



Strategic Alliance on Green Bond Market Development in G20 Emerging Economies:

Green Financial Solutions in Mexico – How to Move from Niche to Mainstream?

Roundtable Discussion

18 October 2017, 8.30-10.45am (breakfast meeting)

Club de Banqueros (room *Balcones*), Asociación de Bancos de México, A.C. (ABM),

(16 de Septiembre 27, Cuauhtémoc, 06000 Ciudad de México)

Agenda

English-Spanish simultaneous translation

Moderation: *Yannick Motz, Lead, Emerging Market Sustainability Dialogues – Finance, GIZ*

Welcome remarks

Juan Carlos Jiménez Rojas, Director General, Mexican Banking Association (ABM)

Keynote:

Financial risk implications of climate change: stranded assets and credit ratings

Lauren Smart, Managing Director, Global Head Financial Institutions Business, S&P Trucost

Green bond market update: Mexico & globally

Mats Olausson, Senior Advisor, Climate & Sustainable Financial Solutions, SEB

Theme 1 *Keynote with discussion:*

Promoting national green bond underwriter champions: The role of domestic banks in accelerating green financing in Mexico

Mats Olausson, Senior Advisor, Climate & Sustainable Financial Solutions, SEB

Theme 2 *Keynote with discussion:*

Safeguarding integrity in the green bond market in Mexico: The relevance of sound external reviews and impact reporting

Harald Francke Lund, Senior Climate Finance Specialist, CICERO

Theme 3 *Keynote with discussion:*

Incubating a domestic green investor base: How to tackle barriers for investing in green assets

John Flannery, Senior Advisor, Financial Institutions Group, IFC

Concluding remarks

José Humberto Alarcón Torre, Head of Risk Management, ABM

> Background

Managing climate-related and environmental risks, which increasingly impact social, economic and financial systems across the globe, requires massive investment into a more sustainable low-carbon and resource-efficient economy. The Mexican government's commitment to reduce emissions by 25 percent until 2030 – jointly with market-led initiatives – does not only put carbon-intensive assets and investments at a higher risk but also creates new business and investment opportunities.

Against the background of a massive reallocation of capital towards low-carbon, resource-efficient investments, green bonds, which have seen another record growth in the first half of 2017 with an issuance volume of USD 68 billion globally (Bloomberg), have come off to a good start in Mexico's financial market.

In support of the objective to foster a deep and liquid domestic green bond market in Mexico, the [Strategic Alliance](#) between GIZ & SEB jointly with the [Asociación de Bancos de México \(ABM\)](#) is working to enhance the dialogue and professional expertise on green bond financing in Mexico. We therefore cordially invite **high-level representatives from banks and institutional investors** to join this roundtable, which aims at discussing how to advance robust and profitable green financial solutions in Mexico. Followed by brief expert-inputs, the participative roundtable discussion will focus on three main topics:

1. **Promoting national green bond underwriter champions**, wherein national banks take an important role in making green financing vehicles available to corporate and public sector clients engaged in green business activities.
2. The use of **independent second opinions and impact reporting** in light of the requirements and values created for investors, issuers and the market.
3. **Incubating domestic green institutional investors** by strengthening expertise and strategies to identify green assets across the portfolio, to improve transparency of holdings, and to adopt ESG principles in the investment decision-making process.

The roundtable takes place at the **Club de Banqueros** (Calle 16 de Septiembre No.27 3er Piso, Cuauhtémoc, Centro, 06000 Ciudad de México) during a **breakfast meeting** on **18 October 2017** from **8.30 to 10.45 am**. To confirm your participation, please send an email to Aída Romero at aromero@abm.org.mx. Simultaneous translation will be available.

The Partners

The roundtable is conducted within the framework of a [Strategic Alliance](#) between GIZ and SEB on *Green Bond Market Development in G20 Emerging Economies* in cooperation with the Asociación de Bancos de México (ABM).

As a service provider with worldwide operations in the field of international cooperation for sustainable development, the [Deutsche Gesellschaft für Internationale Zusammenarbeit \(GIZ\)](#) works together with its partners to develop effective solutions that offer people better prospects and sustainably improve their living conditions. GIZ is a public-benefit federal enterprise and supports the German Government as well as many public and private sector clients in a wide variety of areas, including economic and financial sector development, employment and social security, energy and the environment, and peace and security.

[Skandinaviska Enskilda Banken \(SEB\)](#) is a Swedish universal bank, which has developed the Green Bond concept targeting institutional investors in cooperation with the World Bank. SEB is one of the leading knowledge providers and thought leaders with regards to Green Bond product and overall market development.

The [Asociación de Bancos de México \(ABM\)](#), Mexico's banking association, was founded in 1928, with the aim to represent the common interests of the banking industry in Mexico. The ABM currently gathers 47 associates, which comprise all financial institutions operating in Mexico. It is organized in 7 commissions (Regulatory Framework, Credit Business, Risk Management, Finance, Financial Markets, and Communication, Marketing and Social Responsibility) and 43 specialized committees.

For more information on the project and foregoing events, please visit emergingmarketsdialogue.org. In case of any questions, please contact Mr. Yannick Motz (yannick.motz@giz.de) & Mr. Mats Olausson (mats.olausson@seb.se).

The themes in detail

Theme 1: Promoting national green bond underwriter champions: The role of domestic banks in accelerating green financing in Mexico

Invigorating the use of green bonds as a financing vehicle for environmentally sound investments requires strong national underwriters. We discuss why going through the process of issuing a green bond in the own name is crucial to build the necessary capacity for a bank to provide adequate and needed advisory services for its clients. By becoming a national underwriter champion, the bank takes an important role in making green financing vehicles available to companies and institutions with green activities and assets but for whom the loan and equities markets are the appropriate source of funding. Thereby, the bank contributes to build peer pressure within the financial sector more broadly and accelerate the transition towards a low-carbon, resource-efficient economy in Mexico.

Theme 2: Safeguarding integrity in the green bond market in Mexico: The relevance of sound external reviews and impact reporting

The use of independent, pre-issuance second opinions from environmental experts will be discussed in light of the values created for investors, issuers and the market. As an integral part of a green bond offering, impact reporting presents the second pillar of transparently demonstrating the issuer's commitment made in connection to the bond transaction. We will discuss what and how should be reported and reflect how to balance exemplary reporting with corresponding costs. How to safeguard demand for and supply of such second opinions in Mexico?

Theme 3: Incubating a domestic green investor base: How to tackle barriers for investing in green assets

While institutional investors in OECD countries are a key source of green financing demand, the G20 Green Finance Study Group flagged the lack of this type of investors in emerging markets with expertise and/or preferences for investing in green assets as a barrier for the domestic market growth in emerging countries. Factors such as limited disclosure by institutional investors on their practices for integrating environmental factors into their investment strategy, and the lack of capacity and methodologies to quantify the environmental costs and benefits of their investments, nurture the indifference of many investors between green and brown assets. We discuss strategies of how to help incubate domestic green institutional investors by building capacity for them to identify green assets across the portfolio, to improve transparency of holdings, and to adopt environmental, social and governance (ESG) principles in the investment decision-making process.