



**BANK
FOR DEVELOPMENT**

Department for
Strategic Analysis and Development

DFI AND IFO: IMPLEMENTATION OF SUSTAINABILITY PRINCIPLES

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HEADLINES:

1. PROMOTING SUSTAINABILITY

Disclosure of greenhouse gas emissions becomes an increasingly important requirement imposed on companies by the government, investors and consumers.

It is expected that by the end of 2015, disclosure of greenhouse gas emissions will become a mandatory requirement on corporate issuers on major stock exchanges. (>>[page 9](#))



In April 2015, the amount of assets under management of the signatories to the UN Principles for Responsible Investment (UN PRI) amounted to USD 59 tn, which is 29% higher than in April 2014. (>>[page 8](#))



The majority of the participants in the Hearings in preparation for the Third International Conference on Financing for Development believe that the integration of environmental, social and governance (ESG) criteria into investment solutions can secure more stable return on investment on a long-term horizon. (>>[page 8](#))

2. TOWARDS A GREEN ECONOMY FOR RUSSIA

As part of the 19th St. Petersburg International Economic Forum, the Development Award Ceremony was held.

In 2015, the Award for Best Environmental or Green Technology Project went to the project to build the first Russian network of solar power stations with the capacity of 5 megawatts in the Altai region by Hevel. (>>[page 10](#))



On 5 June 2015, the Civic Chamber of the Russian Federation hosted the Conference on Sustainable Development: National and International Priorities. (>>[page 10](#))



The Conference 'Sustainable Town of Kaluga: Growth Zones' took place in Kaluga on 27 May 2015.

The participants discussed the sustainability prospects for Russian towns in the current economic environment. (>>[page 12](#))

3. RESPONSIBLE INVESTMENT

At the end of Q1 2015, the global market of green bonds amounted to USD 7.2 bn. (>>[page 14](#))



The Asian Development Bank raised USD 500 mn through a new issue of green bonds maturing in 10 years and denominated in US dollars. The 40 investors in the placement represented a wide spectrum of countries: 45% came from Europe, Middle East and Africa, 31% – from Asia, and 24% – from America. (>>[page 17](#))



On 25 March 2015, the Development Bank of Germany KfW issued AUD 600 mn worth of green bonds. Overall, 28 investors participated in the placement, with approximately one-third coming from Australia. The bonds have a coupon rate of 2.4% p.a. and mature in 5 years.

The funds raised by the green bonds will be channeled towards the KfW environmental investment programme to develop renewable energy. (>>[page 18](#))



On 24 March 2015, the Export-Import Bank of India issued USD 500 mn worth of green bonds with a maturity of 5 years and coupon rate of 2.75% p.a. (>>[page 15](#))

4. SUSTAINABILITY RATINGS AND REPORTS

For the first time ever, a rating list of environmentally responsible oil and gas companies is compiled in Russia. The list is headed by major public companies with the LNG and APG projects accounting for a significant share in their portfolios. (>>[page 19](#))



Moscow hosted a presentation of new tools to assess responsible business practices, i.e. indices of corporate social responsibility and reporting titled Responsibility and Transparency, and Vector of Sustainable Development.

The indices are to be calculated on the yearly basis. (>>[page 20](#))

5. SUSTAINABLE PRACTICES OF LEADING DEVELOPMENT FINANCE INSTITUTIONS

The Brazilian Development Bank BNDES entered into an agreement with the Japan Bank for International Cooperation (JBIC) and Mizuho Bank to raise USD 150 mn. The financing scheme is aimed at projects designed to protect environment, reduce greenhouse gas emissions, promote energy efficiency, as well as projects on electricity generation from renewable sources. (>>[page 23](#))



On 26 March 2015, JBIC signed an agreement for a USD 150 mn loan facility to be extended to the Turkish development bank Türkiye Kalkınma Bankası A.Ş.

The proceeds will be used to finance renewable energy and energy efficiency projects in Turkey. (>>[page 23](#))

1. PROMOTING SUSTAINABILITY

Social responsibility in times of crisis

Corporate social responsibility is a code of corporate ethics and a set of consistent economic, environmental and social measures implemented in ongoing cooperation with stakeholders and intended to reduce non-financial risks, enhance corporate image and goodwill, boost capitalisation and competitive advantage, as well as secure profit and sustainable development of a company.

Aleksey Kostin, Executive Director, CSR - Russian Centre

Against the backdrop of the economic crisis, reduction in effective demand and investment, **corporate social responsibility** (CSR) plays an increasingly important role in overcoming difficulties and promoting business.

Thus, **according to Aleksey Kostin, Executive Director of CSR – Russian Centre**, CSR measures help raise customers and investors' confidence in business and promote changes in the production environment based on the alternative energy and **green economy** principles.

The sustainable development and CSR initiatives prove to be viable amidst the system restructuring and transition to a new development stage, as well as when addressing the crisis effects.

Notably, the crisis brings forward such CSR aspects as:

- regular publication of financial and non-financial reports in compliance with the Russian and international standards;
- honouring social, economic and environmental commitments;
- use of best available technologies, both energy efficient and environmentally friendly;
- compliance with mandatory and voluntary standards of quality, safety, sustainability and social responsibility;
- efficient management of non-financial risks;
- maximum consideration for staff in case of reorganization;
- demonstration of environmental friendliness of products and manufacturing process.

In Russia, sustainable development and CSR have already appeared on the agenda of decision-making bodies, business associations, companies, state corporations, development institutions, etc.

Positive outcomes have been produced by the efforts to promote sustainability reporting, which is now at the level comparable to that of the international practice.

Concept of the Third Industrial Revolution (TIR)

▮ One of the highlights of the World Forum Lille was the address by Muhammad Yunus, Professor of Economics from Bangladesh and the founder of the Grameen Bank.

TIR is a concept introduced by modern economists and referring to transition to a new level of production relations based on the proliferation of information technologies (information revolution) and broad use of renewable energy (energy revolution).

The Forum's 8th Session held on 21-24 October 2014 in Lille (France) saw the official presentation of the results of Year 1 of **The 3rd Industrial Revolution Master Plan for Nord-Pas de Calais**.

<p>Yunus has successfully introduced the concept of microfinance by extending small long-term loans to entrepreneurs whose own funds are insufficient to obtain traditional bank loans.</p> <p>In 2006, Yunus was awarded the Nobel Peace Prize for the efforts through microcredit to create economic and social development from below.</p>	<p>According to the Forum, France, following the trend set by Germany and Italy, has started introducing the TIR concept at the regional level.</p> <p>The TIR Master Plan for Nord-Pas de Calais is aimed at promoting such areas as:</p> <ul style="list-style-type: none"> ▪ transition to alternative energy; ▪ conversion of transport to electric motors; ▪ increased energy efficiency; ▪ use of hydrogen and other technologies for energy accumulation purposes; ▪ SmartGrid-technologies; ▪ circular economy. <p>The Plan is expected to bring about an overall economic, social and environmental renewal of the region, and result in a 60% reduction in energy consumption and 150,000 new jobs by 2050.</p>
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New Global Partnership for Sustainable Development

