

Regulation and Supervision of Climate Risk Conference

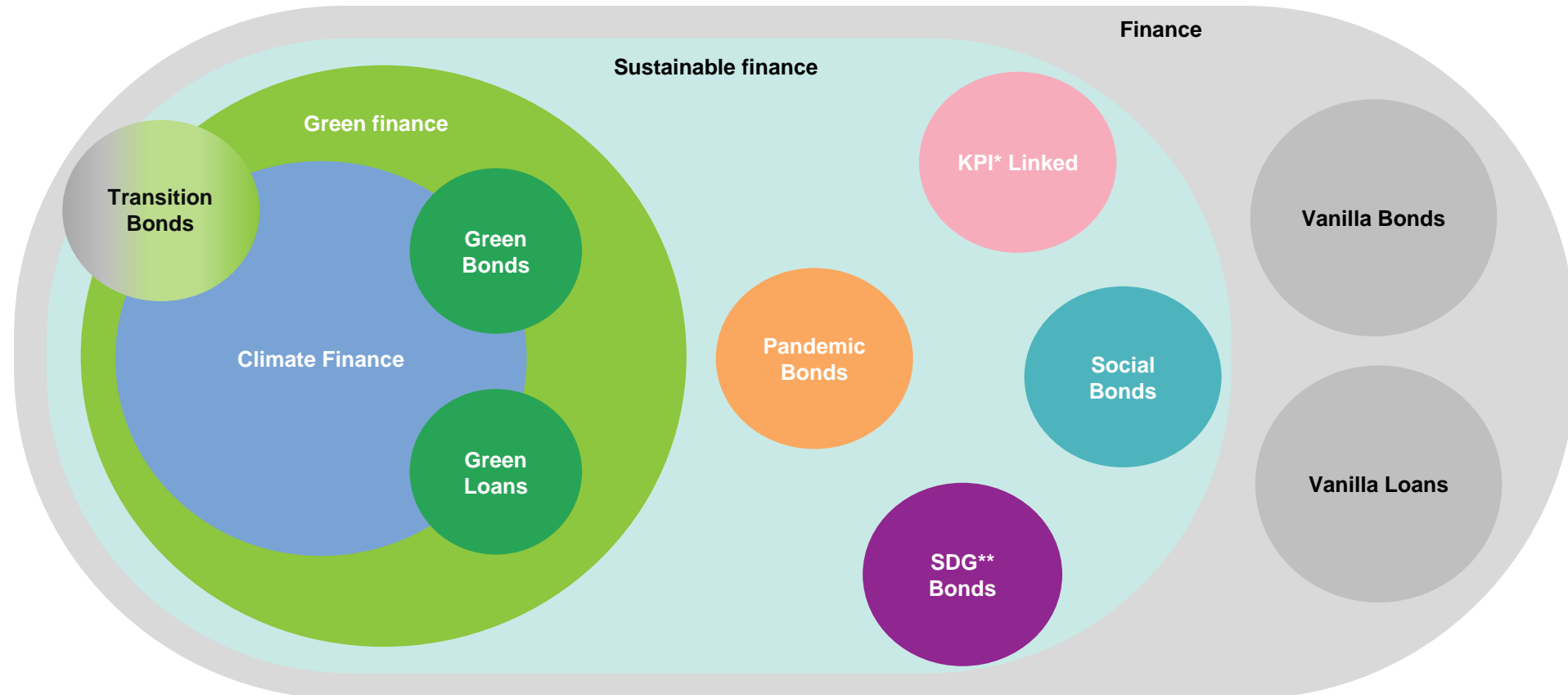
Financial Market Commission of Chile (CMF)

Agenda Topics

- Frontier in new green and sustainable linked instruments
- General development of the private-public sector
- Certification and trust in "green labels"
- Green loans and deposits in banks and green insurance instruments
- Benefits and challenges in issuing green bonds

