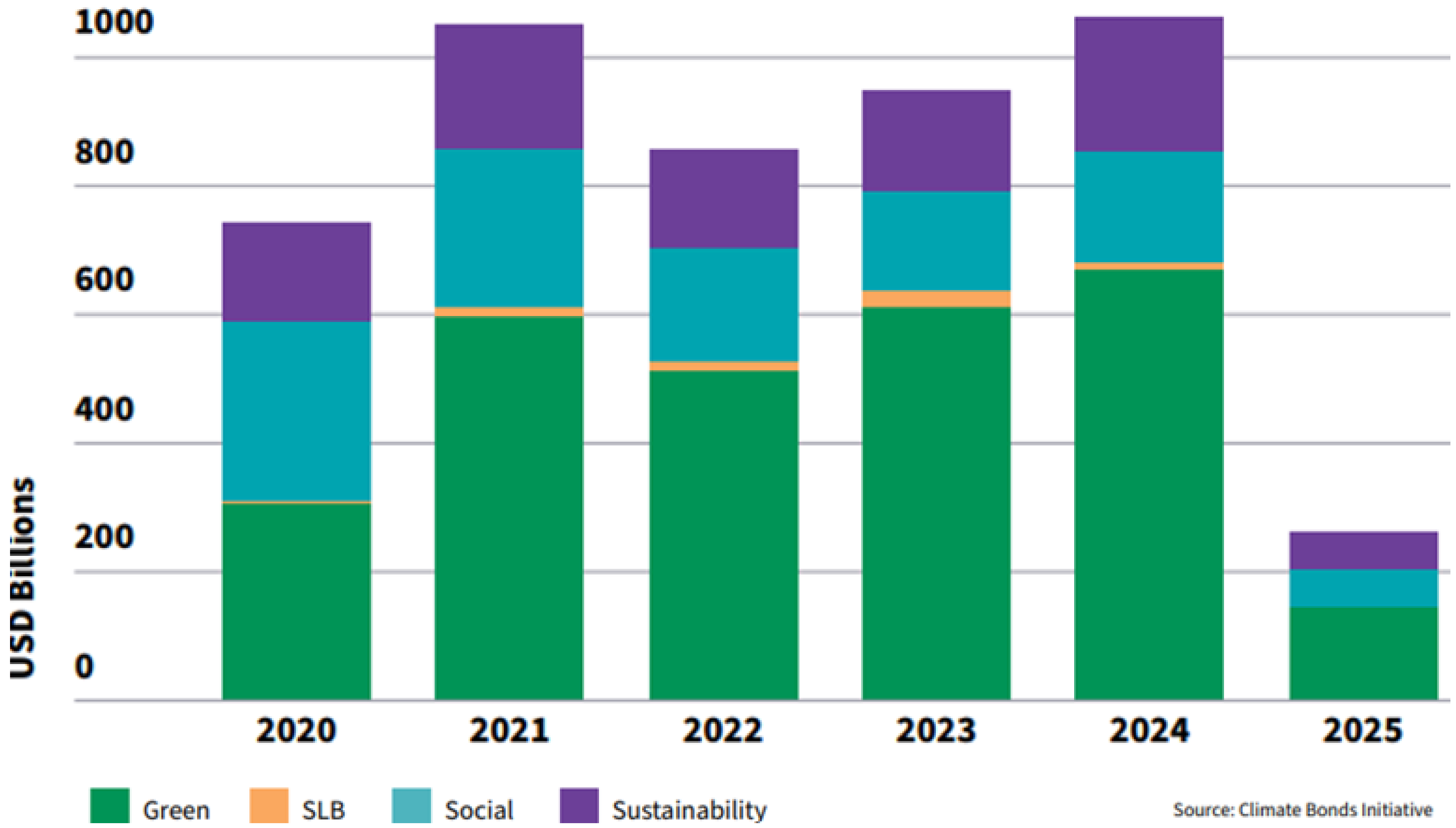
