Green Finance on the International Agenda

Achieve sustainable development – economic, social and environmental:

- Goal 6: Clean Water and Sanitation
- Goal 7: Affordable and Clean Energy for All
- Goal 9: Resilient Infrastructure and Sustainable Industrialization
- Goal 11: Sustainable Cities and Communities
- Goal 13: Climate Action

Combat climate change and accelerate and intensify the actions and investments needed for a sustainable low carbon future:

- China’s Intended Nationally Determined Contribution (INDC)
  → Reduce carbon intensity by 60-65% below 2005 levels by 2030

Scale up green financing:

- G20 Green Finance Study Group → Greening the Bond Market
Financing the Green Transformation

Global Financial Markets: USD 255 trillion

Hence:

Instrument: Green Bonds

Annual need of additional climate investments ca. USD 1.5 trillion

Source: IMF 2013

Source: IEA 2015
## The Strategic Alliance on Green Bonds

<table>
<thead>
<tr>
<th>Objective</th>
<th>Support the development of efficient, prosperous and sustainable green bond markets in G20 emerging economies</th>
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</table>
| Activities | - Green Bond Symposia  
- Capacity Building Trainings  
- Tailored Advisory Support & Technical Assistance |
| Stakeholders | Policymakers and Regulators  
Support the adaptation and enhancement of a conducive regulatory framework |
| Services | Public and Private Sector Issuers  
Transfer knowledge on green bonds as (re)financing tool and tailored advisory support |
| | Investors  
Provide in-depth knowledge on the risks and opportunities offered by green bonds |
| | Domestic Second Opinion Providers  
Enable the delivery of second opinions based on the highest certification and verification standards |
The Strategic Alliance on Green Bonds partners

Strategic Partners

Academic Partner

Regional Implementation Partners

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### Integrating Water Risk in Corporate Bond Valuation

**Goal:**
Develop and test a tool for financial institutions to incorporate water risk in corporate bond credit risk analysis.

<table>
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<tr>
<th>Global data on water stress (WRI)</th>
<th>Data on location of operations (Bloomberg)</th>
<th>Corporate credit Information</th>
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**WATER VALUE**
Calculate shadow prices

**COSTS FOR WATER**
Combine company data with location-specific price

Adjust credit ratios
Environmental Stress Testing

**Goal:**
Develop and test an analytical framework and model that allows banks to assess the potential impact of environmental shocks on the performance of their corporate loan portfolio.

- **3-5 drought scenarios** per focus country (Mexico, Brazil, China, US) that simulate the impact of drought on water availability, taking into account local water infrastructure.

- **Model to estimate the effects of drought on up to 8-12 industries** in country reflecting direct and indirect impacts as well as macro-economic feedbacks/political decisions.

- **Model that links drought impacts to drivers of corporate credit quality** (such as profitability, leverage) and can be plugged into or inform banks’ internal stress testing models.
Thank you for your kind attention.

www.emergingmarketsdialogue.org

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