Sustainable Finance Landscape

Global **bond** market currently stands at around USD130 trillion

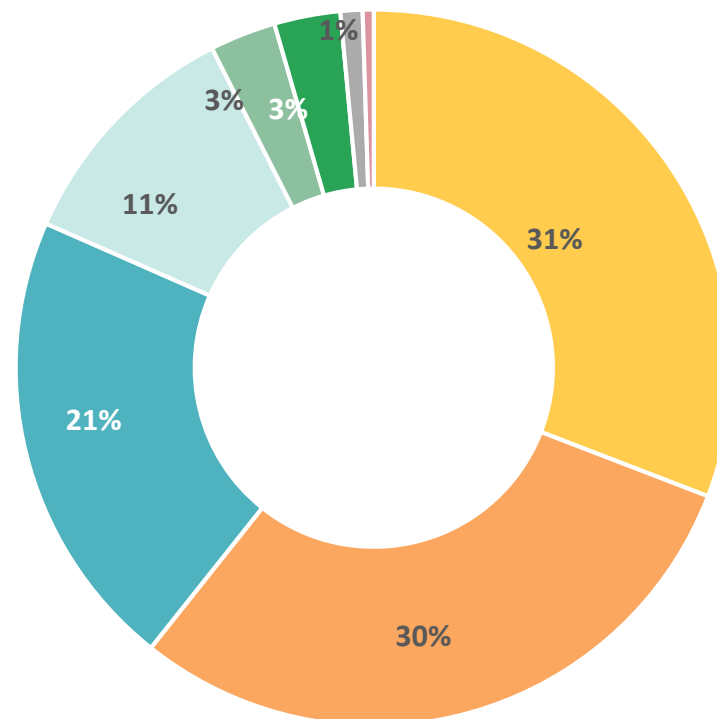


*Key performance indicators | **Sustainable Development Goals

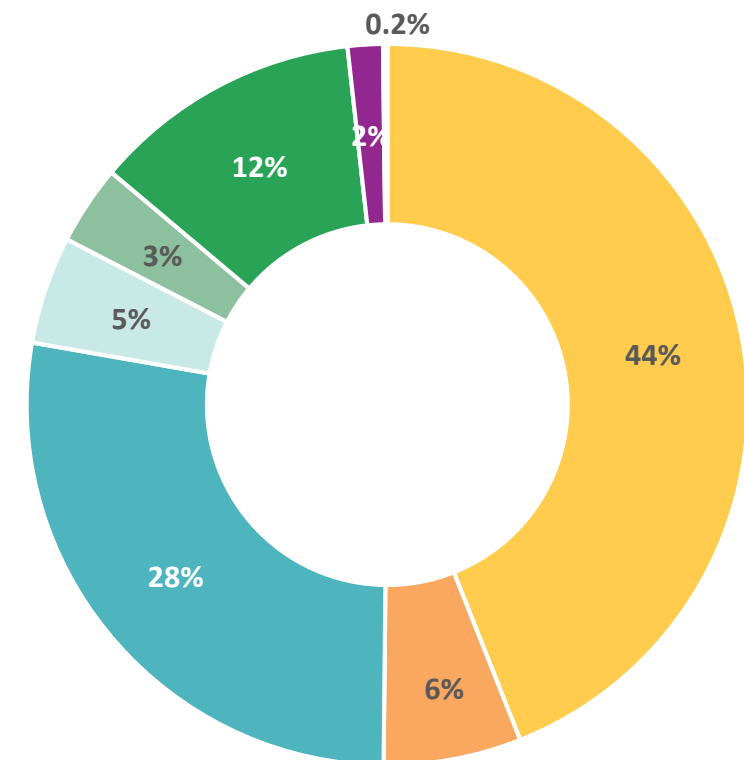
Green Bond Use of Proceeds

- Energy
- Buildings
- Transport
- Water
- Waste
- Use of Land
- Industry
- ICT
- Adaptation & Resilience