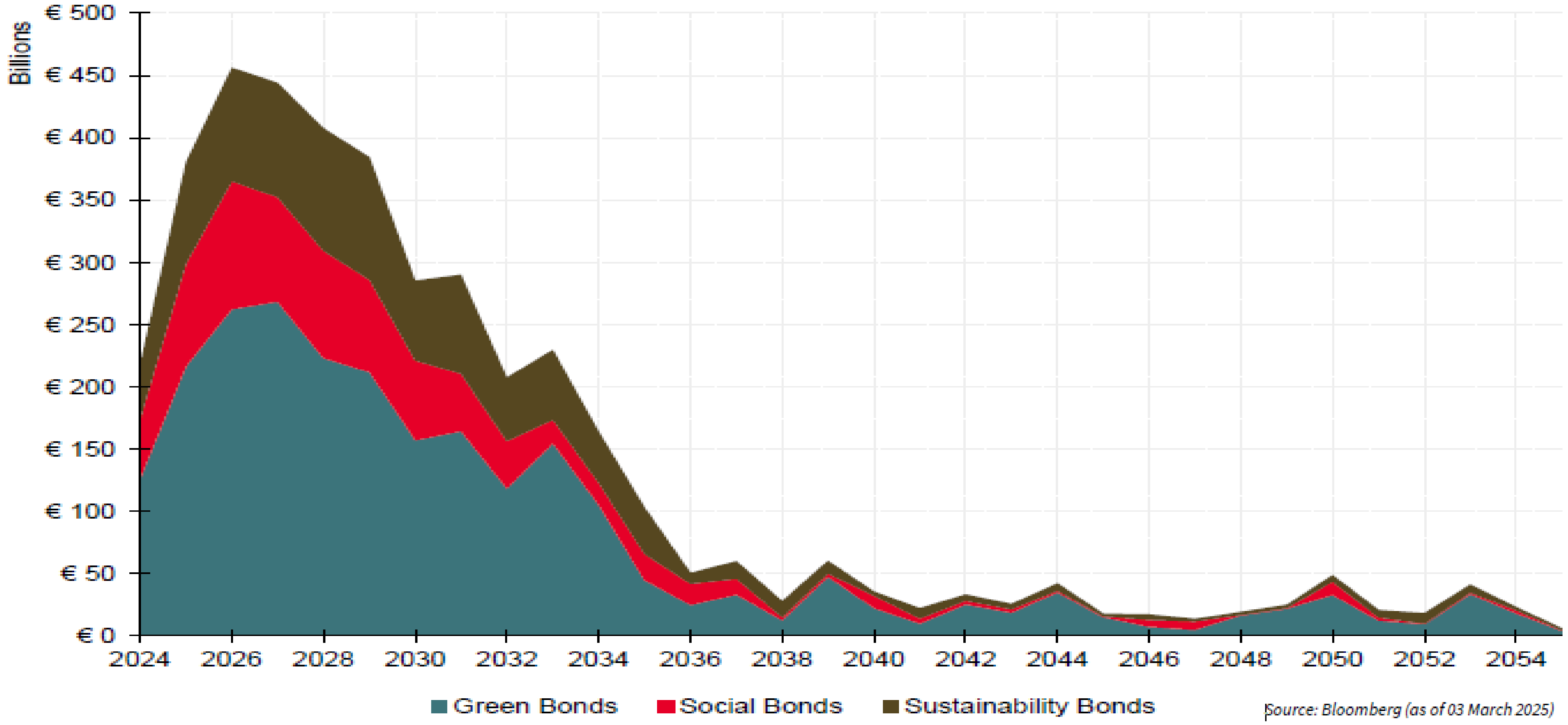
Financing Climate Transition

