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## **To Address Climate Threat, California Must Lead the Way on Green Bonds.**

We celebrated Earth Day last week, but climate change threatens our quality of life and poses material risk to our communities every day.

A recent article by the Federal Reserve Bank of San Francisco points out that climate change also poses a real threat to our economy. Similarly, other reports identify tens of billions of dollars in infrastructure needs in California. They also say new infrastructure must be resilient, adaptable and responsive to the threat of climate change.

Last year, California's leaders committed the state to eliminating fossil fuels from its electrical grid by 2045. At his first State of the State Address, Gov. Gavin Newsom reaffirmed that California "will never waver on achieving the nation's most ambitious clean energy goals. California's long-time commitment to the environment and to fighting climate change remains as strong as ever."

California has an opportunity now to demonstrate its continued leadership in two ways. First, we can recognize the value green bonds can contribute to meeting the state's infrastructure needs – and use California's market presence to ensure that green bonds marketed to investors truly are green.

Green bonds are borrowings by the state that finance vital infrastructure such as water supplies, flood control and roadways. What makes these bonds "green" is that the borrowed money is spent on things that promote environmental benefits.

Consider the organic food movement, which struggled for years to develop a standard for what is truly organic. Today the U.S. has four different levels of categories for organic standards established at the national level. These established protocols and terms have provided greater clarity for American consumers.

I believe we are in a similar situation today with green bonds in the United States. There is no accepted definition of what a green bond is. However, the investors who buy California's bonds are clamoring for more bonds that can be identified as green.

Recognizing the threat of climate change, in conjunction with financing California's infrastructure assets, my predecessor executed the Green Bond Pledge. It's a simple declaration that financing infrastructure and capital projects must address environmental impact and climate risk.

The Standards Board of the Climate Bonds Initiative, an international, investor-focused nonprofit organization, has developed a labeling protocol for green finance based on sound science and reliable data. So have other groups.

Whether it's the standard proposed by the Climate Bonds Initiative or another standard, it's important that California begin deploying green bond financing based on a sound and scientific practice of identifying green projects that deserve the green label.

The second critical step is that California must begin to deliberately incorporate green bonds into the planning and deployment of financing strategies for our infrastructure. By investing in physical assets that support positive impacts on our climate – or which make the public infrastructure more resilient to climate change – we can demonstrate to the rest of the world, and to investors in California, that we intend to lead toward the health of our planet.

I have called upon various policymakers to join with me in a concerted effort to identify public projects financed with bonds issued by the state that are candidates for green finance. We must also develop a policy for prioritizing those projects if they meet the standards established by recognized international scientists as supporting resilience, adaptation or climate response.

I hope to see a consensus develop around the identification process in time to accommodate California's normal cycle of bond sales by spring 2020.

BY FIONA MA SPECIAL TO THE SACRAMENTO BEE

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Fiona Ma is California's state treasurer

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