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President of the European Investment Bank

Speech at Luxembourg Stock Exchange
(~5-7 min)

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Check Against Delivery
Seul le texte prononcé fait foi
Es gilt das gesprochene Wort

Ladies and Gentlemen,
Dear Minister Gramegna,
Dear Mr Scharfe,

I am very pleased to stand by your side today as we are celebrating excellence in climate finance. We are privileged to be sharing leadership of capital markets for safeguarding our climate.

The Luxembourg Stock Exchange and EIB have a strong partnership and history together. This partnership has its roots in the listing of traditional bonds – most of EIB bonds are listed here (some 95% of our issues) starting with 1966 (!) and maturities of up to 2058.

We are guests today of the world's number 1 exchange for the listing of international securities. The Luxemburg Stock Exchange welcomes more than 3,000 issuers (among which 70 Sovereigns and 12 Supranationals), from more than 100 jurisdictions, by listing more than 40,000 securities in 54 currencies. (*Congratulations!*)

Now, we can also celebrate impressive results in the field of green bonds. Luxembourg has shown clear leadership by achieving 100 listings of green bonds since 2007.

Today, EIB is proud to be the lucky issuer of the hundredth green bond on the list of the Luxembourg Stock Exchange.

What makes this issue special? It is really quite simple: the “greening” of the bond market is expected to be vital for the future of climate finance but remains a challenge. Capital markets and bond issues play a central role in raising capital, globally, crowding-in investors from all over the world, be it public or private.

Let me go back a few months to the climate targets agreed in Paris in December.

The COP 21 in Paris was a milestone for climate goals and the commitment of institutional investors to mobilise the necessary financial flows. Green bonds can serve that need, by providing investors with a familiar fixed-income investment, coupled with green features, in particular climate action.

This is a simple product which could be developed on an industrial scale once the market has “understood” its impact.

Together with the Luxembourg Stock Exchange, we have pioneered the Green Bond market in 2007 with The first green bond, which we branded a “**Climate Awareness Bond**”. This was the first formally labelled green bond ever, offering a transparent link for investors to EIB’s projects in renewable energy and energy efficiency sectors.

Since 2007, the EIB has issued close to EUR 13bn in Green Bonds (some 50 to 60 transactions), with EUR 4bn raised in 2015 alone – making the bank not only the first but also the largest issuer of green bonds in the world.

Other issuers have joined in to create a worldwide market that grew remarkably over the past few years. In 2015 a record of over 40 billion Dollars of green bonds came to market. These are the fruits of strong vision and systematic commitment, to promote capital market engagement in climate finance.

EIB is supporting Climate Action through different instruments and at least 25% of our lending is committed for climate action projects; outside Europe we have recently increased our

climate lending target to even 35%, reflecting high impact opportunities in those markets.

Last year total climate action financing at EIB reached over EUR 20bn. Going forwards we expect to finance some EUR 100 billion in climate action investments over the next five years.

However loans only are not sufficient to provide all the money needed to reach our ambitious but necessary goals when it comes to Climate Action.

We have welcomed the ambitious goal set in Paris to hold global warming well below 2°C and as you see, we are actively supporting its implementation at the forefront of financial innovation.

EIB has been a pioneer in introducing a “Green yield curve”, in the EUR market, with benchmark green bonds in liquid size of over EUR 1bn in three maturities. EIB has also offered benchmarks in other major currencies. And pricing has been in line with conventional bonds, so investors face an increasingly attractive and also fair financial playing field to join.

COP 21 has also established high standards for transparency and accountability as core pillars of the global accord on climate change. These are also core components of Green Bonds. In this unique market segment, transparency and accountability are key to facilitating investor assessment and public confidence.

That is why working with partners as the LuxSE is necessary to shape and guide the market, setting standards of excellence.

A higher degree of product transparency raises market confidence, and this stimulates further investment. We see this as a virtuous circle bringing momentum to climate action.

Development of the Green Bond segment is therefore not only a quantitative question, in terms of volumes of issuance, but also qualitative.

The EIB has sought to promote the market by demonstrating best practice in the administration and reporting on its Green Bonds. We have therefore welcomed continuous discussions with LuxSE on this topic to define the Guiding Principles.

Investors are naturally concerned about having a liquid and readily tradeable product. And here I would like to congratulate *(again)* the LuxSE for the efficiency and readiness of its systems, client friendly operations and regulatory requirements, while maintaining high technical standards.

Green Bonds can certainly have a catalytic effect, promoting scale and impact in climate finance.

But this will require continued work on the framework for issuance and harmonization among Stock Exchanges. Guidelines from self-regulatory bodies (such as the Green Bond Principles) and further supply of benchmarks will remain important.

Let me conclude by thanking the team of the Luxembourg Stock Exchange and my colleagues from the Finance department at the EIB, who have nurtured this “visionary”, fruitful partnership.

You have set high standards and paved the way for solving a key challenge of our time: financing climate action !