

# **Bond Case Briefs**

*Municipal Finance Law Since 1971*

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## **Financing the Response to Climate Change: The Pricing and Ownership of US Green Bonds.**

Green bonds are used for environmentally friendly purposes like renewable energy. Complementing previous research, this paper explores the US corporate and municipal green bond and shows that a subset of investors is willing to give up some return to hold green bonds.

### **Author Abstract**

We study green bonds, which are bonds whose proceeds are used for environmentally sensitive purposes. After an overview of the US corporate and municipal green bonds markets, we study pricing and ownership patterns using a simple framework that incorporates assets with nonpecuniary utility. As predicted, we find that green municipal bonds are issued at a premium to otherwise similar ordinary bonds. We also confirm that green bonds, particularly small or essentially riskless ones, are more closely held than ordinary bonds. These pricing and ownership effects are strongest for bonds that are externally certified as green.

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### **Harvard Business School**

by Malcolm Baker, Daniel Bergstresser, George Serafeim, and Jeffrey Wurgler

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