

# ASEAN Low Carbon Energy Programme (LCEP) Green Bonds Support

*Your one-stop shop for financial and technical green bonds assistance in South East Asia*



**UK Government**



# What is the ASEAN Low Carbon Energy Programme?

The ASEAN Low Carbon Energy Programme (ASEAN LCEP) is a £15m aid programme of the UK's Prosperity Fund. In close collaboration with local and international entities from both the public and private sectors, the programme seeks to help ASEAN harness the benefits from the deployment of low carbon energy by leveraging the UK's extensive and proven expertise in green finance and energy efficiency.

## 2 key pillars



Green Finance



Energy Efficiency

## 4 areas of support



Policy support



Capacity building



Technical assistance



Market development

## 6 partner countries



Indonesia<sup>1</sup>



Malaysia



Myanmar



Philippines



Thailand



Vietnam

## Targeted impacts

- ▶ **Primary benefits:** Inclusive growth and poverty reduction through increased energy efficiency and adoption of low carbon energy, through the use of green finance
- ▶ **Secondary benefits:** Improved trade in green finance, energy efficiency and low carbon technology between partner countries and rest of the world, including the UK

## Timeline

Inception phase

Mar to Sep 2019

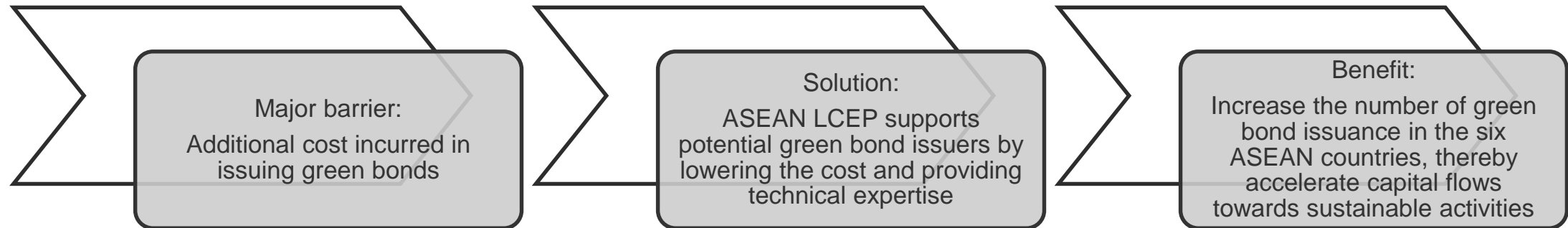
Implementation phase

Oct 2019 to Mar 2022

<sup>1</sup> In Indonesia, the Programme will focus exclusively on green finance

# Why support to Green Bonds?

Green bonds have gained popularity in the past few years as they can mobilise large sources of capital at speed and at scale to meet the massive green investment needs especially in ASEAN