<p>▮ According to the Council conclusions, successful implementation of the Global Partnership requires a quality monitoring, accountability and performance review system, which is to become an integral element of the Post-2015 Agenda.</p> <p>▮ The New Global Partnership will be based on the principles of shared responsibility, mutual accountability, and multi-stakeholder approach.</p>	<p>The European Council meeting dd. 26 May 2015 produced the conclusions regarding the New Global Partnership for Poverty Eradication and Sustainable Development after 2015.</p> <p>The New Global Partnership should be based on and promote such principles as:</p> <ul style="list-style-type: none"> ▪ human rights; ▪ non-discrimination; ▪ democratic institutions; ▪ good governance; ▪ rule of law; ▪ inclusive economic growth; ▪ environmental sustainability. <p>The New Global Partnership should be implemented through:</p> <ul style="list-style-type: none"> ▪ mobilising and making effective use of domestic and international public finance; ▪ mobilising the private sector; ▪ stimulating trade and investments; ▪ fostering science and innovation.
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The BRICS Environment Ministers held their first meeting

<p>▮ Green economy is one of the tools to ensure sustainable development of the BRICS countries subject to the national context and priorities.</p>	<p>On 22 April 2015, Moscow hosted the first official BRICS Environment Ministers Meeting on a green economy strategy for the BRICS countries' sustainability and competitiveness.</p> <p>The participants of the meeting stated their intention to consolidate their efforts in developing policies and measures that would help mitigate adverse impacts of the climate change</p>
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The Ministers agreed that effective progress towards economically, socially and environmentally sustainable future is crucial for accomplishing such objectives as poverty eradication, environmental resources protection and management, and climate change.

and adapt national economies to negative impacts on the environment, as well as to explore the potential of the BRICS New Development Bank in terms of environmental project finance.

The Ministers decided to establish a Working Group on environment to identify the priority areas of cooperation.

In particular, the Working Group should consider establishing a collaborative platform for the BRICS countries to share best environmental practices and promote green technologies and know-how.

The G7 leaders announced a drastic shift in the energy policy

Chancellor Angela Merkel identified environmental protection as one of the priority tasks for Germany.

Climate change was top of the agenda at the G7 Summit held in Germany on 7-8 June 2015.

Summarizing their discussions, the G7 leaders **declared an intention to step up efforts to save energy and use renewables.**

The Declaration mentions a fundamental shift of western countries to clean energy, decarbonization of economy within the 21st century and a reduction in greenhouse gas emissions by 40-70% on the year 2010.

Saudi Arabia to increase energy production from renewable sources

According to Saudi Arabian Oil Minister Ali Al-Naimi, more efforts are needed to discover such oil, coal and gas combustion methods that would prevent carbon dioxide from aggravating the global warming.

Saudi Arabia, the world's largest oil exporter, may give up fossil fuel as early as in 2040 and become a global power in solar and wind energy industry, said Saudi Arabia's Minister of Oil Ali Al-Naimi at the Climate Change Conference in Paris, 20-21 May 2015.

At the same time, the conference participants shared the opinion that the demand for fossil fuel will remain high for many years to come given the fact that 1 billion of people all over the world still have no access to electric power.

EU to allocate funds for green economy in the Republic of Belarus

In particular, no less than 16 grants are to be given to projects of public associations.

The European Union is to allocate EUR 5 mn to develop green economy in the Republic of Belarus, Maira Mora, Head of the EU Delegation to Belarus, said at the presentation of the project designed to assist Belarus in transition to green economy.

The project is designed to implement the ideas of green economic growth and sustainable models of production and consumption based on local initiatives and awareness campaign.

In line with other measures, the project provides for the setup of a recycled paper mill in Borisov to produce copy paper.

<p>The projects deal with waste treatment and promote eco-tourism, biodiversity, and renewable energy sources.</p>	<p>Furthermore, there are plans to build a complex to recycle wood waste into biological fuel (wood chip) in Brest. The project will contribute to greater utilization of wood waste without damaging the environment, as well as help achieve an additional environmental impact by switching the electric users to renewable energy sources. In the result, it is expected to liquidate a wood waste burial.</p>
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Finland to complete transition to renewable energy sources by 2050

<p>Earlier, Finland has committed to reduce greenhouse gas emissions by 80-95% by 2050.</p>	<p>From economic and technical point of view, the complete transition of the Finnish economy to renewable energy sources will become possible by 2050, researchers at the Lappeenranta University of Technology forecast.</p> <p>The government is to set about designing a new long-term energy and climate strategy in autumn 2015.</p>
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The role of financial sector in transition to green economy discussed in UAE

<p><i>H.E. Dr. Rashid Ahmed bin Fahad, UAE Minister of Environment and Water, expressed his firm conviction that the path to national development and prosperity lies in green economic growth.</i></p>	<p>On 25 May 2015, Dubai hosted the Conference 'National Roundtable on Financing and Investing in Green Economy Projects'. The Conference was organized by the UAE Ministry of Environment and Water, and UNEP FI.</p> <p>The forum was attended by more than 300 participants who discussed the financial sector's inclusion into the transition to sustainable green economy, both at the national and international level.</p>
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OECD Global Forum on Development 2015

<p>According to Wu Hongbo, UN Under-Secretary-General, poverty eradication will remain top of the post-2015 agenda.</p>	<p>On 1 April 2015, Paris hosted the Global Forum on Development. The Forum saw a wide representation of policy makers, academia, civil society and private sector.</p> <p>The participants discussed development issues, looked into the possibilities and lessons drawn from the current anti-poverty measures and methods for promoting social cohesion and progress.</p>
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New G7 Initiative on Climate Risk Insurance

<p>The Principles of Sustainable Insurance (PSI) is the UN's largest initiative launched by UN in cooperation with insurance industry. PSI comprises 80 participants with USD 9 tn worth of assets under management.</p>	<p>German Federal Minister for Economic Cooperation and Development, Dr. Gerd Müller, unveiled the new G7 Initiative on Climate Risk Insurance at the G7 Stakeholder Conference on Climate Risk Insurance that took place in Berlin on 7 May 2015.</p> <p>The event was attended by policy makers from the G7 states and emerging economies, representatives of insurance industry, academia and civil society.</p>
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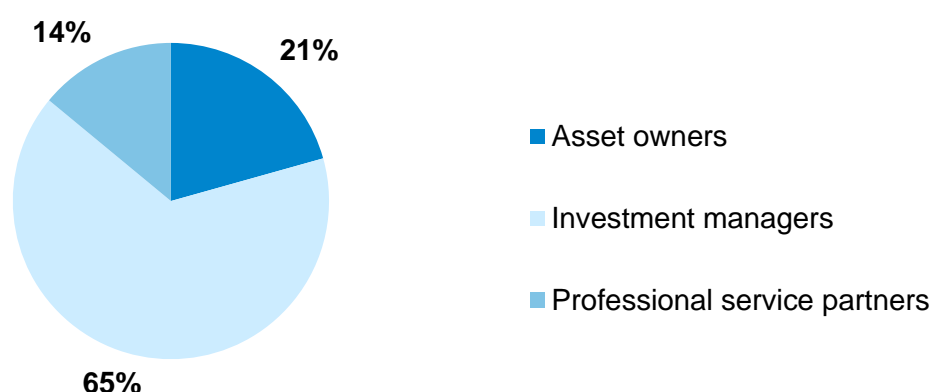
Assets under management by UN PRI signatories reached USD 59 tn

▣ Asset management companies account for 65% of the signatories to UN PRI.

In April 2015, the amount of assets under management of the signatories to the UN Principles for Responsible Investment (UN PRI) amounted to USD 59 tn, which is 29% higher than in April 2014.

This is largely attributed to the fact that the number of signatories to the Initiative has grown to 1,380, as well as to the increased assets under their management.

Fig. 1 UN PRI Signatories by Category, June 2015



Source: UN PRI

Investors and companies are in favour of embedding ESG criteria in investment decisions

ESG matters have been gaining momentum among investors.