Global



Latin America



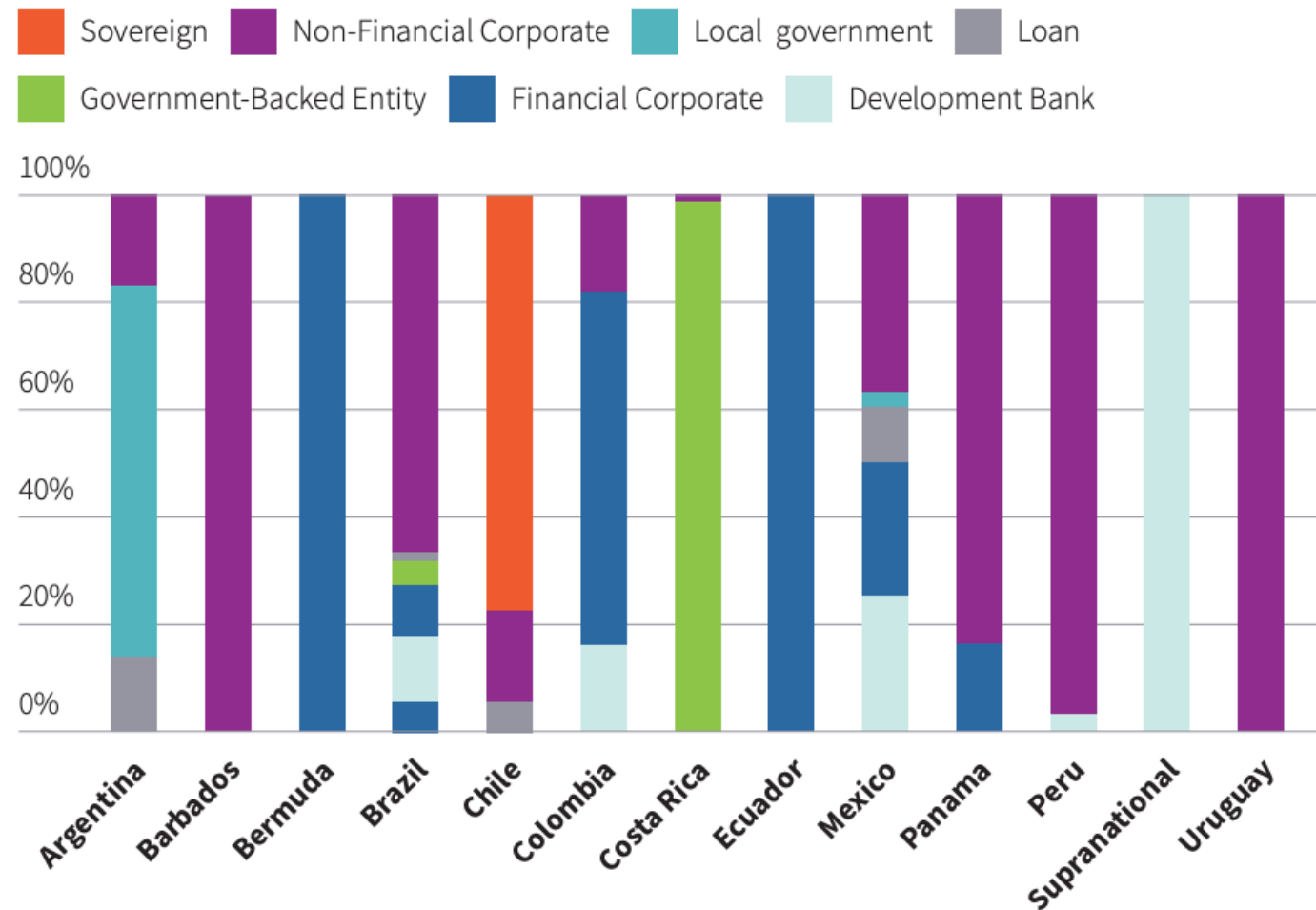
Source: Climate Bonds Initiative. Data as of H1 2021

