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New York's MTA Eyes Nascent 'Green Bond' Market with \$500 Million Bond.

New York's Metropolitan Transportation Authority (MTA) will issue its first ever "green bond" next week as it looks to tap a market beyond its traditional investor base.

Green bonds, which are earmarked for environmentally friendly projects that meet certain criteria, are gaining attention amid the growing focus on global climate change.

The \$500 million in MTA revenue bonds qualify as green bonds because public transportation is considered environmentally friendly. They are certified by Climate Bonds Initiative (CBI), a nonprofit that aims to spur issuance of green bonds.

"By leaving their cars at home and embracing mass transit, New Yorkers play a dramatic role in reducing carbon emissions," said MTA Chairman and Chief Executive Thomas Prendergast in a statement.

The MTA runs the largest public transport network in the country, including the New York subway.

The \$66 billion green bond market is tiny compared with the \$100 trillion global bond market. But CBI is aiming to expand that into a global green bond market.

Toward that end, it is proposing a combination of credit enhancements, such as government guarantees, tax incentives, government mandates to public pension funds and sovereign wealth funds, and regulatory steps such as preferential risk weighting for green bonds in bank capital requirements.

CBI said MTA's bond would be the largest certified climate bond issued in the United States.

The MTA is also trying to tap environmentally conscious retail investors and is publicizing the bonds in a rare advertising campaign.

The MTA is one of the biggest and best-known issuers in the \$3.7 trillion U.S. municipal bond market, issuing about \$3 billion each year.

Aaron Donovan, a spokesman for MTA, said the agency is not expecting lower borrowing costs at next week's sale, but tapping a potentially growing market for green bonds could lower borrowing costs in the future.

"Over the long term we hope it will expand our investor base," he said, adding that the agency plans to issue more green bonds in the future.

There were \$597.7 billion of "climate aligned" bonds outstanding as of 2015, according to CBI. However, only \$65.9 billion were certified as "green bonds." About \$51 billion, or 12 percent of the total, were issued by U.S. borrowers.

Weekly issuance in the U.S. municipal bond market will drop to \$5.9 billion next week, including notes. U.S. financial markets are closed on Monday for Presidents Day.

REUTERS

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