Renosi Mokate, Chair of the South Africa Government Employees Pension Fund, the largest in Africa and among the world's top 10

Investors and companies are increasingly aware of the importance of embedding environmental, social and governance (ESG) criteria in their investment decisions and sustainability reporting.

The increasing relevance of ESG for business sector was in the focus of attention at the Business Sector Hearings for the Third International Financing for Development Conference, at the UN Headquarters in New York on 8 April 2015.

ESG-based considerations helps obtain a better understanding of the impact and net present value of investments in sustainability.

SSE Partner Exchanges publish Communication to Stakeholders

▣ Information for Stakeholders describes the way the Exchanges promote sustainable development among investors and companies.

Partner Exchanges of the Sustainable Stock Exchanges (SSE) initiative have started publishing brief **Communication to Stakeholders**.

Information for Stakeholders is posted on the SSE website together with **the summaries of sustainable development initiatives of more than 55 Exchanges** as prepared by SSE Secretariat.

Investors combine their forces to address the climate change

▢ Assets under management of the signatories to the letter total USD 12 tn.

In the run-up to the meeting of the G7 Finance Ministers in Dresden, Germany, 120 CEOs of investment funds from all over the world wrote an [open letter](#) to finance ministers urging them to support the inclusion of a long-term emissions reduction goal in the international climate agreement due to be sealed in December 2015 in Paris.

Exchanges to impose additional transparency requirements for businesses

▢ A requirement to disclose information about greenhouse gas emissions is included in the legislation of dozens of countries, in particular, all developed and major emerging economies, including China, as well as in all effective international standards.

Disclosure of greenhouse gas emissions becomes an increasingly important requirement imposed on companies by the government, investors and consumers.

Stock exchanges include the requirement to disclose greenhouse gas emissions into their listing rules for shares and other corporate securities.

By the end of 2015, disclosure of greenhouse gas emissions is expected to become a mandatory requirement imposed on the issuers at all major stock exchanges including the London Stock Exchange, New York Stock Exchange, NASDAQ and Hong Kong Exchanges.

Collaboration labs in Brazil and India

▢ The idea of collaboration lab is to bring together all the participants of infrastructure projects to mobilize resources and work out action plans.

India is home to almost 20% of the world population while accounting for only 4% of clean fresh water reserves.

Brazil and India have tested a new form of interaction between the business, government and NCOs when addressing infrastructure problems: a collaboration lab.

The Brazilian collaboration lab was established by the Global Compact Network Brazil to combat a severe drought that affected all the regions of the country.

Currently, 5 projects on municipal water and sanitation, river pollution and solid waste recycling are underway.

Notably, the scope of the project participants is not limited to the companies who are signatories to the [UN Global Compact](#).

Established in 2013, India Collaboration Lab is designed to develop social entrepreneurship.

2. TOWARDS A GREEN ECONOMY FOR RUSSIA

Development Award Ceremony 2015

▢ A number of projects offer solutions for not just eliminating waste but rather using waste to create an alternative energy source, i.e. biogas or refuse derived fuel (RDF).

▢ Of special interest is the project based on technologies for recycling organic impurities produced by wastewater purification, into biogas with subsequent production of heat and electric power.

▢ Small hydropower and biomass power generation sectors are represented by one project each. No windpower projects were submitted for the Competition 2015.

As part of the 19th St. Petersburg International Economic Forum, the Development Award Ceremony was held.

In 2015, the award for Best Environmental or Green Technology Project went to the project to build the first Russian network of solar power stations with a capacity of 5 megawatts in the village of Kosh-Agatch, the Altai Region (Hevel).

All in all, 43 applications were submitted for this category. Most of the projects are aimed at waste treatment:

- hazardous oily waste treatment and disposal;
- lumber waste treatment;
- bituminous roof waste treatment.

In terms of the number of applications submitted, of no less importance is the problem of waste water treatment and disposal. This problem is addressed in the projects on:

- waste water purification based on the innovative membrane bio-reactor technology;
- introduction of the efficient and safe UV-method for disinfecting purified waste water;
- creating a locally-closed system, i.e. accumulating, purifying and using industrial storm water in technical water supply systems rather than discharging it.

Three solar energy projects are designed to ease the energy shortage faced by Russia's remote regions.

Due to these projects, the renewable energy facilities with the installed capacity of 20.5 kilowatt and 5 megawatt were constructed in the villages of Elbeza, Kemerovo Region, and Kosh-Agatch, Altai Republic, respectively.

A comprehensive project on the municipal hot water supply is delivered in the town of Narimanov, Astrakhan Region. The project comprises two facilities: a boiler house with the installed capacity of 30 megawatt and an auxiliary solar electric plant with the installed capacity of 250 kilowatt.

Conference 'Sustainable Development: National and International Priorities'

We have to make a difficult transition from dumps to state-of-the-art high-tech recycling centres
Sergey Chernin,

On 5 June 2015, the Civic Chamber of the Russian Federation hosted the Conference 'Sustainable Development: National and International Priorities'.

The Conference was organized by the Commission for Ecology and Environmental Protection of the Russian Civic Chamber in cooperation with the Institute of Sustainable Development of the Russian Civic Chamber.

Chairman, Commission for Ecology and Environmental Protection, the Civic Chamber of the Russian Federation

The participants studied the prospects of rational nature management for sustainable global development, as well as ways and methods to increase efficiency of the respective government policies, as well as legal and regulatory framework.

Special attention was paid to the issues of waste treatment and solar energy.

The Concept of Greenhouse Gas Emissions Monitoring, Reporting and Verification System approved

▣ The Order is designed to decrease the carbon intensity of the Russian economy, in particular, by laying grounds for a transition to the low-carbon development of the national economy till 2020 with a time horizon of 2030.

Chairman of the Russian Government Dmitry Medvedev signed [Order No. 716-r dd. 22 April 2015](#) to approve the Concept of Greenhouse Gas Emissions Monitoring, Reporting and Verification System.

The idea behind the system is to increase awareness of the antropogenic greenhouse gas emissions among federal authorities, authorities of the Russian constituent entities and local authorities, as well as investors, business community and citizens.

Amendments to the GHG Emissions Reduction Action Plan

▣ The Order will help create legal mechanisms to stimulate pilot projects delivered in Russian constituent entities and aimed at reducing GHG emissions.

[Order No.807-r dd. 6 May 2015](#) introduced changes to the [Action Plan](#) that provides for the GHG emissions to be reduced by 2020 so that to make no more that 75% of the emissions in 1990.

In particular, a federal law is to be drafted to set legal framework for the preparation and presentation of reports on the GHG emissions by entities engaging in business and other activities in the Russian Federation.

Working Group on renewable energy development established under the aegis of the Government Commission for Electric Power Industry

Russia is now ready to set an ambitious objective for the national economy to reduce GHG emissions by 2030 by 25-30% of the 1990 level.

We believe that this objective is attainable for the Russian economy given the absorbing capacity of the Russian boreal forests.

Sergey Donskoy, Minister of Natural Resources and Environment of the Russian Federation

At its meeting held on 17 April 2015 and chaired by Arcadiy Dvorkovich, the Government Commission for Electric Power Industry decided to establish a Working Group under the aegis of the Government Commission to develop state policies aimed at promoting renewable energy.

The Working Group comprises representatives from the RF Ministry of Economic Development, RF Ministry of Energy, generating companies, potential developers and equipment manufacturers, as well as a representative of consumers.

