

The “Greenium”

The Higher Valuation of Green-Linked Bonds

QUESTIONS

What is the Green Premium on bonds? Is there an advantage to be gained in the financial markets from reporting emissions?

2 INSIGHTS

1. Well-documented valuation premium leading to 1 - 9 bp reduction in interest expense
2. Key advantage of The Greenium is shifting from a pricing advantage to access to capital

“We are now able to go to issuers and tell them ‘if you issue your debt in green format, you will actually save money.’”

[Deutsche Bank](#)

FACTS

- \$1T of green and sustainability bonds expected to be issued in 2022 ([Moody's](#))
- Green and sustainability bonds are now 12% of all new issuances
- 5X growth in issuances expected by 2025
- As green bonds become the market norm, emissions data also becomes a must-have for all bonds

THE GREENIUM

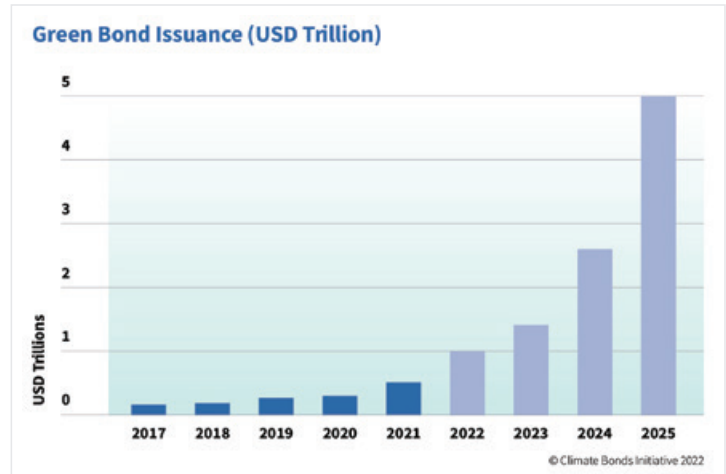


Source: [Financial Times, July 2022](#)

THE DOUBLE WIN OF INVESTOR-GRADE EMISSIONS DATA

The term “Green Premium” is used in the financial markets to indicate the higher valuation and lower interest expense that comes along with providing investors emissions and other ESG data. The market is hungry for green-backed investments and is willing to pay a bit more.

Ironically, however, the term “Green Premium” has also been [used by Bill Gates](#). In his use case, the term means an extra cost. For example, if green jet fuel costs \$5.00 per gallon and standard fuel costs \$2.00 per gallon, the Green Premium is \$3.00 per gallon. Gates uses the term to identify the extra cost of cleantech solutions, so he can focus money and resources on those hot spots.



Source: [Climate Bonds Initiative 2022](#)

Financing is important for emissions reductions, as most reductions call for steep upfront spends, with the plan of gaining energy and water savings in the years to come. Most of technologies used to reduce building energy use, such as smart thermostats, actually lower costs. Which is the opposite of what Bill Gates expects.

Imagine getting “The Green Premium Squared.” Lower financing costs because of hungry investor community and project-level emissions reductions. The path to this double win is through high-quality emissions data, used to plan the emissions reduction project and to unlock access a new segment of the investor community.

READ THE RESEARCH



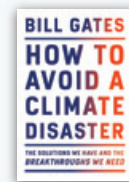
[The Green Corporate Bond Issuance Premium »](#)



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Journal of Cleaner Production:

[Is there a green premium in the green bond market? Systematic literature review revealing premium determinants »](#)



[How To Solve Climate Change: Bill Gates Wants You To Know Two Numbers »](#)

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