with Capital Market Instruments

Sustainable Bond Market

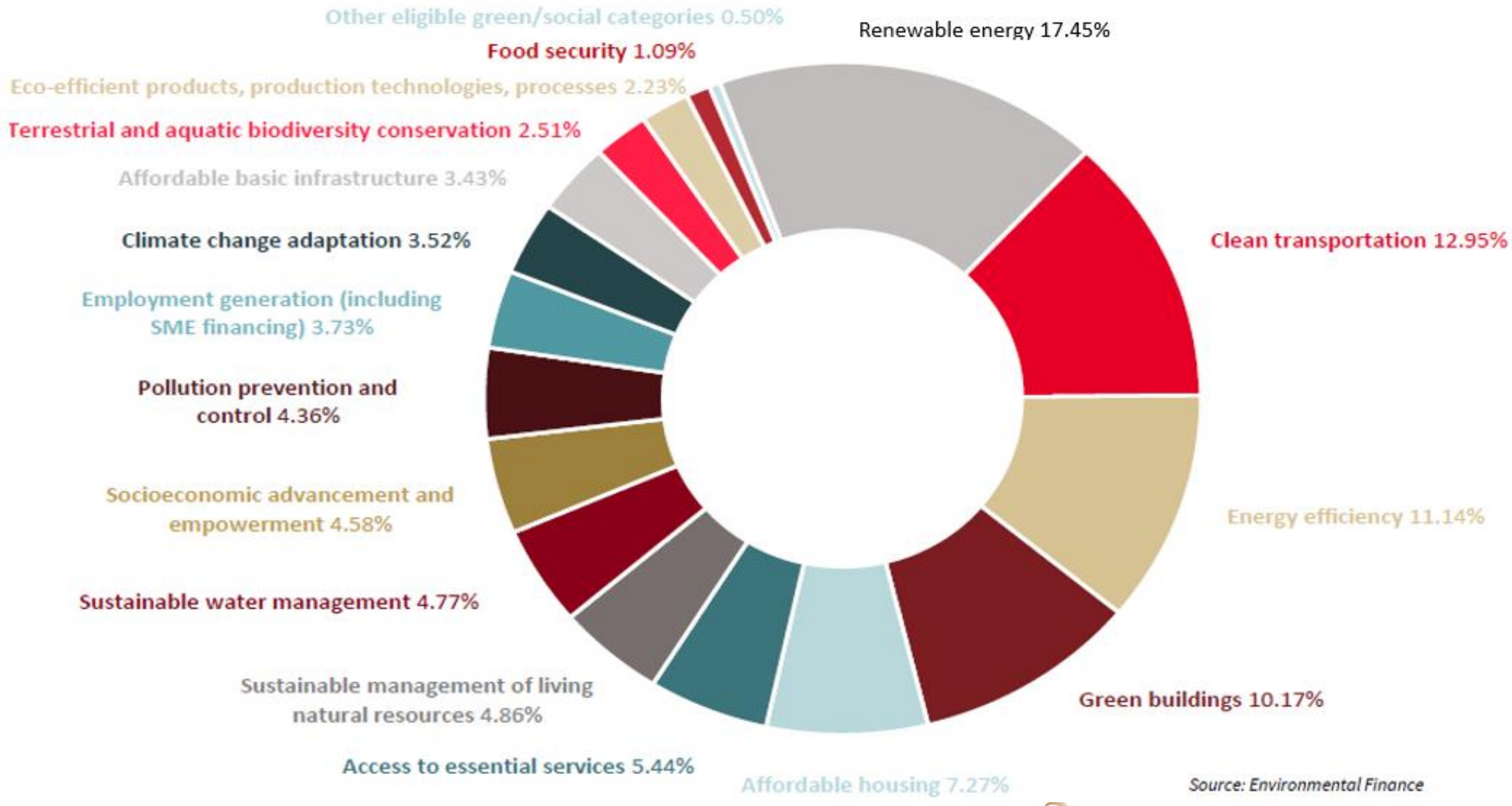


Funding Needs by Tenor



Source: Bloomberg (as of 03 March 2025)

Use of Proceeds – GSS Bonds (y2024)



Source: Environmental Finance

Climate Finance & Funding Needs to Achieve 1.5C Target

Achieving 1.5°C target by 2050 requires US$150 trillion in total investments, averaging over US$5 trillion annually, far exceeding the record US$1.3 trillion invested in 2022.

