

# Case Study: City of Reykjavík Green Bond Issue

City of Reykjavík becomes first green bond issuer on Nasdaq Iceland sustainable bond market

January 2019



## Green Bond Key Facts

Type	CPI-Linked Annuity Bond
Issue Date	December 17 <sup>th</sup> , 2018
Size	ISK 4.1 billion
Tenor	30-year
Maturity	October 21 <sup>st</sup> , 2048
Coupon	2.385%
Payments	Bi-annual
Placement Agent	Fossar Markets
2 <sup>nd</sup> Opinion	Cicero Center for International Climate Research
GBF Rating	CICERO Dark Green
Listing	Nasdaq Iceland Sustainable Bond

## About Reykjavík

Reykjavík is the capital and largest city of Iceland. Located in southwestern Iceland, Reykjavík has a population of approx. 130 thousand or roughly 35% of Iceland's total population. It has an area of 273 km<sup>2</sup>, employed 6,928 full-time equivalent persons in the year 2017 and is responsible for public infrastructures such as public schools, roads, swimming pools, libraries, social welfare, museums, waste collection and public transport.

## City of Reykjavík Climate Policy

Cities play a key role in the fight against climate change. They can react quickly, hold innumerable means of enacting change and are more often than not far more progressive than the world's governments. The City of Reykjavík's Environment and Natural Resources Policy, which was published alongside the City of Reykjavík District Plan for 2010-2030, established goals for reducing the emissions of greenhouse gases by 73% before the year 2050. The climate policy put forth by the City aims at carbon-neutrality by the year 2040, or in just 24 years.

Both electricity and space heating in the City of Reykjavík is provided with renewable energy resources, namely geothermal and hydro from nearby power plants.

The absence of fossil fuels for heating and electricity production leaves the transport sector as the main contributor of greenhouse gases within the City of Reykjavík. Its Climate Policy acknowledges this and provides goals on how to reduce emissions from the transport sector.

## Eligible Projects

Eligible projects are projects that assist the City of Reykjavík in the transition to a low carbon economy and align with its long-term climate policy. Eligible projects have quantifiable environmental benefits, with environmental mitigation and/or adaptation potentials. Projects which lead to increased fossil fuel use cannot be financed using proceeds from bond issuances that fall under this Green Bond Framework.

Project categories which are intended to be financed using the green bond proceeds are green buildings, energy efficiency, clean transportation, waste management, sustainable land-use / environmental management and adaptation measures.

## Green Bond Issuance: Framework and Process

In order to fulfil Reykjavík City's climate policy of carbon-neutrality by 2040, green labeled projects are gaining more prominence each year. With a long-standing focus and commitment on sustainability together with a robust governance structure, issuing a green bond to fund green projects was a logical step for the City of Reykjavík.

The City's Green Bond Framework is based on ICMA's Green Bond Principles where general applicable project categories were specified and tied to specific UN Sustainable Development Goals (SDGs).

The City of Reykjavík tasked CIRCULAR solutions, Icelandic sustainability experts, with drafting the bond framework, ensuring alignment with the City's climate policy.

CICERO, a leading reviewer of green frameworks in the Nordics, then reviewed the framework to ensure compliance with ICMA's Green Bond Principles as well as to certify the issuer's environmental and sustainability governance. The framework received the top governance rating of Excellent and the bond framework overall received the highest available CICERO rating of Dark Green.

The bond was the first ISK-denominated green bond marketed to local investors. As the sole arranger and bookbuilder of the bond issuance, Fossar Markets ensured that investor concerns and requirements were addressed and aligned with the bond framework.

The bond issue was oversubscribed, reflecting increasing investor awareness of environmental issues and appetite for green investment products.

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