It is expected that by the end of 2015, the Working Group will review standard capital expenditures for renewable energy projects and take a decision on the localization content for wind power industry, as well as biogas- and biomass-fired power plants.

Construction of a solar energy plant in Perevolotsk completed

▢ Today, more than USD 150 bn have been already invested in solar energy all over the world, demonstrating a 15-20%-increase year-on-year.

On 20 May 2015, a 5 megawatt solar energy plant was put into operation in the Orenburg Region. The project was delivered by Avelar Solar Technology on schedule.

It is expected that in the nearest future the Orenburg Region will have 10 solar energy plants with the total capacity of 120 megawatt.

Conference 'Sustainable Town of Kaluga: Growth Zones'

▢ According to the sustainable development rating assigned to Russian cities by SGM Agency, Kaluga entered the Top 10 cities with the population of 250 to 500 thousand people.

On 27 May 2015, Kaluga hosted the [Conference 'Sustainable Town of Kaluga: Growth Zones'](#) organized by SGM Agency.

The event was attended by representatives of government agencies, business associations, civil society organisations, scholars, environmental specialists and sustainability experts.

The participants discussed sustainability prospects for Russian towns in the current economic environment.

Russia falls behind in terms of the utilities sector efficiency

Energy intensity in the utilities sector may be reduced by 17% at a minimum.

Anton Iniutsin, Deputy Minister of Energy of the Russian Federation

Valentina Matvienko, Chairman of the Council of the Federation, informed the Council of the Federation meeting on 10 June 2015 that depreciation in the housing and utilities sector in some places has reached 80%.

According to Mrs. Matvienko, energy intensity in the Russian utilities sector is now at least four-fold higher than in countries with similar climate.

Discharge of untreated wastewater in Russia reduced

By 2020, we expect to decrease twofold the overall volume of waste water discharged into water bodies.

Sergey Donskoy, Minister of Natural Resources and Environment of the Russian Federation

By 2020, Russia is to decrease twofold the volume of untreated wastewater discharged into water bodies.

This statement was made by Sergey Donskoy, Minister of Natural Resources and Environment of the Russian Federation, at the 7th World Water Forum in the Republic of Korea on 13 April 2015.

Furthermore, the Minister pointed out that since 2012 Russia has been operating the programme aimed at developing water industry.

The year 2014 saw the start of 2 projects that will result in a 150,000-tonne cut in annual pollution discharge.

The number of the signatories to the Green Code among Moscow manufacturing enterprises doubled

Today, the government, enterprises and society face the primary objective of mitigating negative environmental impacts.

Consequently, the government's environmental supervision, as well as industrial and public control at manufacturing enterprises increase in importance.

Zoya Zotova, Head of Commission for Environmental Policy, Moscow State Duma

The Green Code is based on 10 rules requiring Moscow factories and plants to comply with the environmental laws.

In compliance with the rules, enterprises shall:

- ensure safe working environment;
- use resources in an efficient and sustainable way;
- on a voluntary basis, introduce best practices available;
- reduce negative environmental impacts;
- participate in environmental, social and volunteer projects.

On 4 June 2015, the Liggett-Ducat Factory hosted 'Innovations and Environmental Safety Automatic Monitoring Systems at Moscow Enterprises'. During this event organized by the Environmental Chamber of the Russian Federation and Moscow State Duma, 7 Moscow enterprises acceded to the Green Code.

3. RESPONSIBLE INVESTMENT

Green bonds market in Q1 2015

▣ 44 green bond deals.

▣ 11 currencies, issuer ratings ranging from AAA to B-.

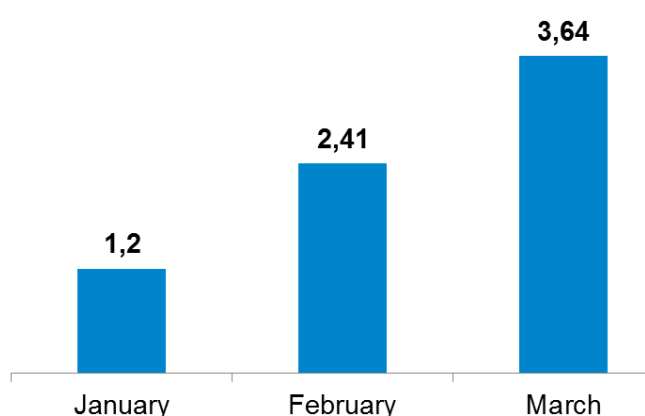
The global **green bond** market amounted to USD 7.2 bn in 1Q 2015. This period is marked by:

- greater currency diversity;
- the growing interest in emerging market green bonds;
- municipal green bonds booming.

After relatively low issuance in January the amount of green bonds issued started climbing, with March three times bigger than January.

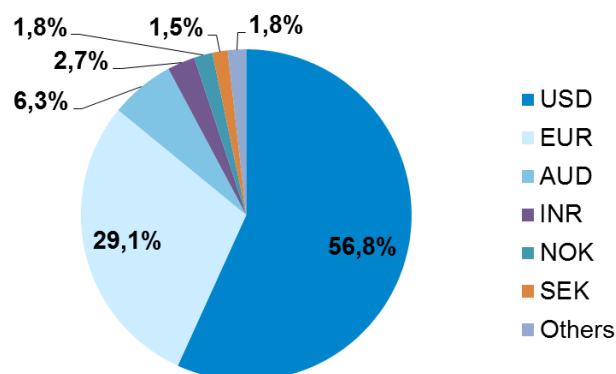
According to current forecasts, this year is expected to be the biggest for green bonds ever.

Fig 2. Green bond market, Q1 2015, USD bn



Source: www.climatebonds.net

Fig 3. Green bond currencies in Q1 2015



Source: www.altenergystocks.com

▣ Another critical point is the growing interest in emerging market green bonds, particularly, in the Middle East, China and South Asia.

The share of green bonds coming from non-investment grade issuers is increasing: TerraForm Power, a global renewable energy company, and Paprec, a French recycling business, are among the top five largest green bond issuers in the first quarter.

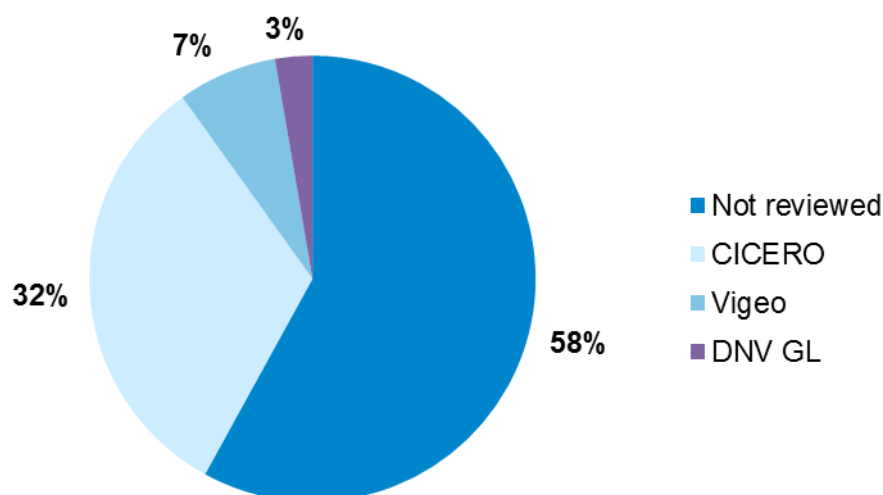
Table 1. Top green bond deals in Q1 2015

Name	Size
TerraForm Power (a global renewable energy company)	USD 800 mn
The World Bank	USD 600 mn
Vestas Wind (a global wind energy company)	EUR 500 mn (USD 527 mn)
Paprec (a French recycling business)	EUR 480 mn (USD 526 mn)
Kommunalbanken Norway (Norwegian public bank)	USD 500 mn
Asian Development Bank	USD 500 mn

Name	Size
Export Import Bank Of India	USD 500 mn
German Development Bank KfW	AUD 600 mn (USD 454 mn)
European Investment Bank	EUR 400 mn (USD 454 mn)
Iowa Finance Authority	USD 321 mn

Source: www.altenergystocks.com

Fig 4. Green bond independent review, Q1 2015



Source: www.altenergystocks.com

▮ The Indian government declared its support for green bonds as an instrument to satisfy financial needs of the countries and encouraged government agencies and development banks to issue green bonds.