Sustainable Finance in Chile



Green + Social + Sustainable + SLBs = **USD 17.76bn** cumulative issuance

Issuer diversification in LAC



Source: Climate Bonds Initiative. Data as of H1 2021

Sustainable Finance Market in LAC - case study

CASE STUDY: Chile's USD1.5bn Sovereign Sustainability Bond

In April 2021, Chile launched a sizable sustainability bond of USD1.5bn with a 32-year maturity. Chile's investor base has broadened with the bond being the first sovereign thematic deal to be listed on the Taipei Exchange. Vigeo Eiris provided the SPO on the Republic of Chile's Sustainable Bond Framework, which has been prepared by the Chilean Ministry of Finance with the support of the Inter-American Development Bank.




The framework features nine social eligible project categories, with examples including the following:

- Financing support to disadvantaged groups (elderly, indigenous and marginalised communities) via pension schemes;
- Support for low-income families and victims of human rights violations via subsidies and contributions

- Promoting food security for vulnerable groups
- Access to essential education and health services via preventive and curative health initiatives, and
- Disaster recovery programs related to socioeconomic crisis such as the coronavirus pandemic through SME and microfinance programs.

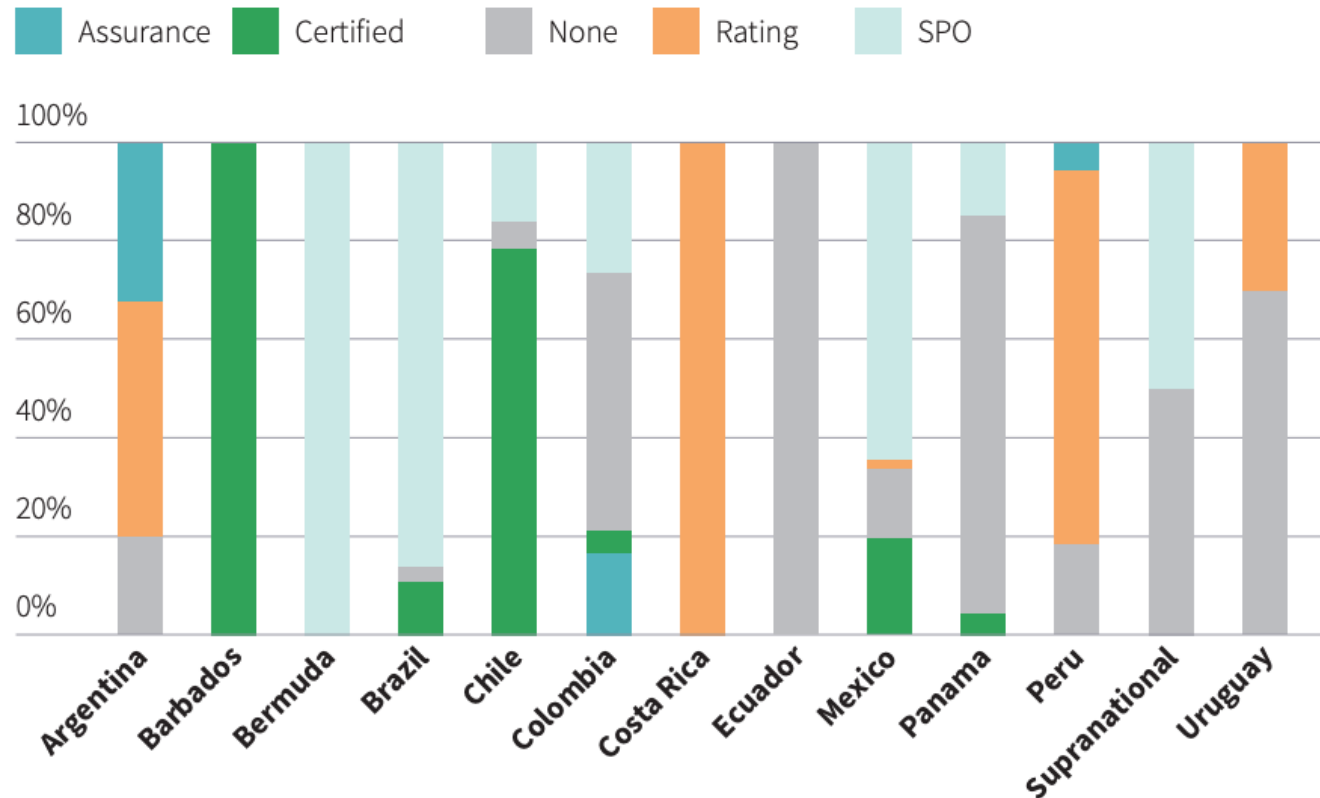
Areas of green financing include clean transportation, energy efficiency, renewable energy, conservation of natural resources and land use and marine areas, water management, and green buildings. Overall this framework is very broad and a great example of a sovereign issuer building a large pipeline of investable sustainability-themed assets, projects, activities and expenses to facilitate the achievement of multiple SDGs.