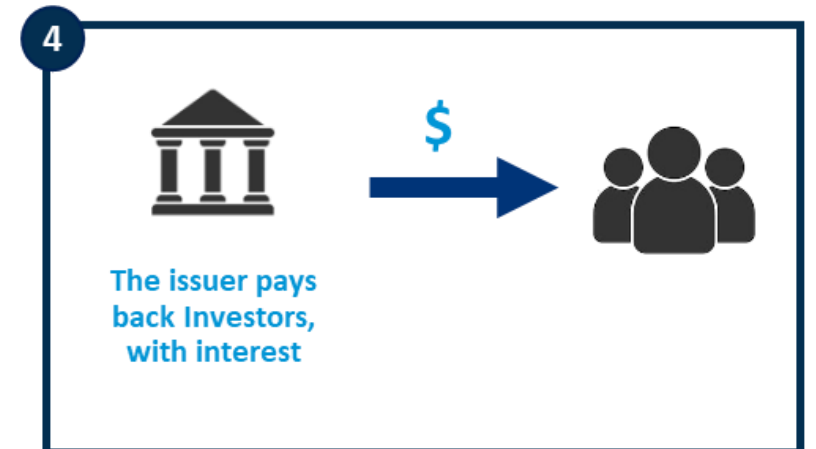
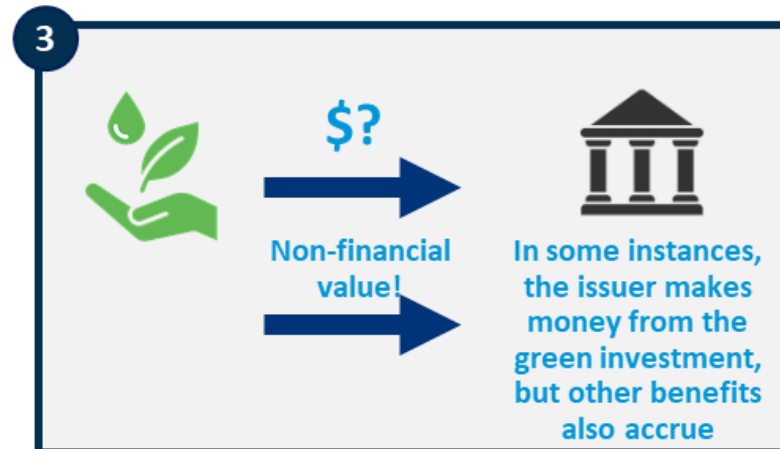
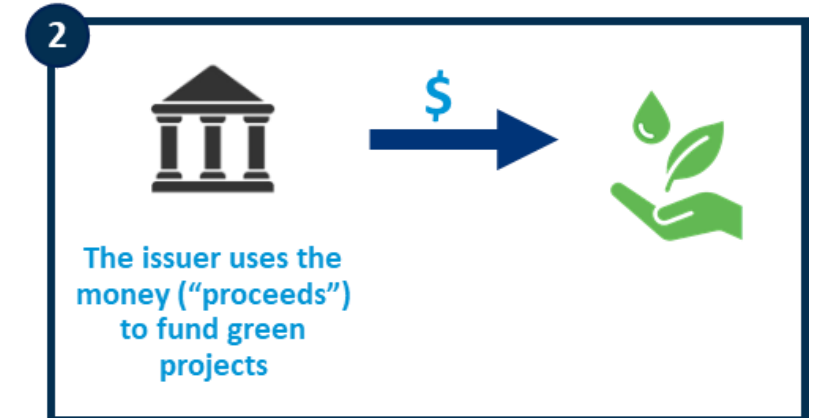
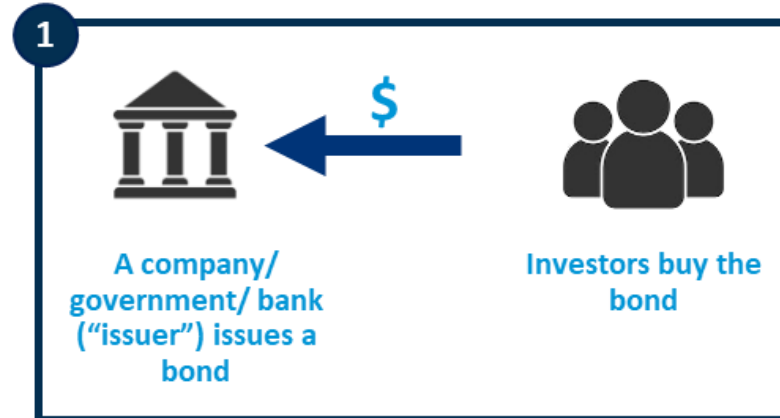


# What is a green bond?

*Green bonds work like any conventional bond, but 'green-ness' is the difference*

*"Any type of bond instrument where the proceeds will be exclusively applied to finance or re-finance new or existing eligible projects that have positive environmental and/or climate benefits".*

*Sustainalytics*



# Different types of Green Bonds, and other instruments

## *Different debt based financial instruments*

Type	Proceeds raised by bond sale are
"Use of Proceeds" Bond	Earmarked for green projects, but there is no direct investor exposure to assets/projects
"Use of Proceeds" Revenue Bond or ABS	Earmarked for or refines green projects
Project Bond	Ring-fenced for the specific underlying green project(s)
Securitisation (ABS) Bond	Refinance portfolios of green projects or proceeds are earmarked for green projects
Covered Bond	Earmarked for eligible projects included in the covered pool
Loans	Earmarked for eligible projects or secured on eligible assets
Other debt instruments	Earmarked for eligible projects

# What makes a bond or a funded project/asset green?



- ▶ Projects can include **climate mitigation** such as clean energy or energy efficiency investments; or **climate adaptation activities** like building flooding fences where sea-level settlements are exposed to flooding
- ▶ **Guidelines help establish a common understanding between issuers and investors**

## Climate Bonds Initiative

- The Climate Bonds Initiative (CBI) is an international, non-profit organisation with the aim to promote green investments though expanding the green bonds market

## The Green Bond Principles

- The Green Bond Principles (GBP) have been developed by the International Capital Market Association (ICMA)
- They are voluntary process guidelines that recommend transparency and disclosure and promote integrity in the development of the Green Bond market by clarifying the approach for issuance of a Green Bond

# Green bonds offer an important mechanism to drive financial flows towards needed environmental projects

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- ✓ The “Green” can be a great **marketing device**; it gets attention and can boost recognition of an organisation’s environmental strategy and positioning
- ✓ It can **kick-start or bolster a reputation for environmental proactivity**
- ✓ It can be a **valuable addition to the arsenal of “greening” measures** and commitments already made by cities – and projects could add to “liveability”



