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EU Green Bonds and the EU Taxonomy




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Green bonds: Pros and Cons for CCS financing

A bond is a financial instrument that represents a loan made by an investor to a borrower (typically corporate or governmental). The borrower commits to pay money back in pre-agreed instruments.

Green bond is a type bond, when proceeds are limited to sustainable purposes only. Use of proceeds must be verified and reported on.




Benefits

-  Lower interest rate (greenium): 0.04%
-  Higher demand
-  Visibility to the sustainability of the production process

Why bond?

- Lower interest rate compared to the standard bank loan
- Higher flexibility of the emission (no contractual limitations)

Obstacles

-  Trading volume must be ensured
-  Higher emission cost
-  Use of proceeds is only limited to certain purposes (must be aligned with EU taxonomy)

Examples of Green bonds

Sector	Company	Country	Issuance	Value	Maturity	Use of proceeds
Steel	US Steel	USA	2022	USD 290 mn	2052	Installation of Electric Arc Furnace to lower the emissions
Cement	GCC	Mexiko	2022	USD 500 mn	2032	Decreasing process emissions via various measures
Automotive	Toyota	Japan	2021	USD 1,600 mn		Financing of electric, hybrid and fuel cell fleet

Conclusions

- Green bonds can offer additional value to the issuer thanks to their high demand and marketing value
- They are primarily used for large projects of mature technologies
- With the approval of the Green Bond Standard of EU, green bonds will receive more attention from investors