GREEN BONDS

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WHAT ARE GREEN BONDS?

• A green bond is like any other regular bond but with one key difference: the money raised by the issuer are earmarked towards financing ‘green’ projects.

➢ Green Bonds, also known as Climate Bonds, are fixed income securities issued to finance projects that have a positive impact on the environment and provide solutions to climate change. Green bonds can be issued by Governments or private sector organisations.

➢ By this definition, the endgame of this type of finance is to support projects that enhance climate change mitigation, adaptation and/or environmentally friendly projects.
The concept of Green Bond started when a few development banks such as the European Investment Bank and the World Bank launched it in 2007. Subsequently, in 2013, other issuers such as corporate and municipalities also started participating in the issuance.

The first green bond was issued by the European Investment Bank (EIB) in 2007 to finance its climate-related projects which was listed on the Luxembourg Stock Exchange (LuxSE).

Poland was the first country to issue green bonds in December 2016, followed by France and Fiji.

On December 18, 2017, Nigeria became the first country on the African continent to issue a security that raises funds for environmental projects after the launch of its Sovereign Green Bond. The Federal Government offered N10.69bn ($30m) worth of green bonds, which closed on December 20, 2017 with Chapel Hill Denham acting as the financial adviser for the issuance.
The International Capital Market Association’s Green Bond Principles and the Climate Bonds Initiative's (CBI) Climate Bond Standards help to determine whether a bond qualifies as green or not.

Usually, green bonds must undergo third-party verification/certification to establish that the proceeds are funding projects that generate environmental benefits (e.g. the Climate Bond Standard Board has established a procedure for certification, including the nomination of approved verifiers).

The bonds also, are meant to be aligned with the Green Bond Principles (GBP), which promote integrity in the green bond market through guidelines that recommend transparency, disclosure and reporting.
As established in the Green Bond Principles, a bond can obtain green certification if its funds are applied to one or more of the following categories. The list is indicative and there may be more categories:

✓ Renewable energy: including production, transmission, appliances and products.
✓ Energy efficiency, such as in new and refurbished buildings, energy storage, district heating, smart grids, appliances and products.
✓ Pollution prevention and control
✓ Environmentally sustainable management of living natural resources and land use.
✓ Terrestrial and aquatic biodiversity conservation
✓ Clean transportation
✓ Sustainable water and wastewater management
✓ Climate change
✓ Eco-efficient and/or circular economy adapted products
✓ Green buildings
FEDERAL GOVERNMENT OF NIGERIA
GREEN BONDS
WHY NIGERIA IS ISSUING GREEN BONDS

- The issuance of Green Bonds by the Federal Government of Nigeria will provide funds for financing the implementation of projects by Ministries, Departments and Agencies towards the achievement of Nigeria’s commitments to the Paris Agreement.

- In September 2016, President Muhammadu Buhari, GCFR signed the Paris Agreement on Climate Change, joining other nations to commit to reversing the negative effects of Climate Change.

- Under the Paris Agreement, each country was required to specify the specific efforts it would undertake to achieve the objective of the Paris Agreement. These commitments by each country are referred to as *Nationally Determined Contributions*
FEATURE OF NIGERIA’S GREEN BONDS

• Offer Amount: N10,690,000,000.00.
• Purpose: To finance projects in the 2017 Appropriation Act for Afforestation, Renewable Energy and the provision of Clean Energy to support education.
• Tenor: 5 Years.
• Guarantee: Backed by the full faith and credit of the Federal Government.
• Interest Payment: Bi-Annually.
• Warehousing of Proceeds: Administrative procedures have been established to ensure that the bond proceeds are channeled directly to the stated projects in a transparent manner, with periodic monitoring to ensure that funds are properly utilized.
BENEFITS OF THE FEDERAL GOVERNMENT OF NIGERIA GREEN BONDS

The issuance of Green Bonds by Nigeria have the following key benefits:

► Provide funds by important projects toward protecting the environment and reversing the harmful effects of climate change.
► Signal the commitment of the Government to protecting the environment and lead citizens to take climate change seriously.
► Create a benchmark for subsequent issuances of Green Bonds by State Governments and Corporates for financing environmental projects.
► Provide an opportunity for investors that are interested in preserving the environment to contribute to the country’s efforts at environmental preservation, while earning income from a low risk sovereign investment.
► Further diversifying the Government’s funding sources and deepen the domestic capital market by providing wider variety of products for investors.
ENVIRONMENTAL DEGRADATION - A CASE FOR TOTAL COMMITMENT TO NIGERIA’S GREEN BONDS INITIATIVE
Gas Flaring
Oil Spillage
Deforestation
Erosion
Flood
Waste
CONCLUSION

Environmental degradation continues to be a major challenge bedeviling not just Nigeria but other nations of the world and issuance of Green Bonds appears to be one of the several ways of conquering this menace.

Other than the revenue generating feature of the Green Bonds, a very important hallmark of the Green Bonds is that the funds realized from it are specifically earmarked for ‘Green Projects’ which in turn, have positive impact on the environment and promotes a healthier and safer environment.
Merci!
IMPLEMENTATION IN NIGERIA

The N10.69bn green bonds issued have been used across three projects:

i) **The Energizing Education Project**: This is a rural electrification initiative registered under the Federal Ministry of Power.

ii) **The Rural Electrification Municipal Project**: This is another rural electrification initiative, also registered under the Federal Ministry of Power.

iii) **The Afforestation Project**: A project registered under the Federal Ministry of Environment.

The success of the green bonds in Nigeria resulted in a positive assessment by the international Climate Bond Initiatives, where the country was rated as the only country in Africa with such certification.
The N10.69bn green bonds issued have been used across three projects which are also in alignment with 8 of the 17 Sustainable Development Goals of the United Nations.

i.) **The Energizing Education Project:** This is a rural electrification initiative. It seeks to develop Independent Power Plant (IPP) type projects for the generation and provision of adequate power supply to 37 Federal Universities and 7 University Teaching Hospitals across the country.

ii.) **The Renewable Energy Micro-Utilities in 45 Communities:** This is another rural electrification initiative. It aims to provide access to electricity to 45 unserved communities across the country employing mini grids with distributed loads of between 33-50KW per community.

iii.) **The Afforestation Programme:** This is a programme registered under the Federal Ministry of Environment that aims to increase forest coverage through the plantation of seedlings to cover 131,000 hectares of land.