

Snapshot: Luxembourg Green Exchange expands to Climate-Aligned Issuers

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Luxembourg Green Exchange

In an effort to tackle the current climate change crisis, Luxembourg was the first jurisdiction in the world to launch a fully dedicated green securities exchange in September 2016, the Luxembourg Green Exchange (LGX). LGX is a platform used by issuers to market green, social and sustainable securities to investors. LGX lists bonds, sustainable and social instruments, funds, indexes and aims to extend to all sustainable financial instruments. Entry on the LGX is restricted to issuers who must comply with mandatory disclosure requirements at issuance and ongoing reporting on the listed securities, while investors can benefit from unfettered access to product documentation.

A new section on the LGX dedicated to Climate-Aligned Issuers

On 25 February 2021, LGX, in partnership with the Climate Bonds Initiative (CBI), an international non-profit organisation with an aim of developing a large-scale liquid climate bond market, launched a new section exclusively dedicated to climate-aligned issuers (CAI).

CAI are issuers of debt securities, which do not necessarily have a climate or environmental label, but which are considered climate-aligned by virtue of their sustainable and clean-energy business activities and revenue streams.

The inclusion of CAIs on the LGX seeks to encourage capital flow towards a low-carbon economy and support climate-focused businesses, while providing investors with access to high-quality and transparent investment opportunities. As investors are becoming more attentive to the environmental impact and sustainability strategies of businesses, LGX offers them an additional section in climate-aligned investments as well as diversification, as it comes to supplement the existing products labelled as green, social and sustainable, available on the LGX.

Defining Climate-Aligned Issuers

CBI is responsible for identifying and carrying out a screening process of CAIs, based on their climate-aligned activities and revenue streams, in accordance with the Climate Bonds Taxonomy.

CAIs can be public or private companies, which have outstanding debts, whether labelled or not, financing climate-aligned activities that fall within the CBI defined climate themes. There are currently eight themes: (1) renewable energy, (2) low-carbon transport, (3) low-carbon buildings, (4) water management, (5) waste management, (6) sustainable land use and agriculture, (7) climate adaptation and (8) ICT (information and communications technology). In addition to a CAIs activity falling into one or more of the 8 categories above, a CAI must derive a certain percentage of its revenues from such climate-aligned activities, with fully-aligned issuers deriving more than 95% and strongly-aligned issuers, deriving more than 75%, respectively.

If compliant with CBI's methodology, CAIs can be displayed on the dedicated LGX of the Luxembourg Stock Exchange. At the initial launch of LGX's new CAI section, LGX listed 23 CAIs across 16 different countries. It is expected more CAIs will join LGX's CAI section in the near-future.

Please contact our Banking and Finance team at Ogier Luxembourg should you require any further information.

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