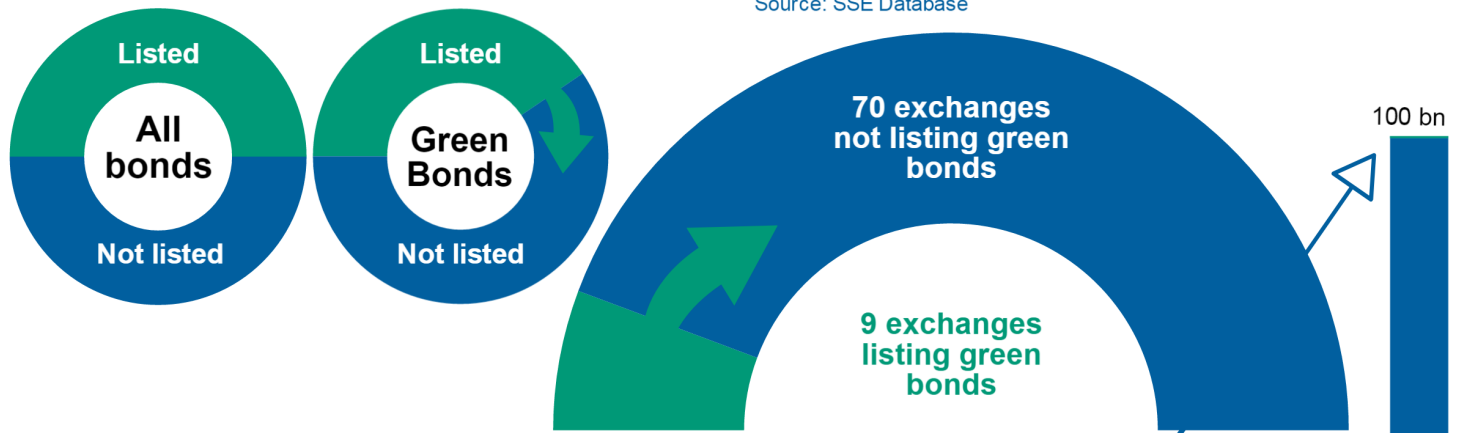


## Exchanges play an important role in the bond market

Half of all bonds are listed on stock exchanges

## More exchanges need to get involved

Source: SSE Database



## Developing countries embracing green bonds

Local currency issuance in developing countries

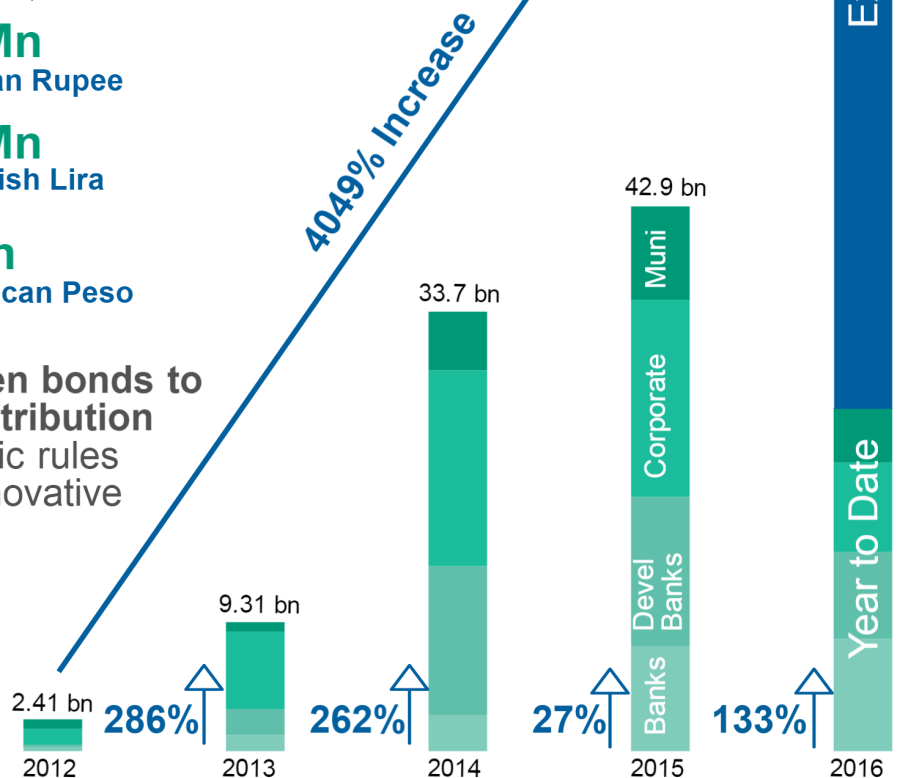
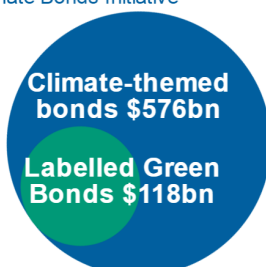
Source: BlueOrchard Finance (USD equivalent at time of issue)

<b>\$5.5Bn</b> in Chinese Renminbi	<b>\$210Mn</b> in Indian Rupee
<b>\$645Mn</b> in South African Rand	<b>\$136Mn</b> in Turkish Lira
<b>\$539Mn</b> in Brazilian Real	<b>\$98Mn</b> in Mexican Peso

All stock exchanges that list green bonds to date have made an important contribution to green finance by defining the basic rules of the market and fostering innovative green finance products.

## Green bonds universe

Source: Climate Bonds Initiative



## Exponential growth of green bond issuance

Source: Climate Bonds Initiative, in US Dollars

# 3 things stock exchanges can do to promote green finance



**Provide guidance & training**



**Make Visible**



**Promote Green standards**



**1**

## Provide guidance & training

- Provide guidance and training on sustainability reporting and climate risk disclosure; Support the **SSE Global Guidance Campaign**
- Train local issuers & investors on green finance market innovations, standards and regulations
- Provide guidance for international investors on local green products



**2**

## Make visible

- Create green equity indices
- List labelled green bonds, and create a green bond index
- Encourage issuers to increase transparency and label green bonds



**3**

## Promote standards development

- Participate in green finance standard setting consultations
- Introduce listing rules for green bonds
- Promote adoption of recognized green finance standards in your market