



Local implementation partner:



Supporting Partners:



## Second Green Bond Workshop in Mexico Organized by ABM, GIZ and SEB

1 & 2 March 2017, Mexico City

After the successful launch of the workshop series on Green Bonds in Mexico last October, the Strategic Alliance (STA) by GIZ and SEB on [Green Bond Market Development in G20 Emerging Economies](#) returned to Mexico City and conducted the second workshop round with support of its local partner, the *Mexican Banking Association* (ABM). The workshops, held at the premises of ABM on 1<sup>st</sup> March and at Tecnológico de Monterrey on 2<sup>nd</sup> March, focused on the topics of **Monitoring, Reporting & Market Aspects** and attracted about 90 participants from a wide range of Mexican private and public institutions. The first workshop day addressed primarily potential issuers, investors and underwriters, whereas on the second workshop day representatives from regulatory bodies, environmental or climate-related research institutes/consultancies, rating agencies and associated institutions were invited.

The first day was opened by ABM's General Director Juan Carlos Jiménez Rojas and Simone Dettling from UNEP-FI, who announced **ABM's membership** of the **Finance Initiative** of the **United Nations Environment Programme** (UNEP-FI). On the second day, Dr. Orestes Gámez, Director of the Business School at TEC CCM welcomed the audience and underlined the relevance of the workshop series.

The keynote speech was held by Amal-Lee Amin, Chief of the Climate Change and Sustainability Division at the Inter-American Development Bank (IDB), who provided a comprehensive overview on the **global climate finance landscape** and pointed out the urgent necessity to increase private sector investments in order to meet the climate pledges made under the Paris Agreement. In order to support these efforts, she presented IDB's [NDC INVEST](#) program, a one-stop shop for countries to access resources for transforming national commitments into achievable investment plans. With its *Regional Green Bond Facility*, IDB further provides loans and partial credit guarantees to small scale energy efficiency and self-supply renewable energy projects through the issuance of Green Asset-Backed Securities (green ABS).

Yannick Motz, Lead of the *Emerging Markets Dialogue on Finance* (EMDF) at GIZ, introduced the **STA's objective and approach**, which offers capacity building workshops, advisory support and further activities to support the development of prospering and sustainable Green Bond markets promoting transparency and integrity of procedures and environmental credentials.

The presentation on the development of the **green bond market in Mexico** and Latin America by Alba Aguilar, Director of New Markets SIF ICAP at the Mexican Stock Exchange, one of the first stock exchanges to launch a section dedicated to green bonds, was complemented by Mats Olausson, Senior Advisor on Climate & Sustainable Financial Solutions at SEB, who provided a perspective on the **global market development** and latest research on growth projections. He also provided a brief recap of the [first workshop on Definitions, Selection & Verification](#).

Session 2 was opened by Ary Naim, country manager of the World Bank Group's International Finance Corporation (IFC) Mexico (day one), and Norbert Schneider, leader of IFC's Financial Institutions Group in Latin-America (day two), who shared with the audience the **experience** from one of the largest **green bond issuers** (and investors) worldwide. To ensure environmental integrity through transparent disclosure – as recommended in the [Green Bond Principles](#), the voluntary, internationally recognized process guidelines for issuing green bonds – the IFC established structures for continuous **monitoring** and **reporting** of the use of proceeds and their environmental impact. In accordance with the [Harmonized Framework for Impact Reporting](#), IFC's annual [Impact Report](#) provides a list of green bond financed projects, the amounts allocated and environmental impacts (indicated by actual or estimated aggregated energy savings, GHG emission reductions, renewable energy production and capacity installed). For its investor clients, IFC offers the *Climate Assessment for FI Investment Tool*, which facilitates portfolio monitoring and analysis, e.g. for determining whether a project complies with green criteria.