Sustainable Finance Market in LAC

LAC sustainable debt market				
	 Green	 Social	 Sustainability	Total GSS
Total size of market	USD30.2bn	USD8.6bn	USD9.7bn	USD48.6bn
Number of deals	169	37	40	246
Number of issuers	91	28	26	132
Number of countries	12	10	9	14
Number of currencies	11	10	6	14

Source: Climate Bonds Initiative. Data as of H1 2021

Certification and the trust in “green labels”



- External reviews and certification on the rise.
- Over 88% of the total issued amount, and 84% of deals in the region, have some form of external review.
- Cumulatively, USD9.4bn worth of green deals in the region have received Certification.
- 15% of Certification comes from the LAC region.

New trends, actors and instruments

ISSUERS

New issuers and countries entering the market



TRANSITION

- Transition to achieve Net Zero targets
- Cement, steel, basic chemicals, agriculture, and hydrogen



TAXONOMIES

Advanced Standards and Taxonomies (Colombia, Chile, Mexico, Dominican Republic)

SECTORS

More financing in Agriculture, Land Use, Water, Adaptation and Resilience

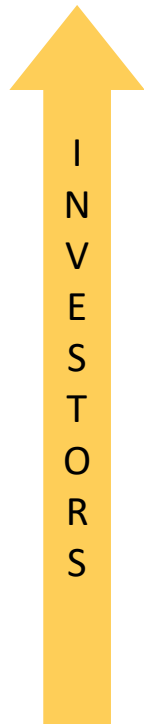


INSTRUMENTS

- **Short debt instruments** (*Cheques Verdes* issued in Argentina, the *Fibras Verdes* in Mexico, the CRAs in Brazil, and Commercial Papers in Peru)
- Insurance companies and regulations



