National and International Cooperation to Support Green Finance

Yannick Motz, 28th June 2016, Saõ Paulo
Emerging Markets Dialogue on Green Finance

**OBJECTIVE:**
Redirect capital flows away from assets and projects that deplete natural capital towards eco-friendly investments.

**Approach:**
Work with financial institutions from G20 economies to integrate environmental indicators in lending and investment decisions, product development and risk management.

- **Development of Tools and Methodologies**
  1. Corporate Bonds – Water Risk Tool
  2. Environmental Stress Testing

- **Research and Capacity Building**
  Natural Capital Approach in Brazil and India

- **Market Development for Green Bonds**
  Strategic Alliance on Green Bond Market Development in G20 Emerging Economies
Pilot Project 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.
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<th>Implementation Partners</th>
<th>RMS</th>
<th>University of Cambridge</th>
<th>University of Oxford</th>
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<td>UCL</td>
<td>Inquiry: Design of a Sustainable Financial System</td>
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Strategic Alliance between GIZ and SEB on

Green Bond Market Development in G20 Emerging Economies
Objectives and Stakeholders

**Objective:** Support and foster the development of efficient, prosperous and sustainable green bond markets in G20 emerging economies.

### Demand Driven Multi-Stakeholder Approach

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<tr>
<th>Policymakers and Regulators</th>
<th>Domestic second opinion providers</th>
<th>Domestic Issuers</th>
<th>(Institutional) Investors</th>
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<td>Support in the adaptation and enhancement of a conducive regulatory framework</td>
<td>Enable the delivery of second opinions based on the highest certification and verification standards</td>
<td>Transfer knowledge on green bonds as (re)financing tool and offer tailored support for exemplary green bond issuances</td>
<td>Provide in-depth knowledge and tailored advice on the opportunities offered by green bonds</td>
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Services offered by the Strategic Alliance

- Capacity building for local investors, potential issuers and financial institutions.
- Sector specific workshops
- Training of potential (academic) Second Opinion Provider(s).
- Tailored advice and support including project selection, setup of impact monitoring systems, investor communication, etc.
- International experience on development of conducive regulatory framework.
The Strategic Alliance – Partner Structure

Implementation Parties

Regional Implementation Partners

Academic Partner

°CICERO
The Strategic Partnership – Timeline

- **Q2 2016**: Kickoff Symposia
- **Q3 2016**: Support domestic second opinion providers in the delivery of independent reviews based on the highest certification and verification standards
- **Q4 2016**: Offer advisory and technical support to potential first movers in issuing a green bond
- **Q1 2017**: Provide (institutional) investors with in-depth knowledge and tailored advice on the opportunities offered by green bonds as asset class
- **Q2 2017**: Support domestic second opinion providers in the delivery of independent reviews based on the highest certification and verification standards
- **Q3 2017**: Provide expertise and advice to senior (technical) staff from policymaking and regulatory authorities to support the adaptation and enhancement of a conducive regulatory framework
- **Q4 2017**: Exemplary green bond issuance(s)

Multi-Stakeholder Approach

Customized, industry/environmental theme focused workshops
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