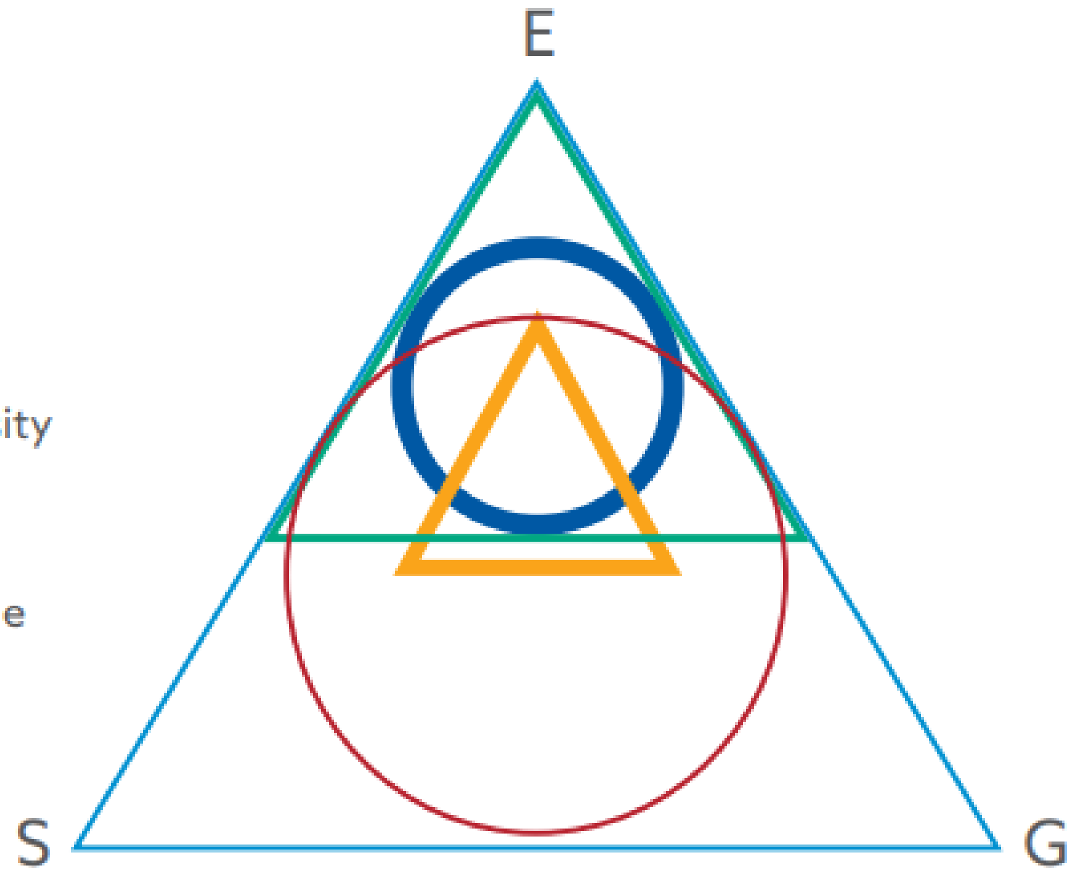
Sustainable finance covers environmental, social, and governance factors (Spinaci 2021)

Impact finance aims to accelerate transition of the real economy, based on intentionality, additionality, and impact measurement (Institut de la Finance Durable 2023)

Green finance covers all environmental goals (e.g., biodiversity protection/restoration) (Spinaci 2021)

