

19 August 2022

ICMA's response to SEBI's Consultation Paper on Green and Blue Bonds as a mode of Sustainable Finance

The International Capital Market Association (ICMA) welcomes the opportunity to provide feedback on SEBI's Consultation Paper on Green and Blue Bonds as a mode of Sustainable Finance.

ICMA is a membership association, headquartered in Switzerland, committed to serving the needs of its wide range of members. These include private and public sector issuers, financial intermediaries, asset managers and other investors, capital market infrastructure providers, central banks, law firms and others worldwide. ICMA currently has over 600 members located in 65 jurisdictions. See: www.icmagroup.org.

ICMA serves as the Secretariat to the Green Bond Principles (GBP), the Social Bond Principles (SBP), the Sustainability Bond Guidelines (SBG) and the Sustainability-Linked Bond Principles (SLBP) – together “the [Principles](#)”, providing support while advising on governance and other issues.

This feedback is given on behalf of ICMA and its constituencies representing, among other, issuers and investors in the global debt capital markets and specifically the sustainable bond market.

Yours faithfully,

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High-level comments:

- We agree that sustainable bonds - both use of proceed (green, social, sustainability bonds) and general purpose such as sustainability-linked bonds (SLBs) – can contribute to fulfilling India's COP26 commitments. A recent example of a sovereign using a sustainability-linked bond to finance, among other, its NDCs is Chile.
- We welcome SEBI, following a report by CoBOSAC, considering an update of its guidelines for green debt securities in order to align with the 2021 version of the Green Bond Principles (GBP) which will also be received positively by issuers wanting to (continue to) attract international investors and of course by international investors. We recommend that the guidelines also be updated for the 2022 Appendix I of the GBP.
- We agree with SEBI highlighting that finance needs to be raised for the blue economy and ocean conservation which can be done using the Principles published by ICMA. "Blue bonds" are also green bonds as long as they align with the four core components of the GBP. For additional practical guidance, we recommend SEBI consider a future paper called "Bonds to finance the Sustainable Blue Economy" that ICMA together with other major global institutions will publish in Q4 2022 and of which a draft has already been publicly presented¹. IFC, which is one of the other institutions working on the new guide has also independently published some guidelines²

Responses to questions from the consultation:

6.3 Views/ comments sought on:

- a. *Whether the above-mentioned initiatives offer any scope for financing through green bonds?*
- b. *Please offer comments on whether there are any additional policies/ schemes in line with the above objective, if any?*

The high-level eligible project categories of the GBP do not include an exclusion list. However, many official and market taxonomies explicitly exclude fossil fuel projects. Similarly, investors frequently have policies that do not allow investments in such projects. It is therefore highly unlikely that fossil fuel projects as such could be financed in the international green bond market. It is important to note that ICMA provides guidance in form of the [Climate Transition Finance Handbook](#) on climate transition finance strategies and how they can be financed by use-of-proceeds and sustainability-linked bonds.

9.8 Views/ comments sought on:

- a. *Whether the above-mentioned initiatives offer any scope for financing through blue bonds?*
- b. *Whether introducing coloured bonds (blue bonds for blue economy, yellow bonds for solar power) will help increase channels for funding to green projects?*
- c. *Please offer comments on whether any additional policies/ schemes, if any?*

¹ A first draft has already been presented in June 2022: <https://ocean.economist.com/blue-finance/articles/a-breakthrough-for-blue-bonds-at-un-ocean-conference>

² https://www.ifc.org/wps/wcm/connect/industry_ext_content/ifc_external_corporate_site/financial+institutions/resources/guidelines-for-blue-finance

Blue is a theme that can be financed using existing Principles and “blue bonds” are also green bonds as long as they align with the four core components of the GBP. The GBP provide high-level eligible project categories while recommending in parallel that issuers clearly identify known material risks of negative social and/or environmental impacts. It is important to note that the upcoming practical guide “Bonds to finance the Sustainable Blue Economy” to be published³ in 4Q 2022 with ICMA support includes guidance from other institutions that explicitly states that the sustainable blue economy excludes non-renewable extractive industries such as offshore oil and gas, and deep-sea mining. Also see IFC's Guidelines for Blue Finance⁴

“Yellow bonds” is not a label recognised in the market, but we would like to emphasize that solar power can of course be financed under the GBP as it falls into the eligible project category of renewable energy. Generally, the Executive Committee of the Principles supported by ICMA, advises against creating new labels which can be confusing to investors, and continues to underline that all sustainable investment themes such as, for example, transition, blue economy and gender equality etc. can be financed under the existing Principles. Additional guidance has been/is being created when needed in order to help issuers, investors and other market participants understand how to finance specific investment themes under the Principles.

10.1 Views/ comments sought on:

- a. Is there a need to revisit the existing green bond framework on the lines of the GBPs mentioned above? If so, which are the recommendations that have to be adopted?*
- b. Please offer comments on whether any additional policies/ schemes, if any.*

We recommend SEBI to incorporate the 2021 and 2022 versions of the GBP which will be helpful to issuers wanting to attract international investors and be appreciated by (international) investors. The GBP have not added any new project categories as mentioned in the table (pollution prevention and control and circular economy were already part of the GBP before), in 2021 and 2022, the Working Group under the ExCom of the Principles has, however, updated the [Harmonized Handbook on Impact Reporting for Green Bonds](#) to include all ten project categories.

³ A first draft has already been presented in June 2022: <https://ocean.economist.com/blue-finance/articles/a-breakthrough-for-blue-bonds-at-un-ocean-conference>

⁴https://www.ifc.org/wps/wcm/connect/industry_ext_content/ifc_external_corporate_site/financial+institutions/resources/guidelines-for-blue-finance