

Title: Climate Injustice as Racial Injustice in Green Bonds: the Case of Municipal Green Bonds of Water Infrastructure in Cape Town, South Africa, and San Francisco, California (US)

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Abstract of proposed presentation:

Abstract: Green bonds are the fastest-growing instrument in the climate finance market and cities with their concentrations of population, inequalities, and vulnerabilities are strategic sites of adaptation to climate change.¹ Therefore, this article investigates the climate justice implications of green bonds in cities and argues that a climate justice approach to green bonds requires a racial justice dimension. To do this, the municipal green bonds of water infrastructure of Cape Town, South Africa and San Francisco, California (US) are selected as empirical experiences for analysis. This article concludes that a climate justice approach to green bonds necessarily requires a racial justice component. **Research question:** What are the climate justice implications of green bonds in cities, based on the empirical experience of the municipal green bonds of water infrastructure in Cape Town, South Africa and San Francisco, California (US)? **Methodology:** This article has a qualitative approach and builds on fieldwork done by the author in San Francisco, California (December 2021 and January 2022), and Cape Town, South Africa (September-December 2022), as well as 21 semi-structured interviews with water activists, heads of household, policymakers, and climate finance experts. The author also did a critical review of relevant sources, documents, and reports.

Justification: Green bonds are debt securities labeled 'green' to signal to investors in the financial market a climate-related investment. In the past two decades, the green bond market growth exponentially with the help of development banks and other entities. In 2008, the World Bank issued the first bond with a 'green' tag at the proposal of Nordic pension funds seeking green, safe, and profitable investments.² Annual green bond issuance increased from around US\$ 50 billion in 2014 to US\$ 263 billion in 2019, and a accumulated issuance of US\$ 1 trillion was reached in 2020. Compare to other climate finance instruments like the Clean Development Mechanism (with 303.8 billion US\$ between 2001 and 2018)³ and the Green Climate Fund (with 10.3 billion US\$ between its inception in 2010 and July 31, 2020),⁴ green bonds raise more money. However, green bonds only made up somewhat less than 4% of the approximately US\$ 120 trillion global bond market in 2020,⁵ which suggest there is room to growth of the green bonds as climate finance mechanism.

Why is this contribution policy-relevant? This contribution is policy-relevant due to the importance of green bonds in terms of climate finance and the need for a climate justice approach to climate adaptation (funding), particularly in cities. This contribution addresses the climate finance instrument of green bonds from a climate justice perspective, with an emphasis on the racial justice dimension in

¹ IPCC. (2022). Climate Change 2022: Impacts, Adaptation, and Vulnerability. Contribution of Working Group II to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [H.-O. Pörtner, D.C. Roberts, M. Tignor, E.S. Poloczanska, K. Mintenbeck, A. Alegría, M. Craig, S. Langsdorf, S. Löschke, V. Möller, A. Okem, B. Rama (eds.)]. Cambridge University Press. Cambridge University Press, Cambridge, UK and New York, NY, USA, 3056 pp., doi:10.1017/9781009325844.

² World Bank Group. (2021). *What You Need to Know About IFC's Green Bonds*.

<https://www.worldbank.org/en/news/feature/2021/12/08/what-you-need-to-know-about-ifc-s-green-bonds>

³ United Nations Climate Change. (2018). Achievements of the Clean Development Mechanism 2001-2018. https://unfccc.int/sites/default/files/resource/UNFCCC_CDM_report_2018.pdf

⁴ Green Climate Fund. (n.d.). Resource mobilisation. <https://www.greenclimate.fund/about/resource-mobilisation/irm>

⁵ European Investment Bank. (2021). Evaluation of the EIB's Climate Awareness Bonds. (EIB) European Investment Bank. https://www.eib.org/attachments/ev/ev_report_evaluation_eib_climate_awareness_bonds_en.pdf

cities. This also contributes to promoting and developing climate justice as an approach to analyzing climate finance. Within the political economy literature on green bonds,⁶ there has not been an explicit climate justice approach, thus the contribution is novel.

⁶ Jones, R., Baker, T., Huet, K., Murphy, L., & Lewis, N. (2020). Treating ecological deficit with debt: The practical and political concerns with green bonds. *Geoforum*, 114, 49–58.
<https://doi.org/10.1016/j.geoforum.2020.05.014>