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Jumping Into The 'Green' Muni Market.

Between the Biden administration's ambitious plans—driven in large part by climate change concerns—to bolster the nation's infrastructure, the looming specter of tax hikes, and the growing desire among many investors to “make a difference” with their investment dollars, it's an ideal time to explore opportunities in the market for “green” municipal bonds. Good old-fashioned munis, after all, will be supplying much of the capital as communities build out their infrastructure and deal with the effects of climate change.

Not all credits or issuers should be viewed in the same light, though. Some issues marketed as green bonds, for example, may not achieve the environmental benefits investors had hoped for, whether due to inefficient use of proceeds, a lack of proper oversight, or because proceeds were deployed to insufficiently green projects.

Similarly, investors should bear in mind that green bonds may be issued for very different reasons, with some intended to drive proactive environmental benefits while others fund more “defensive” projects that bolster communities' resilience to the negative impacts of climate change.

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