



# Climate Action in Financial Institutions

PRINCIPLES FOR MAINSTREAMING CLIMATE ACTION

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## YES BANK through Its Green Bonds, Has Shown It as an Accepted Instrument and Has Encouraged Responsible Investment in Debt Capital Markets in India

Principle

Related Work Stream(s)

<p>PRINCIPLE 3: <b>PROMOTE</b> Climate Smart Objectives</p>	 <p>CLIMATE RISKS: APPROACHES, TOOLS, METHODOLOGIES</p>	 <p>MAPPING REPORTING INITIATIVES AND UNDERSTANDING IMPLEMENTATION CHALLENGES</p>	 <p>CITY-LEVEL CLIMATE SMART APPROACHES AND FINANCIAL INSTRUMENTS</p>	 <p>SPREADING A CLIMATE STRATEGY INTO A WHOLE ORGANISATION</p>
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Publication date: December 2015 – [Emerging Practice Document 2015](#)

Date Policy/Tool Established	How Established?	How Implemented	Additional Capacity Required (e.g., staff, resources, other)
February 16, 2015	Established by Board Approval	<p>The Reserve Bank of India (RBI) gave directive guidelines to ensure long term viability of infrastructure industry, which YES BANK has innovated on and launched green infrastructure bonds that leveraged the RBI's new policy to promote renewable energy.</p> <p>The amount raised will be used by YES BANK to finance Green Infrastructure Projects in Renewable Energy including Solar Power, Wind Power, Biomass, and Small Hydel Projects. KPMG, India will be providing the Assurance Services annually, on the use of proceeds in accordance with the Green Bond principles.</p>	Establishing processes to track use of proceeds, and communication channels to directly contact bond holders as per Green Bond Principles; Mobilizing the investors for uptake of the new offering.

### Key Lessons

Green Bonds have been able to address a number of challenges in the existing financing mechanisms including sector limits, high interest rates and Asset-Liability mismatch to finance projects in the renewable energy and energy efficiency space.

## Introduction

Green Bonds are any type of bond instruments where the proceeds will be exclusively applied to finance or re-finance in part or in full new and/or existing eligible Green Projects and which follows the 4 Green Bond Principles (GBP). Though globally, Green Bonds issues amounted to almost \$80 billion so far, the market in India is still at nascent stage.

Given the Government of India's focus on India's Renewable Energy Potential and target of 175 GW of additional capacity installation by 2022, it is estimated that the renewable energy sector will require significant structured financing. Green Infrastructure Bonds are one such avenue to allow for financing to flow to vital green energy projects.

The first such green (infrastructure) bonds were issued by YES BANK in India to catalyze the market for green infrastructure bonds in India and allow responsible investors to facilitate funding towards Renewable and Clean Energy projects in February 2015..

## Development and Design

In a major boost towards its commitment to RE sector in India, YES BANK made a major announcement for funding 500 MW of clean energy every year, with a periodic upward revision, at the UN Climate Summit held in September 2014, which was revised at RE-Invest in February 2015, to funding 5000 MW renewable energy in the next five years. The bonds were launched in the backdrop of YES BANK's commitment to fund 5000 MW of RE projects, making it the first private bank to make such a commitment at the Summit. The funds from the Bond's subscription would be utilized towards meeting this commitment.

## Implementation

YES BANK's Sustainable Investment Banking and Debt Capital Markets team acted as arranger to the transaction. The issue launched on February 16, 2015 for INR 500 crores plus green shoe option witnessed strong demand from leading investors including Insurance companies, Pension & Provident Funds, Foreign Portfolio Investors, New Pension Schemes and Mutual Funds, resulting in a total subscription of INR 1000 crores and was closed on February 24, 2015.

International Finance Corp. (IFC) in August 2015 has issued Green Bonds on the London Stock Exchange as a private placement towards YES BANK's renewable

energy portfolio. This INR 315 crore (about \$50 million) issue is through a rupee denominated bond in the offshore markets. The bond is a part of IFC's \$3 billion masala bond programme, out of which \$1.66 billion has been sold in a range of tenors for the offshore rupee bond market. JP Morgan Chase & Co. was the underwriter to this issue.

YES BANK recently signed a memorandum of understanding (MoU) with The London Stock Exchange Group (LSEG) to collaborate on bond and equity issuance, with focus on developing green infrastructure. As part of the agreement, YES BANK plans to list a Green Bond of up to \$500 million on the London Stock Exchange (LSE) by December 2016.

## Experience and Impact

Being a prominent bank in India, YES BANK has brought the Green Bond concept into the forefront and other banks and corporates are now talking about it. The National thermal Power Corporation, India, which owns and operates 50 GW of coal fired power plants is talking about a Green Bond to finance a 15 GW Renewable Energy project. EXIM Bank recently launched Dollar Denominated Bonds.

Indian Investors are now aware of what a Green Bond is and are enthusiastically supporting it. More out of the perceived low risk and faster implementation than pure Green instincts but at least we have positive forward movement.

While historically Bonds are re-financing instruments, YES BANK has tried to integrate its Green Energy risk assessment expertise to make Bonds a source of initial debt.

Lastly but very importantly this has signaled to the market that YES BANK continues to be a strong supporter of Green Energy. It has financed over 3000 MW of Renewable Energy already and has committed to doing at least 5000 MW over the next five years.