



# Case studies

## The Italian sovereign green bonds

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# The steps

1. Defining what to fund
  2. Defining how much money is needed
  3. Defining how the bonds are to be issued
  4. Defining who is releasing the second party opinion
  5. Issuing and placing the bonds
  6. Releasing the allocation and impact report
  7. [paying back the loan]
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# What to fund

[o. Who? -> Italian Government, Ministry of Economy, Department of Treasury -> Sovereign bonds]

Finance public expenditures intended to contribute to the achievement of one or more of the following environmental objectives of the “EU Sustainable Finance Taxonomy”, currently under discussion:

- Climate change mitigation;
  - Climate change adaptation;
  - Sustainable use and protection of water and marine resources;
  - Transition to a circular economy;
  - Pollution prevention and control; and,
  - Protection and restoration of biodiversity and ecosystems.
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# What to fund

Moreover, the use of Green BTPs' proceeds will help Italy support the Sustainable Development Goals 2030 (SDGs), by contributing to the achievement of the following goals:

- Goal 6: Clean Water and Sanitation;
  - Goal 7: Affordable and Clean Energy;
  - Goal 11: Sustainable Cities and Communities;
  - Goal 12: Responsible Consumption and Production;
  - Goal 13: Climate Action;
  - Goal 14: Life below Water; and,
  - Goal 15: Life on Land.
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# How much money is needed?

EUR 8.5 bn

Several projects, according to the framework

Lots: minimum EUR 1,000

Long term: 24 years

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# Selection of eligible expenses

Inter-ministerial committee (Environment, Economic Development, Economy and Finance, Infrastructure and Transportation, University and Research, Tourism, Agriculture, plus representatives of the Prime Minister)

- As in France, Belgium and The Netherlands

Selection and evaluation by the Committee

- Traceability of allocation, and monitoring of the maintenance of eligibility criteria
  - Replacement of non-compliant projects
  - Analysis in case of legal controversy, together with the relevant Ministry
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# Criteria of selection

## Do no harm principle:

1. Present of positive significant contribution in one or more of the objectives
2. Lack of hindrance towards the same objectives
3. Conformity with minimum social protection criteria

## Some **sectors are excluded as a principle:**

- Fossil fuels, nuclear power, military contracts, gambling, arms manufacturing, tobacco, mining...

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# Sectors

## 1. Renewable electricity and heat

- Example of eligible expenses:
  - Expenses for supporting the production and distribution of energy from renewable sources
  - Tax expenses (e.g. deduction of investments or ancillary charges)
  - Non-repayable capital or interest subsidies

## 2. Energy efficiency

- Example of eligible expenses:
    - Tax expenses (e.g. deduction of investments or ancillary charges)
    - Tax allowances for energy efficiency measures
    - Non-repayable capital or interest subsidies
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# Sectors

## 3. Transport

- Example of eligible expenses:
  - Contributions or non-refundable transfers to the operating account, capital account or interest account
  - Tax expenses (e.g., deduction of investments or ancillary charges)
  - Shore-to- ship power (SSP) port infrastructure to develop the cold ironing process

## 4. Pollution prevention and control and circular economy

- Example of eligible expenses:
    - Expenses for supporting water purification, sanitation, recycling, treatment
    - Expenses for collecting, treating and recycling waste
    - Expenses for reducing packaging or for reducing the related environmental impact, recycling goods and raw materials
    - Tax credit to incentivize an increased use of recyclable packaging
    - Tax credit for enterprises buying recycled and reused products
    - Tax expenses (e.g., deduction of investments or ancillary charges)
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# Sectors

## 5. Protection of the environment and biological diversity

- Example of eligible expenses:
    - Tax credit for certified organic agriculture (EU or Organic)
    - Expenses for reforestation or protection interventions of forest and forestry, wildlife and fish heritage (e.g., Natura 2000)
    - Expenses for the conservation and restoration of threatened marine, river and swamp ecosystems
    - Expenses for protection interventions of the environmental heritage against fire, drought, floods
    - Non-repayable capital or interest subsidies
    - Tax expenses (e.g., deduction of investments or ancillary charges)
    - Payments for ecosystem services
    - Expenses for water collection and for supporting water-saving interventions;
    - Expenses for monitoring water quality
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# Sectors

## 6. Research

- Example of eligible expenses:
    - Contributions or non-refundable transfers to the operating account, capital account or interest account
    - Tax expenses (e.g., deduction of investments or ancillary charges)
    - Expenses for financing research projects in the above eligible categories
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# Timing

