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Kestrel Launches Blue Bond Methodology for the U.S. Municipal Bond Market.

New framework brings clarity, credibility, and market-specific rigor to blue finance across the U.S. municipal market

Kestrel today announced the release of its Methodology for Assessing Blue Bonds Eligibility in the U.S. Municipal Bond Market, a new framework for evaluating municipal bonds that finance water-, coastal-, and ocean-related projects.

Blue Bonds are an emerging thematic subset of green and sustainable finance intended to support the protection, restoration, and sustainable use of marine and freshwater resources. While international guidance exists, most blue finance frameworks have been developed for sovereign or private capital markets, creating a gap in market-specific guidance for U.S. municipal bonds.

With more than 95,000 miles of U.S. coastline and many municipal issuers located in coastal counties and watersheds, the municipal bond market represents a significant opportunity to scale credible Blue Bond issuance. Municipal bonds already finance a wide range of projects tied directly to ocean health, water quality, coastal resilience, and biodiversity.

Kestrel's methodology interprets and operationalizes Blue Bond guidance for the U.S. municipal bond market, providing transparency to issuers, investors, and other market participants on how Blue eligibility is assessed and applied.

"Blue Bond standards are now sufficiently mature for credible application in the U.S. municipal market," said Monica Reid, CEO of Kestrel. "Municipal bonds finance a wide range of Blue-eligible activities. This methodology brings clarity and credibility to how those investments are identified and evaluated as Blue."

The methodology is aligned with the IFC Guidelines for Blue Finance and ICMA-aligned market practice, and requires that all Blue Bonds first meet recognized green or sustainability bond standards. The eligibility review assesses use-of-proceeds alignment, issuer- and project-level safeguards under U.S. regulatory frameworks, "do no harm" considerations, and alignment with UN Sustainable Development Goals 6 and 14.

The framework also recognizes that many Blue-eligible municipal bonds are unlabeled despite financing qualifying activities, allowing both labeled and unlabeled bonds to be assessed consistently.

Through its ongoing review of more than 15,000 municipal bond series, Kestrel has identified a meaningful universe of bonds with Blue-eligible uses of proceeds, particularly in sectors such as wastewater, stormwater, drinking water, flood protection, ports, and parks and recreation.

Kestrel's Blue Bond Methodology is now available as part of its sustainability research and external review offerings.

About Kestrel

Kestrel Sustainability Intelligence™ provides independent sustainability research, verification, and analytics for municipal and global fixed income markets. Kestrel is a leading provider of external reviews for green, social, sustainability, and blue bond transactions, supporting informed decision-making by issuers, investors, and other market participants.

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