

Convertible Emissions Performance Bond (CEP Bond)

Incremental Change is not an option – Need Transformative Change

“Improving quality of life without borrowing from the future...[is the] single largest investment opportunity in history...It has the magnitude of the industrial revolution but the speed of the digital revolution”

Al Gore, Vice President of the United States 1993-2001

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CEP Bond – Addresses weaknesses and complements existing solutions

Current Solutions

Carbon TAX



- No upper bound on emissions
- Problem Shifting
- Increases Costs - Politically unpopular

Cap-and-Trade



- Undermined by exemptions & subsidies
- Queries over use of proceeds
- Problem Shifting

Climate Bonds



- Uncertainty of qualifying criteria
- Difficult to measure impact

Current Economic Environment

- Pressure on all sectors to reduce emissions – target of 7.6% p.a. (UN)
- Massive investment shortfall – IPCC
- Companies requiring structural investments need access to cheap finance
- Issuers and institutional investors keen to implement ESG strategies
- 8% fall in emissions expected in 2020 at an economic cost of €1,750 per tonne of Carbon*
- High cost means we need to invest to replace fossil fuels, can't shrink the economy

* Breakthrough Institute <https://thebreakthrough.org/issues/energy/covid-co2-drop>

CEP Bond – Incentivises transformative change in tackling climate issues

Impact Investing

- Benefits all stakeholders
- Complements existing mechanisms
- Contributes to solutions

Clear Standards

- Use of proceeds reporting
- Emissions impact reporting (GHGs)

Value Creation

- Reduces capital costs
- Diversifies options
- Future proofing
- Higher returns for Investors

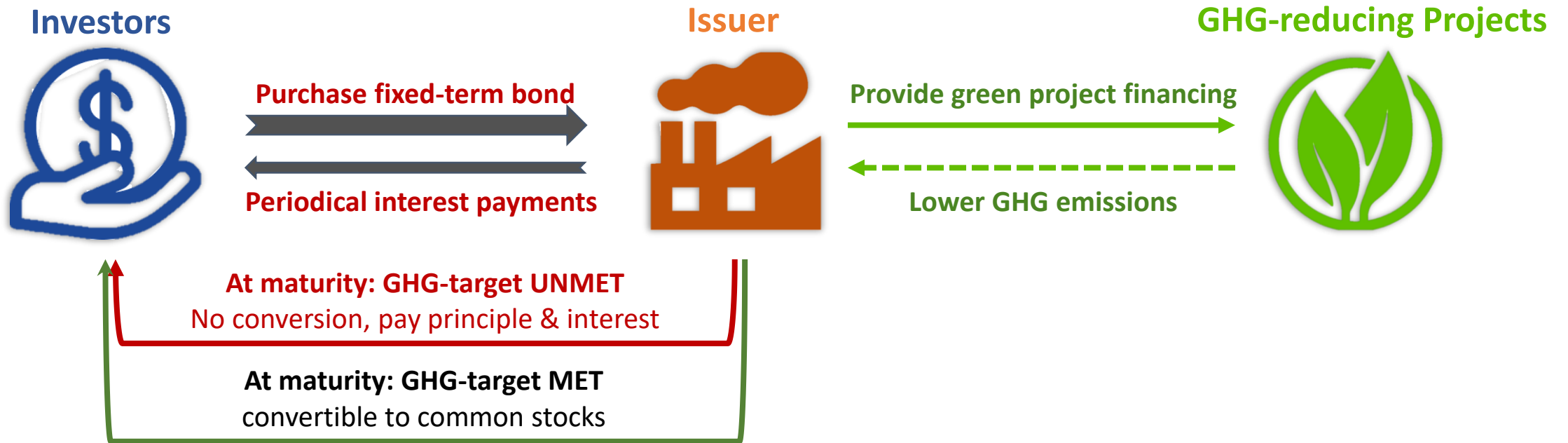
Scalable Solution

- Feasible: Adapts existing mechanism
- Scalable: Applicable to all publicly listed companies

Reduces GHGs

- Incentivises transition to a low-carbon economy
- Reduces GHG Emissions

CEP Bond – Structure provides sound, objective green-financing option



ESG

Complies with guidelines

~1-2%

Cheaper financing vs conventional bonds²

x2

Returns vs conventional bond³

\$1-3tn

Climate financing gaps to fill¹

¹ According to IPCC estimates of \$1.6-3.8 trillion annual climate financing needed and current green bond issuance volume of around \$600 billion

² Average spreads between conventional bonds (Bloomberg USD Investment Grade Bond Index) and convertible bonds (Bloomberg USD Convertible Bond Index) in 2015-20

³ Annualised returns between convertible (Bloomberg USD Convertible Bond Index) and conventional bonds (Bloomberg USD Investment Grade Bond Index) in 2015-20

CEP Bond – A feasible framework for future climate-based financing

