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Introduction to Environmental Impact Bonds.

Municipal debt markets are made up of a wide array of debt instruments and serve investors from all walks of life. Whether you are a conservative investor looking for principal protection while earning enough to keep up with inflation or a moderate risk taker who might be looking for high returns on your municipal debt portfolio, you'll find many debt instruments to fit your client profile.

The new wave of green municipal debt instruments has many investors talking and potentially looking to make them part of their portfolio. Green munis can be either general obligation or revenue-backed debt instruments that are essentially issued to fund any "green initiative" or project by local and state governments. Many local governments have been focused on reducing carbon emissions in their infrastructure projects or conserving run-off rainwater – all of which could potentially constitute as a green project.

Furthermore, an important branch of green bonds are known as Environmental Impact Bonds (EIBs), which are starting to gain momentum with muni investors. In this article, we'll take a closer look at EIBs and whether the increased use of these bonds will give muni investors an opportunity to earn higher returns with a risk profile similar to that of current munis.

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