China was thought to be a pioneer among emerging economies to enter the green bond market, but India has beaten it to the punch with a corporate green bond from Yes Bank. The INR 10 bn (USD 161.5 mn) bond will finance renewable energy projects.

The Export Import Bank of India was next to follow with a larger USD 500 mn green bond.

The proceeds from the bonds will fund renewable energy and low carbon transport projects.

Development banks offer green bonds to investors

▮ Initiatives on climate change, including greenhouse gas reduction projects, are cost consuming.

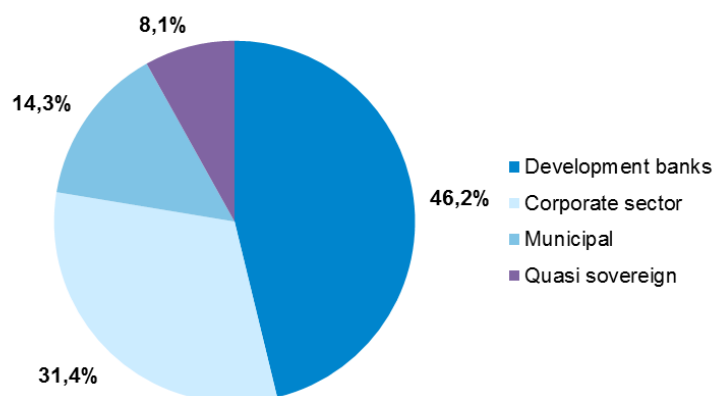
Green bonds are one of the ways to secure funds.

Development banks play an important role in shaping the green bond market acting as investors and issuers. For example, IFC invested USD 50 mn in Yes Bank's green bonds.

Moreover, development banks help to improve the reporting framework associated with the issuance and use of funds raised through green bonds.

Development banks continued to dominate the market in Q1 2015 with a 46.2% share, unchanged from 2014.

Fig 5. Green bonds in Q1 2015 by investor type



Source: www.altenergystocks.com

▣ World Bank issued USD 600 million 10-year fixed rate green bonds carrying a semi-annual coupon of 2.125%.

The World Bank issued both its largest USD 600 mn green bond and its longest EUR 30 million 30-year green bond in the first quarter 2015.

The 30-year green bond was issued in response to demand from Zurich Insurance Group (Zurich). The annual coupon was set at 1.0325%. Morgan Stanley acted as the underwriter for this transaction.

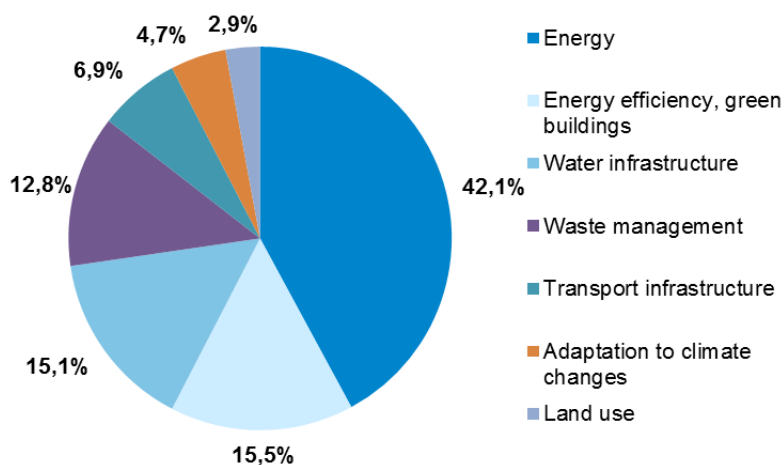
The allocation of proceeds from the green bonds

▣ The transport infrastructure sector is represented by the Export Import Bank Of India's deal investing part of the funds raised through green bonds in rail and bus transport development.

What instantly catches the eye is that proceeds from the green bonds are increasingly used to fund renewable energy projects, with the top three biggest bonds of the quarter – TerraForm Power, World Bank and Vestas – all financing green energy initiatives.

Green buildings and water infrastructure are among the top three categories, largely owing to US municipal green bonds.

Fig 6. Industries backed by green bonds in Q1 2015



Source: www.altenergystocks.com

Green bond investors

▣ Norwegian investment powerhouse Norges Bank Investment Management (with over USD 800 bn of assets under management) also disclosed it has established a green bonds mandate.

A more diverse range of investors is getting involved in the green bond market. There have been many public commitments over the quarter to invest in green bonds including EUR 1 bn commitment from KfW

The number of green bond funds is also growing: during the first quarter Swedish insurance company SPP announced a green bond fund following in the footsteps of Nikko Asset Management, BlackRock, State Street, Calvert and Shelton Capital Management.

Another development is the launch of an investor statement of expectations for the green bond market from a group of key green bond investors, brought together by [Ceres Investor Network on Climate Risk](#). The investors' main ask is for greater transparency and reporting, especially for quantitative reporting from issuers on the green credentials and impacts of green bonds, where possible.

The Asian Development Bank raises more funds in green bonds sale

▣ The proceeds received by ADB will be used to finance projects that promote low-carbon and climate-resilient economic growth and development in developing Asia.

The Asian Development Bank (ADB) has raised \$500 million through green bonds denominated in Australian dollars with a 10-year maturity.

The bonds were sold to about 40 investors from different countries: 45% from Europe, Middle East and Africa (EMEA), 31% from Asia and 24% from US.

Fig 7. Investors by type

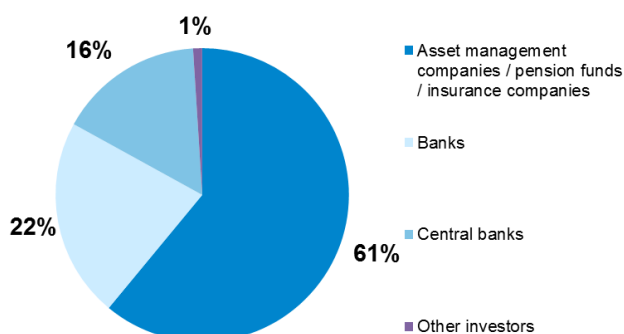
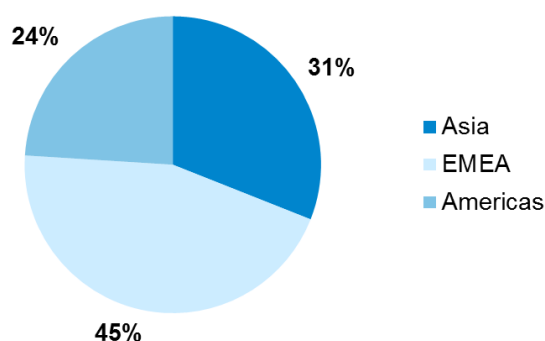


Fig 8. Investors by geography



Source: ADFIAP

▢ The cost of adapting to climate change in Asia and the Pacific is estimated at USD 40 billion or more, annually, through 2050.

