City of Cape Town Green Bond Issuance
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Making progress possible. Together.
Outline of presentation

1. Why Green Bond
2. Certification Process
3. Benefits Realised
Why Green Bond

• C40 Commitments

• Demonstrate “Green Credentials” of City of Cape Town

• Help to mainstream Sustainability in City Government

• Diversify our funding mix
  – Investors with “sustainability” mandates (pension funds compelled to invest in sustainable investments)
  – Other investors looking for stable investments
Certification Process

Development of Framework

Identification of Projects; associated budgets and develop reporting process

Assessment of Project against standards

Appointment of Assurance Providers

Assurance Opinion

Submission to CBI

Pre-Issuance Certification by CBI

Issuance

Post Issuance Assurance

Moody's Opinion

Transactional Advisor Support

Reporting

Roadshow

Allocation of Funding
Identified Projects

- Financing of MTREF
- Aligned with CBI taxonomy
- Assessed against standards
- Mix of mitigation and adaptation projects
  - Reduction of water losses
  - Flood defences
  - Sea Wall
  - Efficiency - energy/carbon savings
Bond Issuance Results

**Bond Details**
- Bond Value = R1billion
- Amortised bond (interest + capital repayment) over 10 years

**Financial Results**
- Issued at R186 (treasury 10 year bond) rate + 1.33% = approx 10.17%
  (similar non-green South African Municipal bond issued a day earlier at +1.75%)
- 4x oversubscribed – demonstrating market appetite
- Comparable to current cost of capital (from other sources including concessionary loans) @ 9.95%

**Non-financial benefits**
- Publicity/awareness of “Green Credentials”
  - Conversations with new mix of asset managers (26 bidders)
  - Linked to launch of our Climate Change Policy
- “greening” of Treasury department
- Awareness of Standards to develop future projects
FAQs

• **Transaction costs** were moderate:
  – Consultant for assurance process
  – Certification fee to CBI very minimal
  – Originator Fees (per normal bond process)
  – Non quantified costs
    • Internal team
    • Reporting (pre and post)
    • Investor Roadshow

• **Further Bonds?**
  – Not immediately as we are currently not raising capital.

• **Key success factors.**
  – Maintain high credit rating
  – Need to develop pipeline of projects ideally linked to the CAP (adaptation and mitigation)
  – Importance of having a project tracking and information system in place
Thank You

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