Green OLO – BDA experience

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Situating the Green OLO within BE issuance and Green Bond Market

- Belgian Debt Agency is a Federal Public Institution responsible for managing and financing the Federal Debt
- Debt amounts to +/- 390 billion
- The Agency counts 37 persons

- Financing Plan for 2019 amounts to
  - 35 Bn Long Term Debt
  - 27 Bn Short Term Debt

- The Green OLO amounted to 4.5 Bn or 13 % of total Long term Issuance for 2019.

  Hence the importance of issuing a bond in line with the issuance strategy of a sovereign issuer.

  STANDARD INSTRUMENT : size - liquidity – appealing to Green and regular investors

- Green Bond market currently represents only around 300 billion or 0.3% of total bond market

- The Green OLO represents +/- 1.5 % of the Green Bond Market and

  by its size immediately adds liquidity and hence investor interest.

Begin to End

Political Traction
(Zomerakkoord - July 26th, 2017)
Emphasis on Long Term environmental commitment of government

→ Feasibility Study

Establishment of Project Team *BDA*
– Representatives of Government - Structurers

→ Start Structuring Work
In cooperation with different ministries

Redaction of Green Bond Framework
Second Opinion Provider –

→ European Green Investor Roadshow

Execution of the Green Bond Syndication
4.5 billion – 15 yr – 1.25 %

→ Allocation Reporting + Audit
Impact Reporting

Benefits

GREEN

- *Green OLO is a strong political statement*

  "Green OLO underlines the Belgian commitment towards a more environmental friendly economy"

- Being the second sovereign to issue a Green Bond –not project related- it has been a strong catalyst for other to follow.

- Should be a incentive for other BE issuers either public or private

DEBTMANAGER

- Notwithstanding scarcity -> limited price traction, estimated at 1.5bp per year. Inestors do not want to pay for "Green".
- new very motivated and knowledgeable investorbase – limited in size – diverse in "greenness"

Challenges from a debt managers' point of view

- Cumbersome process …
  - Time : 5 months for 1.5 FTE to structure deal –
    to be topped with annual follow-up : tapping and of reporting.
  - Novelty : uncertainty on the outcome hence Political support is key
  - Complexity of underlying :
    - requires creation of an inter Ministerial Working Group,
    - negociate SLA to coordinate structuring and reporting during lifetime of Bond : 7 FPS + various public entities
  - Arrange public offerings for audit and reporting
  - Additional cost to issuing a Green Bond : second opinion provider + roadshow + audit firm + impact consultant

- …for a relatively small amount of financing in 2019 (4.5 Bn) and even smaller in upcoming years (2.7 Bn)

- Green "OLO" has been structured as a standarized product however
  - Green OLO has distinct legal documentation
  - Possible Legal Risk

- but RICH
  - contact with other ministries
  - Steep learning process in interesting underlying subjects
  - Very motivating to be part of of global"Green" incentivizing campaign

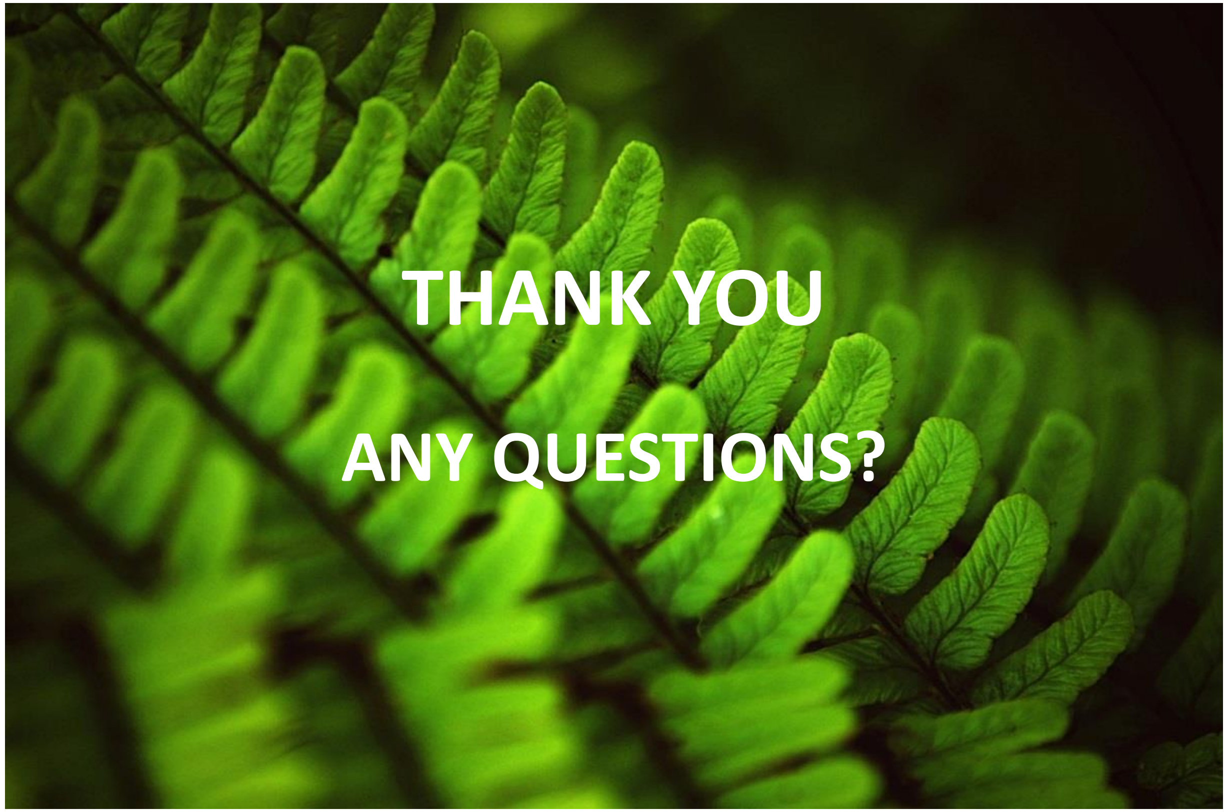
Conclusion

- Green Sovereign Bonds serve a higher objective but create fragmentation in the debt instruments used to finance a sovereign

- Notional allocation of proceeds of Green Bond to specific eligible expenditures selected from approved budget 2017 and 2018 → slicing up the budget

- Create separate bonds in order to finance other ESG objectives?

- “Green rating” based on a well developed taxonomy –comparable to credit rating models or criteria- would enhance boosting of financing of green projects as sovereigns and private entities would be more stimulated towards additionality in order to improve their Green rating and decrease the total cost of their issuance rather than the marginal cost of Green Bonds.


THANK YOU
ANY QUESTIONS?