Asia's share in global energy-related carbon dioxide emissions more than doubled from 17% in 1990 to 37% in 2010, and is expected to increase to about 47% by 2035.

(Source: ADFIAP)

The proceeds from ADB's 10-year green bond sale will be used to finance:

- climate change adaptation projects such as those promoting climate-proof water, energy, transport, or other urban infrastructure;
- climate change mitigation projects including renewable energy, energy efficiency or sustainable transport initiatives.

ADB has been helping Asia to address climate change since the early 1990s. One of its key strategic goals is to support environmentally sustainable growth.

In 2014, ADB approved climate financing of over USD 3 billion for projects contributing to climate change mitigation and adaptation.

Since 2010, ADB has also issued USD 2.2 bn green bonds. The proceeds were used to fund water infrastructure and clean energy initiatives.

KfW issues AUD Green Bond

▢ 28 investors participated in the transaction.

▢ Coupon: 2.4% per annum, maturity: 5 years, until 02 July 2020.

On 26 March 2015, KfW priced an AUD 600 million debut Kangaroo Green Bond, the largest in the market segment so far.

The transaction saw a high level of demand from Australian and European asset managers.

The bonds are backed by a Germany's state guarantee.

The net proceeds of the bond are linked to KfW's renewable energy development programme.

Fig 9. Investors by category

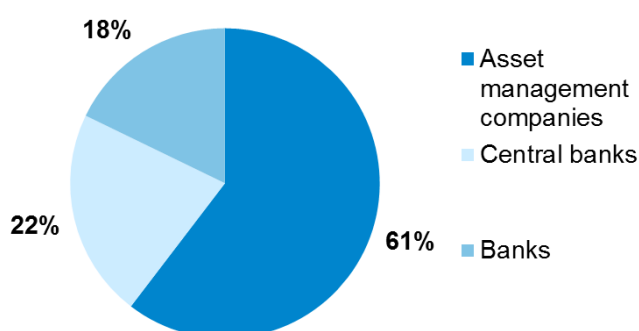
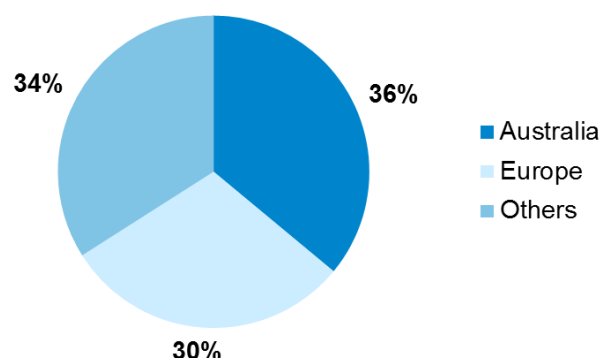


Fig 10. Investors by geography



Source: KfW

4. SUSTAINABILITY RATINGS AND REPORTS

Environmental responsibility rating of oil & gas companies in Russia

▢ Environmental impact industry ratings are an effective tool that allows the public to influence the environmental behaviour of corporations facilitating a better understanding of requirements regarding environmental responsibility and transparency of their business.

▢ The methodology is based on integrated analysis of qualitative and quantitative performance of companies as seen from the following perspectives:

- environmental management;
- impact on the environment;
- disclosure of information.

WWF-Russia and Creon Group with participation of National Rating Agency developed a methodology to rank Russian oil and gas companies depending on their environmental responsibility.

19 Russian companies with a production level of over 1.5 mn tons per year were assessed.

The ranking was based on the following criteria:

- the company's level of environmental impact per production unit;
- the extent of transparency and availability of ecologically significant information;
- the quality of eco-management in the company;
- the frequency of violating environmental legislation by the company;
- the efficiency of mineral resources use.

The results have shown that Russian oil and gas companies differ considerably in the level of environmental responsibility and transparency.

Leaders of the rating are large public companies with a high proportion of LNG and APG projects in their portfolio.

Private non-public oil companies and subsidiaries of large Russian and foreign corporations are ranked at the bottom.

The rating was based exclusively on publicly available data. If no information is publicly available, the company gets a red (zero) level under the relevant criterion.

This approach does not allow the companies unwilling to disclose information on corporate environmental policy and impact to get to the top of the rating.

Table 2. Environmental responsibility rating of oil & gas companies in Russia

The Company	Listing on a stock exchange ¹	Foreign shareholders ²	State participation in the share capital ³	Crude oil and condensate production (bn tons, 2013)	Final rating score	Final standing
Surgutneftegaz	Yes (MICEX + DRs)	No	No	61.5	1.6164	1
Sakhalin Energy (Sakhalin-2)	No	Yes (Shell, Mitsui, Mitsubishi)	Yes	5.4	1.5253	2
Gazprom	Yes (MICEX + DRs)	No	Yes	16.3	1.3545	3
Tatneft	Yes (MICEX + DRs)	No	Yes	26.4	1.2870	4

The Company	Listing on a stock exchange ¹	Foreign shareholders ²	State participation in the share capital ³	Crude oil and condensate production (bn tons, 2013)	Final rating score	Final standing
Irkutsk Oil Company	No	No	No	2.8	1.1106	5
Salym Petroleum	No	Yes (Shell)	Yes	7	1.0996	6
Rosneft	Yes (MICEX + DRs)	Yes (BP)	Yes	192.6	1.0860	7
Zarubezhneft	No	No	Yes	2.8	1.0556	8
Lukoil	Yes (MICEX + DRs)	No	No	86.7	0.9943	9
Gazprom Neft	Yes (MICEX + DRs)	No	Yes	32.2	0.8717	10
Bashneft	Yes (MICEX)	No	Yes	16.1	0.7315	11
NOVATEK	Yes (MICEX + DRs)	No	No	4.3	0.7205	12
Slavneft	No	No	Yes	16.8	0.4312	13
Tomskneft VNK	No	No	Yes	10.2	0.3757	14
RussNeft	No	No	No	8.8	0.2804	15
Exxon NL (Sakhalin-1)	No	Yes (Exxon)	Yes	7	0.2698	16
Alliance	No	No	No	2.4	0.1852	17-19
Belkamneft	No	No	No	2.2	0.1852	17-19
Total PPP	No	Yes (Total, Statoil)	No	1.6	0.1852	17-19

¹MICEX = shares are traded on the Moscow Exchange, DRs = the company's ADRs/GDRs are traded on foreign stock exchanges.

²Companies with at least 10% foreign equity participation.

³Companies with at least 10% public participation.

⁴At the rating date, the main owner of Bashneft was JSFC Sistema (in December 2014 the controlling stake in Bashneft was transferred to the Russian Federation, pursuant to the Resolution of the Moscow City Arbitration Court dated 07/11/2014).

Source: Bulletin "Use and protection of natural resources in Russia", No. 1, 2015.

New Corporate Responsibility Indices presented

▮ The indices are two interrelated instruments helping to assess the situation in the CSR sphere and its dynamics.

This project is not about linear ranking of companies.

Our objective is to provide a general assessment of the situation in the sphere of corporate social responsibility and reporting.

*H.V. Khonyakova,
name professor of Severstal
in EUSP*

On 26 May 2015, the Russian Union of Industrialists and Entrepreneurs presented new CSR evaluation instruments – corporate social responsibility and reporting indices: 'Responsibility and Transparency' and 'Vector of sustainable development'.