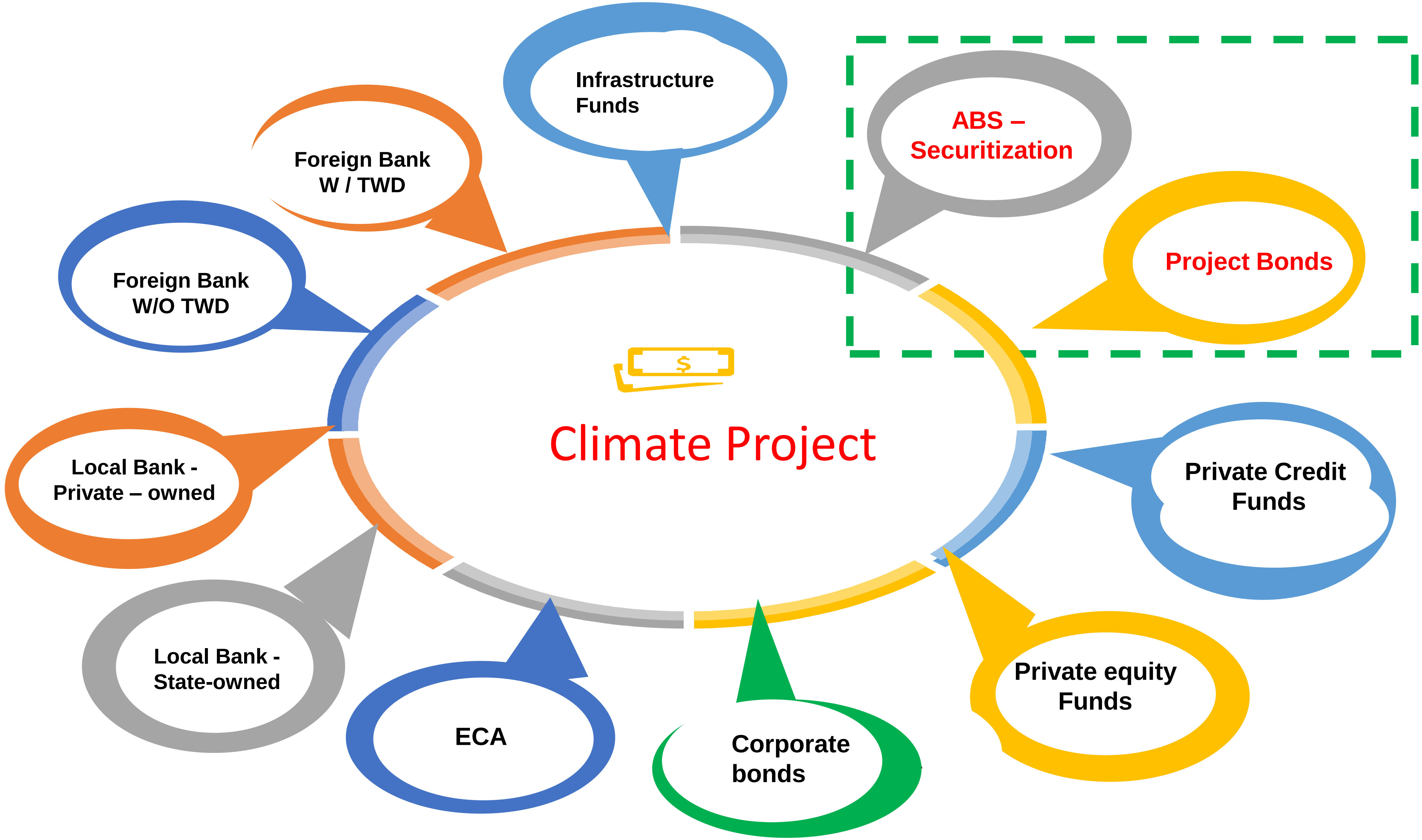
Climate finance provides funds for addressing climate change adaptation and mitigation (Spinaci 2021)

Transition finance provides funds for decarbonization of high-emitting activities, including managed phaseout

