

The Green Bond Pledge Background

Climate change threatens our quality of life and poses material risk to our communities. As we build and finance new infrastructure and renovate and maintain our existing infrastructure, we must address the challenges posed by climate change.

The Green Bond Pledge is a simple declaration with broad and far-reaching impact. All bonds that finance long-term infrastructure and capital projects need to address environmental impact and climate risk. Green bonds contribute to beneficial environmental and climate outcomes and signal that these imperatives have been deliberately incorporated into the planning and deployment of infrastructure projects.

Long-term infrastructure and capital projects, which are typically financed with bonds, are increasingly scrutinized by investors for sustainability. Such traditional infrastructure as transportation, water, wastewater, buildings, energy and other projects need to be adaptive and resilient to climate related risks – and not create unintended climate problems. In addition, natural infrastructure, including forest and wetlands restoration, wildland preservation, and levees to address sea level rise, will require new attention.

Because green bonds have similar yields, ratings and return profiles to other fixed income investments, they provide investors with a clear way to get both economic and environmental returns without additional risk. For issuers, green bonds signal that the projects being financed have accounted for climate and other environmental risk factors.

The green bond market started in 2007 with initial bonds from the European Investment Bank and the World Bank. The market has grown steadily since then, with over \$160 billion in green bonds issued in 2017, doubling the amount issued during the prior year. In 2017 California and New York each issued over \$4 billion in 2017 to finance green projects for mass transit, green schools, clean water, land preservation and green housing; and companies as diverse as Apple, Kaiser Permanente and Southern Power Company have issued green bonds. This market is growing in size and breadth.

Several resources exist to address what constitutes a green bond, including those under the certification protocols of the Climate Bonds Initiative [Climate Bonds Standard](#) and International Capital Markets Association [Green Bond Principles](#). Other financial market participants have green bond definitional products, including Moody's, S&P Global Markets, and Bloomberg/MSCI/Barclays.

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Issuer Pledge: Agencies, Government and Companies

We agree that all infrastructure and capital projects will need to be climate resilient and where relevant, support the reduction of greenhouse gas emissions.

We welcome the role that green bonds can play in helping to achieve the financing of that infrastructure.

As a signatory to this pledge, we support the rapid growth of a green bonds market, consistent with global best practices that can meet the financing needs we face and issue, whenever applicable, bonds for infrastructure as green bonds.

We pledge to support this goal by establishing a green bonds strategy that will finance infrastructure and capital projects that meets the challenges of climate change while transforming our community into a competitive, prosperous and productive economy.