- ✓ It often coincides with **existing ambition and/or development and investment needs**
- ✓ It offers a platform for engagement with a **different class of investor** to which the issuer might not otherwise have exposure
- ✓ **Access to a wider group of investors** interested in environmentally sound investments and committed to their ESG strategies



- ✓ It’s reported that Green Bond exhibit **greater stickiness**; investors are committed to the bond
- ✓ **Growing demand**, at least from international investors, though commercial financial issuers have reported that their **customers are asking for more green bonds**
- ✓ **Aggregation of smaller projects**, could make the ‘pool’ more suited to the instrument

# What support can the LCEP offer?

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1. Provide advisory services to issuers such that their green bonds comply with a selected green bond standard. Advisory services may include the following:

- ▶ Advise issuers on the most appropriate green bond standards to adopt (e.g. Green Bond Principles, Climate Bonds Standards)
- ▶ Advise issuers on the design of a green bond framework in line with the selected green bond standards, and support the development of internal policies, procedures and controls in line with the green bond framework
- ▶ Assist issuers in selecting an underwriter for the green bond issuance
- ▶ Assist issuers in approaching and liaising with potential investors

2. Perform audit to verify that the green bonds comply with the requirements of a selected green bond standard in order to provide issuers with a formal assurance report for their green bonds.





# Frequently Asked Questions

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## 1. Who can apply for this support?

National governments, sub-national governments, corporates, financial institutions and project developers looking to issue green bonds in the six ASEAN countries that the LCEP is supporting.

## 2. How long will this support be made available?

The green bonds support will be available across the entire ASEAN LCEP duration until March 2022.

## 3. Is the ASEAN LCEP green bond support limited to particular sectors?

Due to the ASEAN LCEP's focus on the energy sector, our preference is to support green bonds in the renewable energy and energy efficiency sectors. However, we are open to green bonds from other sectors that will deliver significant impact that is aligned with the LCEP's goals of promoting inclusive growth, reducing poverty and decreasing GHG emissions.

# Frequently Asked Questions

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## 4. Is the LCEP looking for any particular features in the green bonds it supports?

The LCEP is keen to support first-of-a-kind green bond issuances that can help accelerate market development and can be replicated to scale up green financing in the region. This can include working with new green bond issuers or supporting existing green bond issuers to venture into new sectors.

## 5. Can the LCEP provide both advisory and assurance services for the same green bond?

Yes, as the Carbon Trust and EY can both provide green bond services as part of the LCEP, if one firm provides advisory services to support the green bond framework development, the other firm can provide assurance services.

## 6. Does the ASEAN LCEP have any requirements regarding the listing of the green bond?

The ASEAN LCEP does not consider the listing of the green bond as one of the qualifying criteria. Having said that, the eligible assets must be located in one of the six ASEAN countries.

# EY, Carbon Trust and IMC Worldwide are the consortium delivering the programme



EY is a leading advisor to the public and private sectors on large and complex programmes, including renewable energy



EY is the lead for the Green Finance pillar of the ASEAN LCEP and responsible for overall programme management



The **Carbon Trust** is an independent, expert partner of leading organisations, helping them to reduce their carbon emissions and become more resource efficient



The **Carbon Trust** is the lead for the Energy Efficiency pillar of the ASEAN LCEP and supporting the Green Finance pillar



**IMC Worldwide** partners with local communities, governments, international agencies, the private sector to address global development challenges

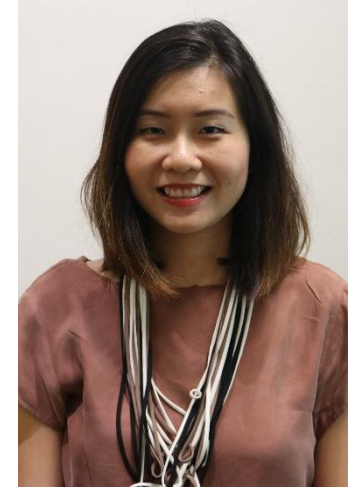


**IMC Worldwide** is ensuring that the ASEAN LCEP will deliver positive gender and inclusion impact

# Contact Us

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If you are keen to find out more or work with us, please contact Ms. Lau Xin Yi, Green Finance Lead, South East Asia at the Carbon Trust Singapore office: [XinYi.Lau@carbontrust.com](mailto:XinYi.Lau@carbontrust.com).



The Carbon Trust is an independent company with a mission to accelerate the move to a sustainable, low-carbon economy. The Carbon Trust:

- ▶ advises businesses, governments and the public sector on opportunities in a sustainable, low-carbon world;
- ▶ measures and certifies the environmental footprint of organisations, products and services;
- ▶ helps develop and deploy low-carbon technologies and solutions, from energy efficiency to renewable power.