The presentation was attended by representatives of business, public companies and social agencies.

The Responsibility and Transparency Index reveals a range of priority issues for Russian business leaders in the CSR sphere as well as a list of indicators used by the companies to analyse their impact on the economy, society and environment (around 80 indicators).

The list includes such indicators as health and labour safety, remuneration, training opportunities, staff turnover, social investments, emissions, water use and other environmental data and energy consumption.

Information regarding the indices and survey results is published in the [Analytical Report](#).

Electricity demand will grow to exceed overall energy consumption in the coming decades

Of all power generation sources, coal appears to have the weakest prospects as compared to gas, renewables and nuclear power, all the three having similar power generation costs, however not without considerable deviations.

According to energy forecasts, the demand for electricity will grow in the coming decades pushing total energy consumption rates upwards.

The assessment of electricity generation costs is subject to a number of reservations. For renewables these include subsidy schemes, unobvious capacity utilisation rates and geographical dispersion of generation and consumption centres.

For natural gas erratic price swings over time and across different regions as well as gas plant load.

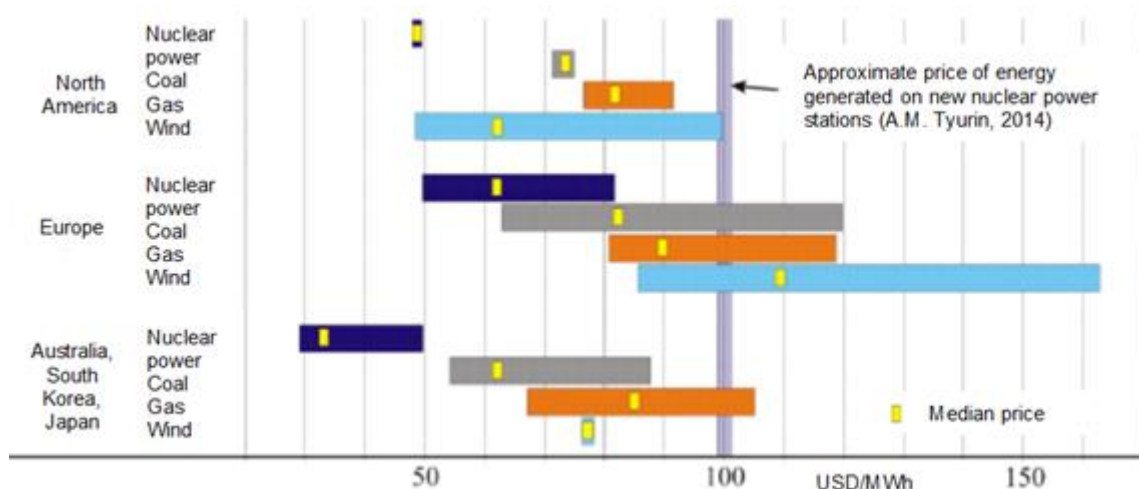
For nuclear power plants having the longest pay-back period, the electricity generation price is largely determined by the cost of finance for construction.

Nuclear power, gas and wind would be a winning combination.

Nuclear power fits better as a base load source of electricity, since it is unable to respond to daily variations of the power demand.

Natural gas, on the other hand, can successfully deal with it while wind power will help to reduce gas consumption on a thermal power plant when the weather permits.

Fig 11. Average energy price



Notes:

Wind: onshore wind farms

North America: Canada, Mexico, the United States, Electric Power Research Institute

Europe: Austria, Belgium, Switzerland, Czech Republic, Germany, EDF Energy (UK), Eurelectric/VGB, Hungary, Italy, the Netherlands, Slovakia, Sweden

Source: Odnako Journal, according to the data provided by Rosatom, Rusatom Overseas, 2014, the International Energy Agency and the Nuclear Energy Agency

Wind Energy Development in China

▢ China has now 96 gigawatts (GW) of wind power after adding almost 21 GW in 2014.

▢ The country's roadmap foresees wind power capacity reaching 200 GW (400 TWh, 5% of the total electricity generation) by 2020 and 400 GW (840 TWh, 8.4% of the total electricity generation) by 2030.

▢ Gas generation in China is curbed by high regional prices while new coal-fired power plants are banned in some regions in accordance with the China's policy towards cleaner energy.

In total, the country's wind energy sector produced 153.4 TWh in 2014, 2.78% of overall electricity generation. This compares to 130.5 TWh from nuclear generation accounting for 2.36% of total electricity generation.

Yet, although practically equal in terms of energy output, installed capacities of nuclear plants and wind turbines show a nearly fivefold difference: 20.3 GW (planned 58 GW by 2020) and 96 GW for nuclear power and wind respectively.

The wind energy sector still faces some challenges such as:

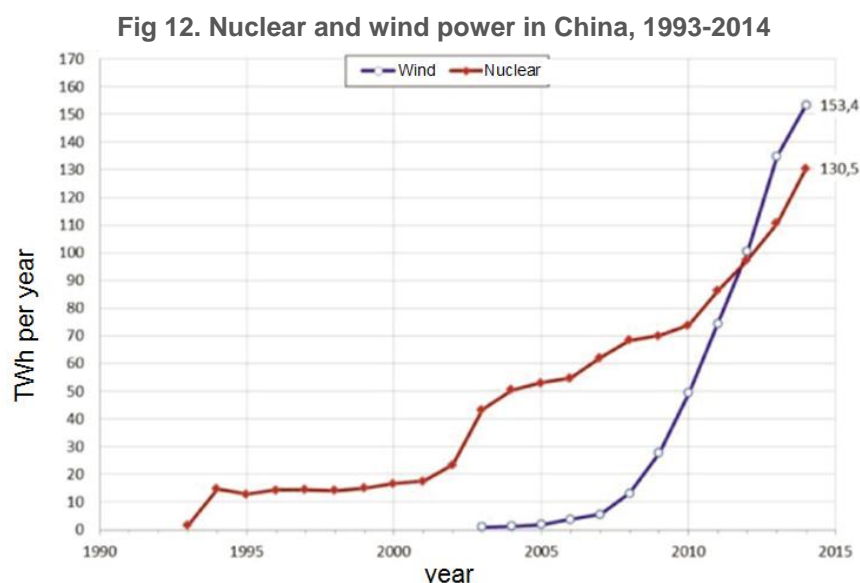
- not enough money in the fund to compensate for difference between the cost of electricity generated by wind power and standard tariffs (the fund is financed by deductions from the country's energy sales revenues);
- the need to pay compensations to conventional power stations, if loaded less than 40%;
- grid capacity lagging behind the pace of development which results in a failure to connect 10% of wind power installations to the grid or to use the energy generated by them.

The special fund also does not have enough money despite an almost 15-fold increase in deductions: from RMB 0.001/ KWh in 2006 to RMB 0.015 in 2013.

Transporting energy to big energy consumption centres is a critical issue and a major challenge for wind power development in China associated with high costs.

The majority of wind installations are located in the north-west and north, with the main consumption concentrated in the coastal provinces.

By 2030, the capacity of the network for transporting energy from west to east is expected to be some 300 GW.



