

A case study from [CIRCULAR Solutions](#)

“First green bond issuer” - Nasdaq Iceland, New York

20 December 2018



A great achievement!

On 21 December 2018 the City of Reykjavik, the capital city of Iceland, became the first issuer of green bonds in Iceland to be listed on [Nasdaq Iceland's sustainable bond market](#). Reykjavik's Green Bond was an ISK denominated 4.1 billion (approx. USD 35 m) indexed 30-year maturity bond issued on 17 December 2018. The issuance was over-subscribed.¹

¹ Picture 1, from left: Pétur Krogh Ólafsson, assistant to the Mayor of Reykjavik, Ámundi V. Brynjólfsson, Head of Environmental and Planning Reykjavik, Líf Magneudóttir, Member of the Reykjavik City Council, Thórdís Lóa Thórhallsdóttir, Chairman of the Reykjavik City Council, Dagur B. Eggertsson, Mayor of Reykjavik, Helga Benediktsdóttir, Head of Treasury Reykjavik, Birgir Björn Sigurjónsson, CFO of Reykjavik, Kristinn Karel Jóhannsson, Treasury Reykjavik.

Participants in the bond offering were 15 institutional investors. However, individuals can also invest in this bond through [Íslandssjódir's first green bond fund in Iceland](#), which also invested in this Green Bond. This is a massive milestone which allows the issuer and investors, both institutional and individual, to join forces to contribute to a sustainable future and decrease climate change impact.

Reykjavík's Green Bond Framework

The Green Bond Framework was based on [ICMA's Green Bond Principles](#) as well as other relevant guidelines and standards. The focus areas of the Green Bond Framework were, the issuer's efforts on sustainability, management of proceeds and Eligible Projects to be funded by proceeds from bond issuances, the issuers and the Framework's governance, and transparency and reporting obligations by the issuer.

Over the last few years, Reykjavík has conducted great work on its environmental efforts, e.g. having in place a good and ambitious climate action policy and an environmental and natural resource policy that ties together several different initiatives within the City such as actions regarding climate change adaptation and resilience.

Role of CIRCULAR Solutions

The strong environmental science, engineering, financial services, and sustainability background driving CIRCULAR was key in this issuance, where the link between the climate sciences and financial sector was established. Extensive work went into qualifying potential project categories and potential projects including low carbon public transport, green buildings, methane collection, and more. These measures align with [Reykjavík's Climate Policy](#), which states that the City will be net carbon neutral before the year 2040.²

During the time before this issuance, hard work, smooth and open communication between the issuer, Reykjavík, the securities firm Fossar Markets which oversaw the issuance and investor relations, the second-opinion provider CICERO, and CIRCULAR ensured that no gaps are left in the Framework, resulting in the highest possible grade from CICERO, for the overall framework, each project category, and its governance.

² Picture 2: [Bjarni Herrera](#) and Dr. Hafthór Aegir from CIRCULAR (missing is Dr. Reynir Smári from CIRCULAR who was also key to this project).



The UN Sustainable Development Goals

In order to provide investors with a clearer understanding of the relationship between sustainability and the projects which are to be funded, the project categories were connected to specific UN Sustainable Development Goals (UN SDGs).

For example, the projects Reykjavík will fund within the clean transportation project category relate clearly to SDGs no. 7 (clean energy), no. 11 (sustainable cities and communities), and no. 13 (climate action). For other project categories, other UN SDGs are more relevant. Below are all the UN SDGs Reykjavík, and hence the investors will contribute to with this green bond.



Shades of Green

The Framework underwent a second-opinion by [CICERO](#), a Norwegian NGO, to verify that it aligns with ICMA’s Green Bond Principles. CICERO is a leading reviewer of Frameworks in the Nordics. It grades frameworks based on several criteria. The grading is intended to provide investors with better information about how progressive the Framework with regards to tackling climate issues. The Green Shading grade from CICERO was as follows:



°CICERO
Dark Green

“Overall, the City of Reykjavik’s Green Bond Framework (GBF) provides a progressive, clear and sound framework for investments into projects that well align with the Green Bond Principles.”

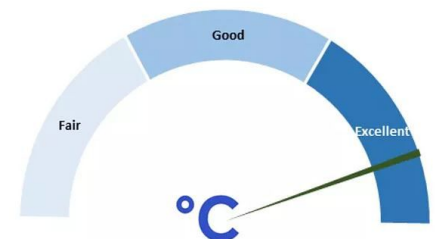
“Based on the overall assessment of the project types that will be financed by the green bonds and governance and transparency considerations, Reykjavik’s Green Bond Framework receives a Dark Green shading.”

“We find no substantial weaknesses in Reykjavik’s Green Bond Framework.”

Green Bond Governance

Another criteria evaluated by CICERO is ‘governance’, both related to the issuer’s environmental and sustainability governance and its governance around the Green Bond itself, e.g. the selection of eligible projects. CICERO’s governance grading was as follows:

“The City of Reykjavik has solid management and governance structures, as well as regular and transparent reporting about green bond project achievements to investors and the public. The overall assessment of the governance structure of Reykjavik gives it a rating of Excellent.”



Snowball effects on Icelandic society

This issuance does not only provide shared benefits for investors and the issuer and hopefully having cascading effects on the financial sector. This means something much more. It means that children will go to their schools that are operated in green buildings and public and private transport will become completely fossil-fuel free with the desired environmental benefits. This issuance has the potential to have a transformational effect on Icelandic society.

We at CIRCULAR are excited to see the green bond market in Iceland thrive and look forward to more green, social, and/or sustainable bonds being issued, hopefully in the near future. This is perfect timing for the financial markets and investors in Iceland to contribute in a meaningful way to a sustainable future.

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- [The City of Reykjavík's Green Bond investor and communication website](#)
 - [Nasdaq Iceland press release \(21 December 2018\)](#)
 - [Nasdaq Iceland \(facebook - photos from bell-ringing\)](#)
 - [CIRCULAR article 1 on green bonds and CIRCULAR article 2 on green bonds](#)
 - [This case-study online](#)
 - www.circularsolutions.is

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