

REQUEST FOR ASSISTANT DIRECTOR DECISION – ADD2649

Title: Green Bond Framework - Procurement of Second-Party Opinion (SPO) Reviewer

Executive Summary:

To achieve the Mayor's ambitions for net zero carbon by 2030 and other environment objectives will require significant increase in capital investment. To this end, the Mayor will make available more than £500 million, through his new Green Finance Fund, for investing in climate action by launching a green bond programme, subject to market conditions.

A green bond framework is required for green bond issuance. A draft version was included in MD3128 and sets out how the GLA intends to finance activities that will support the Mayor's carbon reduction and environmental goals. It also sets out the strategic context underpinning the Mayor's goals, how any proceeds raised will be allocated and the governance arrangement to facilitate this.

In line with market practices, the GLA will have the framework assessed by a second-party opinion (SPO) reviewer. The SPO provides investors and other stakeholders with assurance that the framework is aligned to accepted green bond principles and that the proceeds of the bond are aligned to market practices and expectations.

Approval is sought to procure a SPO to review the GLA's draft Green Bond Framework, through a competitive tendering process.

Decision:

That the Chief Investment Officer approves expenditure of up to £25,000 to competitively procure a second-party opinion (SPO) reviewer for the GLA's draft Green Bond Framework.

AUTHORISING ASSISTANT DIRECTOR/HEAD OF UNIT

I have reviewed the request and am satisfied it is correct and consistent with the Mayor's plans and priorities.

It has my approval.

Name: Luke Webster

Position: Assistant Director – Group Treasury, Chief Investment Officer

Signature:



Date:

26/06/2023

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

- 1.1. Climate change is increasing the frequency and intensity of extreme weather and associated impacts to human and natural systems such as health, food production and species loss. As a result, the Mayor declared a climate emergency for London and brought forward London's net zero target from 2050 to 2030. To support this goal, the Greater London Authority (GLA) commissioned experts to help determine how this could be achieved. Of the four pathways modelled to get to net zero, the Mayor's preferred option is the Accelerated Green pathway¹, as it balances urgency, ambition, social justice and deliverability.
- 1.2. Supporting this ambition and the Mayor's wider environmental goals will require considerable investments in capital infrastructure across London's buildings, energy networks and transport systems. To facilitate this, the Mayor will establish a debt fund called the Green Finance Fund (GFF)², to accelerate investment in green projects from the GLA Group and strategic partners across London. It will be managed internally by the GLA's arms-length, regulated subsidiary, London Treasury Limited (LTL).
- 1.3. Financing for GFF will initially come from GLA's own cash resources. However, subject to favourable bond market conditions, the GLA will launch a green bond programme, with the proceeds being used to refinance any initial commitments made from the GFF. Further bond issuance under the programme would finance any new projects identified.
- 1.4. One key requirement of issuing a green bond is that they are issued under a third-party approved green framework. This framework has been developed in conjunction with Lloyds Banking Group and now requires SPO review.
- 1.5. The Framework describes how the GLA will finance expenditure that is critical to tackling the climate crisis and other environmental challenges, through the issuance of green bonds. Furthermore, it provides investors and stakeholders with assurance that funds will be allocated to robustly evaluated environmentally sustainable activities and defines the projects eligible for financing with bond proceeds under the Framework. The Framework aligns with the Green Bond Principles as published by the International Capital Market Association ("ICMA"). A draft version of the framework was included at Appendix 5 in Mayoral Decision (MD) 3128, approved in April 2023.
- 1.6. Approval is now sought to competitively procure a second-party opinion (SPO) review for the GLA's Green Bond Framework. In accordance with the GLA's Contracts and Funding Code, the contract will be competitively tendered on the basis of three written quotes being obtained.

2. Objectives and expected outcomes

- 2.1. The primary objective and outcome of this work is to align with current market practices which dictate that the framework is required to be assessed by a SPO reviewer. The SPO provides investors and other stakeholders with assurance that the framework is aligned to accepted green bond principles and that the proceeds of the bond are aligned to market practices and expectations.

¹ London Net Zero 2030: An Updated Pathway - www.london.gov.uk/sites/default/files/london_net_zero_2030_-_an_updated_pathway_-_gla_response_1.pdf

² The GFF will not be established as a legal entity.

3. Equality comments

- 3.1. The public sector equality duty requires the identification and evaluation of the likely potential impacts, both Under Section 149 of the Equality Act 2010 (the “Equality Act”) as public authorities, the Mayor and the GLA must have due regard to the need to eliminate unlawful discrimination, harassment and victimisation, and to advance equality of opportunity and foster good relations between people who share a protected characteristic and those who do not. Protected characteristics under the Equality Act comprise age, disability, gender re-assignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation, and marriage or civil partnership status.
- 3.2. The Green Bond Framework sets out how the GLA intends to finance activities that will support the Mayor’s carbon reduction and environmental goals, through the issuance of green bonds. This will deliver multiple benefits to all Londoners through supporting a Green Recovery, driving a just transition and tackling inequalities such as poor air quality and fuel poverty.

4. Other considerations

- 4.1. This work is driven by the Mayor’s Environment Strategy, which sets ambitious targets across several aspects of the environment and supports the Mayor’s priority to secure more than £500 million for investing in climate action by issuing green bonds.
- 4.2. As part of the GLA Group budget proposal for 2023 – 2024, ‘Climate Budgeting’ was introduced across the group. This set out how organisations including TFL, the MPS and the LFB could achieve net zero carbon by 2030 across their operations. The GFF will look to support these bodies in their transition to net zero.
- 4.3. TfL Procurement have been consulted on this proposal and the procurement methodology proposed is in accordance with the GLA’s Contracts and Funding Code.
- 4.4. GLA Officers are not aware of any conflicts of interest in the drafting of this form nor any others that may undermine the award of this work.

5. Financial comments

- 5.1. This decision requests approval for expenditure of up to £25,000 to procure a second-party opinion (SPO) reviewer for the GLA’s draft Green Bond Framework. This will be funded from the Treasury Services budget in 2023-24.

6. Planned delivery approach and next steps

Activity	Timeline
Procurement of contract (Deadline for bidders to respond to the ITT)	23 June 2023
Delivery Start Date	01 July 2023
Delivery End Date	31 July 2023

Supporting papers:

MD3128 Treasury Management Strategy Statement and GLA investment subsidiary matters for 2023-24.

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FoIA) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary. **Note:** This form (Part 1) will either be published within one working day after it has been approved or on the defer date.

Part 1 - Deferral

Is the publication of Part 1 of this approval to be deferred? YES

If YES, for what reason: Publication of Part 1 should be deferred until the contract with the supplier has been executed.

Until what date: 30/06/2023

Part 2 – Sensitive information

Only the facts or advice that would be exempt from disclosure under FoIA should be included in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form – NO

ORIGINATING OFFICER DECLARATION:

Drafting officer to confirm the following (✓)

Drafting officer:

Sandeep Duggal has drafted this report in accordance with GLA procedures and confirms the following:

✓

Corporate Investment Board

A summary of this decision was reviewed by the Corporate Investment Board on 26 June 2023.

✓

ASSISTANT DIRECTOR, FINANCIAL SERVICES

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

Signature:



Date:

26/06/2023

pp. Tricia Clark, Senior Finance Manager Technical Accounting on behalf of Anna Casbolt