The **investor perspective and expectations** on green bonds was presented by Peter Ellsworth, Director of the Investor Program of Ceres, a non-for-profit organization that advocates sustainability leadership among investors (with 125 members representing USD 15 trillion AUM) and companies. As one example of the work of Ceres' *Investor Network on Climate Risk*, he illustrated the [21<sup>st</sup> Century Investor Blueprint](#) report, which provides the business case and concrete 10 step guidance for sustainable investing, consistent with investors' fiduciary duty. Another initiative by the network represents the [Statement of Investor Expectations for the Green Bond Market](#), which points out key expectations and **reporting requirements** towards green bond issuers, including annual reports on the **use of proceeds** and (estimated) beneficial climate and **environmental impacts** of the financed projects. As reference point for transparent, standardized reporting and the key indicators to be included, he referred as well to the [Harmonized Framework for Impact Reporting](#) and highlighted the reporting example of KfW. Wrapping up, he emphasized the importance for green bond issuers to tell investors a clear and credible story of how the proceeds will be used, what the benefits will be and how the impacts will be reported.

After a break, Luisa Montes, Executive Director at Ecovalores, a partner organization of Vigeo Eiris, a globally acting provider of ESG ratings and second opinions, continued. Ms. Montes described Vigeo Eiris' approach and procedure towards providing **external reviews** for green bond frameworks (pre-issuance), the reporting framework (post-issuance) and the issuer's overall ESG profile. The evaluation of the **reporting framework** considers the applied ESG outcome indicators on the environmental performance of projects (e.g. renewable energy production, avoided emissions), assumptions and measurement methodology as well as different reporting features (e.g. frequency, format, visibility).

Another type of external review, the **green bond rating**, was presented by Roberto Ballinez, Executive Director of Public Finance and Infrastructure at HR Ratings (day one), and Mauricio Azoño, Manager at the same department (day two). Like second opinions, HR's green bond rating requires compliance with the Green Bond Principles (second stage rating). In the first stage, HR Ratings classifies the green bond according to the environmental lifecycle-benefits of the financed projects – with the rating ranging from 1 (offering a superior environmental solution with reference to the Paris Agreement) to 3 (offering an acceptable environmental solution). The final rating combines two previous analyses on a scale of nine levels (from 1+ to 3-). In accordance with the former speakers, HR Ratings re-emphasized the importance of monitoring and reporting in the investor interest. According to HR Ratings, the report should – with at least annual frequency – disclose preferably quantitative metrics of environmental benefits, compliance with ESG principles, possible secondary negative effects as well as the management and use of proceeds.

Session 3 on *Market Aspects* was opened by Juan Manuel Olivo, Director of the Securities Promotions and Issuance Department of the Mexican Stock Exchange (BMV) (day one), and Carla Gómez, Subdirector of Listing and Emissions Maintenance at BMV (day two), who explained the **process and requirements for issuing and listing green bonds in Mexico**. The listing process at BMV follows the same steps as for regular bonds but additionally requires a second opinion and/or certification that ensure compliance with the Green Bond Principles and the eight defined green project categories. Currently, two green bonds are listed at BMV, one green bond issued by the Mexican development bank Nafin for green power generation projects and another one by Mexico City for urban infrastructure projects.

Mats Olausson from SEB provided in session 5 further technical details on different **market aspects** including the questions related to typically **better market access** (investor diversification in number and regional outreach, longer maturities, currency diversification, larger volumes, format), **liquidity** (typically lower in secondary markets due to common buy-and-hold strategy of green bond investors), **investor allocation** (ranging from dedicated green to non-green mainstream investors) and **marketing** strategies. Regarding the question of **pricing** advantages, he explained the two perspectives, that is equal pricing based on the bond's risk-return profile vs. better pricing due to a surplus demand by investors. Beyond anecdotal evidence, there currently exist however no robust data or research proving a green bond premium. As investors increasingly price environmental risks into their models, non-green bonds would ultimately require a higher risk-adjusted return though, he predicts.

The workshop was completed by a lively panel discussion on key topics moderated by Maria Tapia, lead investment officer in the Financial Products & Services Division of the Inter-American Investment Corporation. Summarizing the key takeaways of the workshop, Marcos Mancini, Coordinator of the Sustainability Committee of ABM, closed by inviting participants to continue the dialogue on green bonds and approach the partners for individual tailor-made technical assistance in the future.

All presentations are available on [www.emergingmarketsdialogue.org](http://www.emergingmarketsdialogue.org) .