Source: Odnako Journal, according to the data provided by reneweconomy.com.au

5. SUSTAINABLE PRACTICES OF LEADING DEVELOPMENT FINANCE INSTITUTIONS



Total assets (2014) –
USD 330.3 mn

Capital (2014) –
USD 25 mn

Net profit (2014) –
USD 3.2 mn

ROAA – 1.04%
ROAE – 13.54%

Loan portfolio (2014) –
USD 79.3 mn

Loan portfolio structure
(2014):
37% – infrastructure;
27% – production;
28% – goods and
services;
8% – agriculture;

Source:
Presentation for
investors, 2015

BNDES to train personnel for the ABC Programme

On 25 May 2015, BNDES launched a series of trainings under the Program to Reduce Greenhouse Gas Emissions in Agriculture (ABC Program).

The ABC Program is aimed at providing individual farmers and cooperatives with the opportunity to obtain loans for the following purposes:

- investing in projects to recover degraded pastures;
- organic cattle-raising;
- bringing agricultural lands in compliance with the environmental framework;
- use, maintenance and modernisation of the forest management system.

JBIC and Mizuho Bank provide BNDES with a USD 150 mn facility under the GREEN initiative

On 01 April 2015, BNDES signed a USD 150 mn deal with the Japan Bank for International Cooperation (JBIC) and Mizuho Bank (Japan).

The agreement is in line with the Global Action for Reconciling Economic Growth and Environmental Preservation – GREEN.

The programme is aimed at providing financial aid to projects promoting reduction of greenhouse gas emissions, energy efficiency and use of renewable energy.

This is the third agreement that BNDES signs with the JBIC and Mizuho Bank under the GREEN initiative. The first two were signed in 2011 and 2014.



JBIC provides the Development Bank of Turkey with financing for renewable energy and energy efficiency projects

On 26 March 2015, JBIC and Türkiye Kalkınma Bankası A.Ş. signed a USD 150 mn facility agreement.

JBIC guarantees that part of the funds under the facility will be extended by Mizuho Bank (Japan), with JBIC commitments standing at USD 75 mn.

▮ The extended funds will be used to fund renewable energy and energy efficiency projects in Turkey.

6. APPENDICES

6.1 GLOSSARY

ADB – Asian Development Bank.

ADFIAP – Association of Development Financing Institutions in Asia and the Pacific.

ADR – American Depositary Receipt.

APG – Associated Petroleum Gas.

BNDES – Brazilian Development Bank.

BRICS – Brazil, Russia, India, China and South Africa.

CCRF – the Civic Chamber of the Russian Federation.

CERES – a coalition of investors, environmental organizations and other public interest groups advocating for sustainability leadership.

Ceres Investor Network on Climate Risk (INCR) – a network of more than 110 institutional investors representing more than \$13 trillion in assets committed to addressing the risks and seizing the opportunities resulting from climate change and other sustainability challenges. In 2013 it marked its 10th anniversary.

Corporate Social Responsibility (CSR) – company's responsibility for its decisions and activities and for the impact they have on people and the environment through transparent and ethical conduct.

ESG (Environmental, Social and Governance) – environmental, social and governance aspects (risks) of business.

EU – European Union.

EUSP – European University at St Petersburg.

GDR – Global Depositary Receipt.

GREEN – Global Action for Reconciling Economic Growth and Environmental Preservation.

Green (clean) technologies – technologies that make products or processes environmentally friendly or reduce their negative impact.

Green bonds – securities issued to fund environment protection, climate change and sustainability projects.

Green Building – the practice of creating structures and using processes that are environmentally responsible and resource-efficient throughout a building's life-cycle, incorporating modern and ecologically safe materials, complying with green buildings international framework (for example, the Leadership in Energy and Environmental Design, LEED) and promoting high energy performance.

Green economy – economy that results in improved human well-being and social equity, while significantly reducing environmental risks and ecological scarcities (as defined by the United Nations Environment Programme).

IFC – International Finance Corporation.

JBIC – Japan Bank for International Cooperation.

KfW – Development Bank of Germany.

LNG – liquefied natural gas.

NPP – nuclear power plant.

Product-service system (économie de la fonctionnalité) – a strategic approach that marks a shift from the conventional sale of a product towards the sale of integrated solutions with a focus on the functional qualities of the product. The key point is that the customer's need is satisfied through the use rather than through the purchase of the product.

For example, instead of selling their copiers Xerox started to offer them for long-term rental while retaining its ownership. This allowed the company to reuse its resources in a sustainable manner, thus reducing the costs, minimising its environmental impact and enhancing its performance.

PSI – the Principles for Sustainable Insurance.

RF – the Russian Federation.

RSPP – the Russian Union of Industrialists and Entrepreneurs.

Smart Grid – a modernised electric grid that uses information and communications technologies to collect data on energy production and consumption to improve energy efficiency.

SSE (Sustainable Stock Exchanges) – an initiative aimed at exploring how exchanges can work together with investors, regulators, and companies to enhance corporate transparency, and ultimately performance, on ESG (environmental, social and corporate governance) issues and encourage responsible long-term approaches to investment. The SSE is co-organized by the United Nations Conference on Trade and Development, the United Nations Global Compact Office, the United Nations-supported Principles for Responsible Investment and the United Nations Environment Programme Finance Initiative.

UN – United Nations.

UN PRI – the United Nations Principles for Responsible Investment.

UNEP – the United Nations Environment Programme. Established in 1972 to provide leadership and encourage partnership in caring for the environment by inspiring, informing and enabling nations and peoples to improve their quality of life without compromising that of future generations.

UNEP Finance Initiative – the United Nations Environment Programme Finance Initiative. Launched in 1992 by the United Nations Environment Programme and financial institutions from different countries it promotes the integration of environmental considerations into all aspects of the financial sector's operations and services. As at September 2014, the UNEP Finance Initiative had over 200 Member institutions.

UNGC – the United Nations Global Compact. It is the largest international initiative designed to engage business-structures in activities on sustainable development and forming global partnership between government and corporate sectors. The participants of the UN Global Compact are committed to aligning their operations and strategies to the universally accepted principles in the areas of human rights, labour, environment and anti-corruption. The initiative's activity is personally supervised by UN Secretary General Ban Ki-moon. More than 12 thousand organisations from over 160 countries have joined the UNGC. Its primary objective is to advance responsible business practice around the world.

6.2 SUSTAINABLE DEVELOPMENT EVENTS CALENDAR FROM JUNE TO OCTOBER 2015

Date	Event	Venue
5-7 July	The Third Annual Sustainable Development Conference	Bangkok, Thailand
6-8 July	A Three-Day Ministerial Meeting of High Level Political Forum on Sustainable Development	New York, US
9-12 July	The European Conference on Sustainability, Energy & the Environment	Brighton, United Kingdom
13-16 July	The Third International Conference on Financing for Development	Addis Ababa, Ethiopia
20-24 July	The Seventh Session of the Intergovernmental Negotiations on the Post-2015 Development Agenda	New York, US
27-31 July	The Eighth Session of the Intergovernmental Negotiations on the Post-2015 Development Agenda	New York, US
July, 28	Event under the Principles for Responsible Investment Initiative- Research, Innovation and Stewardship in Responsible Investment	Berkeley, US
24-26 August	Asia Pacific Resilience Innovation Summits and Expo	Honolulu, US
8-9 September	Third forum of the Standing Committee on Finance established by the Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change	n/a
16-17 September	ICAO's Global Aviation Partnerships on Emissions Reductions	Vienna, Austria
25-27 September	UN Summit, acceptance of the Post-2015 Development Agenda	New York, US
26 September	United Nations Private Sector Forum 2015	New York, US
20-21 October	World Export Development Forum	Doha, Qatar
26-30 October	Intergovernmental Forum on Mining, Minerals, Metals and Sustainable Development	Geneva, Switzerland

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