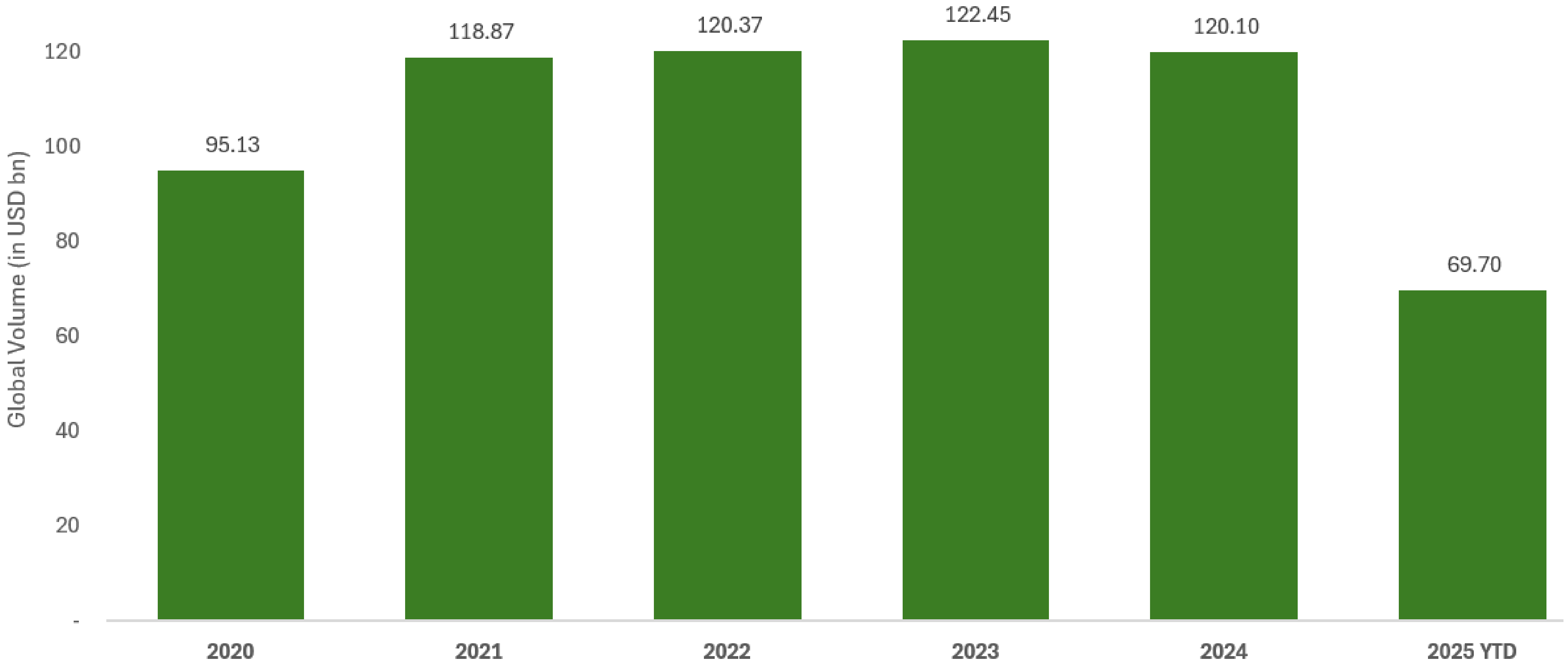


Source : CFA institute

Source of Funds



Project Bonds

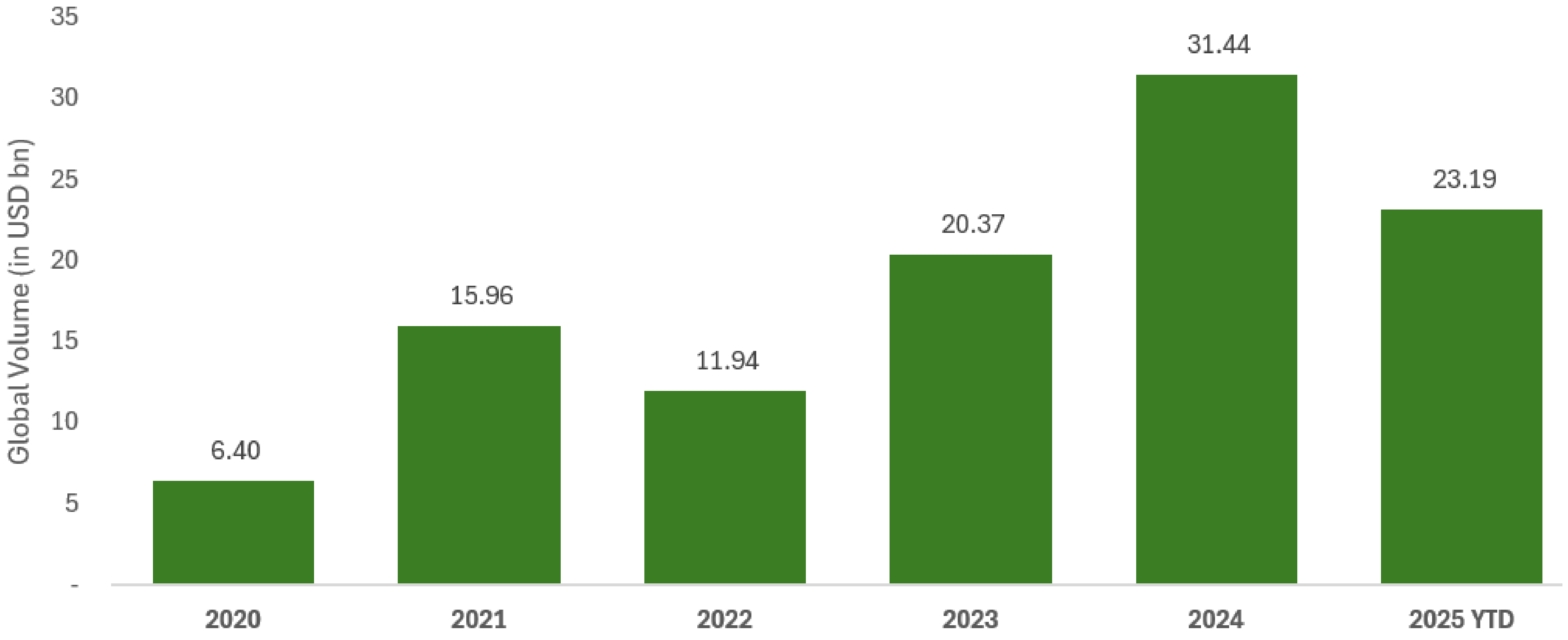


Source : Bloomberg

Project Bonds

- **Repayment source** : payment of principal and interest is limited to the cash flows of a particular project without recourse to project sponsors.
- **Issuance entity :** generally issued by a special purpose vehicle (ProjectCo) to finance or refinance either the whole or part of a project.
- **Purpose :** Bond proceeds are used for one project in general.
- **Tenor :** 10- 30 years in general to match life of the project.
- **Risk Profile :**
    - Historically, project bonds are used to refinance an existing project *after* completion of construction as investors aimed to avoid construction risk of a project.
    - In recent years, bond proceeds are used to fund the construction phase of greenfield projects has become more common where ProjectCo meets specified rating requirements with appropriate credit enhancement.
    - Credit rating is required.
    - Credit enhancement may be required.
- **Investors :** non-bank institutions such as insurers, private credit funds, pension funds who look for long duration assets

Green & Sustainability ABS



Source : Bloomberg

Green ABS - Securitization

Benefits :

- Risk Transfer – shift credit risk, financial risks, prepayment risks to investors
- Balance sheet management : free up RWA & capital and enhance financial ratios
- Shorten investment payback period
- Liquidity : Conversion of illiquid assets into cash
- Diversification of funding sources : alternative source of funds to borrowing, equity financing etc..
- Access to cheaper funding

Requirements & Constraints:

- Diversification requirement
- Predictable and stable flows (eligibility)
- Borrower’s consent
- Tranching
- Qualified investors

The End and Thank you