Benefits of Green Bonds in Emerging Markets

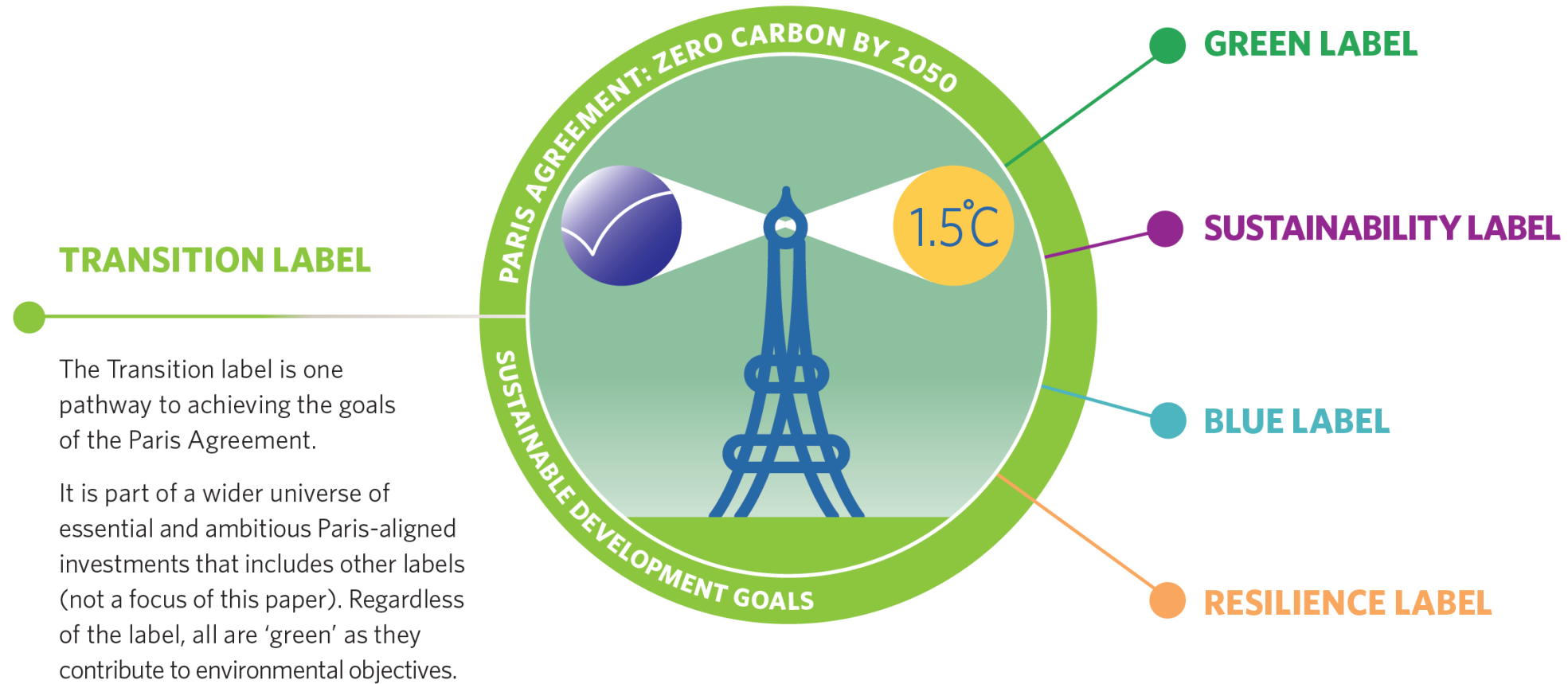


- Increase investor demand and diversification
- Improve relationships with debt providers
- Strengthen issuers' leadership
- Enhance issuers' reputation and brand value
- Help communicate issuers' sustainability narrative and strategies
- Boost integration between finance and sustainability teams

- Comply with regulation
- Invest in sustainable products and initiatives without taking on additional risk
- Develop better-informed investment strategies
- Broaden restricted investment portfolios
- Remove cost of environmental due diligence



The role of funding the Transition



The Urgency of Climate Action

Pathways for 1.5°C

- Physical climate risks keep on rising and climate shocks are becoming more frequent and severe
- Nations and DFI to urgently raise adaptation and resilience finance to 50% of total climate finance
- Current Nationally Determined Contributions (NDCs) are not sufficient to meet the goals of the Paris Agreement
- Anthropogenic emissions have resulted in temperature rise of about 1°C compared to the pre-industrial levels.

Conclusion: several key drivers could unlock LAC's great potential



Going forward, we expect to see:

- **Continued growth in GB issuance**, with new issuers and countries joining the market
- **Issuance from the public sector** to finance national development goals
- Key investment in **renewable and clean energy sources**
- **Increased engagement of the wider banking and finance sector** in green bonds
- Introduction of further **policies, incentives and guidelines** around green finance
- **Greater transparency and better visibility**, possibly even including standardised reporting by issuers – the IDB is developing a public platform with these aims

Thank you

www.climatebonds.net