Maximum **6 months after the issuance to select the expenditures**  
(eligible portfolio: for prudential reasons, bigger than the amount of the  
bond issuance)

Maximum **24 months to allocate the net proceeds**

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# Reporting

**Report** issued **annually** and published on the Ministry of Economy and Finance website

The report includes:

- A description of the allocation
  - Information on the progress of disbursement
  - Summary sheet of implementation
  - Environmental impact of green expenditure, also with a view to the Taxonomy
  - Description of the green projects
  - Environmental objectives pursued
  - Details on the project (breakdown, share of financing...)
  - Methodology used to evaluate the impact
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# Use of proceeds

**TABLE OF GREEN ELIGIBLE PUBLIC EXPENSES SELECTED FOR THE BTP  
2045 FIRST ISSUANCE AS OF MARCH 3<sup>rd</sup>, 2021**

Sectors	Reference year				TOT
	2018	2019	2020	2021	
1 Tax incentives for energy from renewable sources	59,600,000	59,600,000	-	-	119,200,000
2 Tax incentives for energy efficiency of buildings	1,634,200,000	1,828,900,000	-	-	3,463,100,000
3 <del>Transport</del>	1,565,497,090	1,277,594,814	178,619,110	111,739,090	3,133,450,104
4 Pollution prevention and control and circular economy	90,293,309	60,426,804	116,127,070	69,333,862	336,181,045
5 Protection of the environment and biological diversity	348,126,163	187,213,672	195,259,888	235,488,774	966,088,497
6 Research	127,121,249	62,438,343	141,180,591	140,955,853	471,696,036
<b>TOTAL</b>	<b>3,824,837,811</b>	<b>3,476,173,633</b>	<b>631,186,659</b>	<b>557,517,579</b>	<b>8,489,715,682</b>



# How are the bonds issued?

Framework developed by the Italian Ministry of Economy

It includes:

- Description of the strategy
  - Selection of expenses
  - Eligible expenditures
  - Use of funds
  - Reporting
  - Second opinion on the Framework
  - Information on legal status
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# Second party opinion

V.E on the framework

Opinion: aligned with the four core components of the Green Bond Principles 2018

Use of proceeds

Evaluation and selection

Management of proceeds

Reporting

Issuer's ESG performance: Advanced

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# Issuing and placing the bonds

At the discretion of the Italian Treasury and based on market conditions, Green BTP can be issued through syndicated placement or marginal auction with discretionary determination of price and quantity issued. In the latter case, the issuances characteristics will be announced in every issuance decree together with the supplementary placement's terms reserved to Specialists in Government Bonds, technically treated as a subsequent tranche. As for nominal BTPs, the amount of each of the five bids that every intermediary can place cannot be less than 500,000 euros. Bidders can submit prices with a minimum tick of one euro cent or multiples thereof.

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# Management of the proceeds and Reporting

Allocation of proceeds within 24 months

Segregated management

Annual reports, including environmental benefits

Public disclosure

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# Payback

At par, single payment maturity

Remuneration: Semi-annual coupons in arrears and possible discount at issuance.

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# Simulation

- Who are you?
    - Public: depending on the legal framework
      - Supranational
      - State
      - Region
      - Province
      - Municipality
    - Private/company
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# Simulation

- What are you interested in funding?
    - Defining a strategy
    - Selection criteria:
      - General: UN Agenda 2030
      - Specific: according to a specific taxonomy
        - EU Taxonomy
    - How long does it take? Duration
      - Long termism is king, in public...
    - How much is it going to pay? Remuneration
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# Simulation

- How much money?
    - Depends on the deciding body
      - The State and other public bodies: annual public budget
      - Private organisations: BoD (according to relevant company laws)
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# Simulation

- How?
    - Establishing a framework
      - Content:
        - eligibility criteria
        - use of proceeds of each issuance
        - monitoring
        - environmental impact of these expenditures
      - To be issued in a way compliant with a standard
        - ICMA
        - EUGBS
    - Way of placement
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# Simulation

- Second party opinion
    - Do you want it? Why should I?
      - More reliability
    - When?
      - For sure ex ante...
      - ...but also ex post!
  - Defining who is releasing it
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# Simulation

- Issuing and placing the bonds
    - Choosing the market
  - Allocation and impact midterm and final report
    - Also impact on rating
  - Payback
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