S&P Global Ratings

Powered by Shades of Green

Post-Issuance Review: Allocation and Impact Reporting

Greater London Authority Allocation and Impact Reporting

Oct. 31, 2025

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Assessment Summary

Consistency Opinion (jump to section)

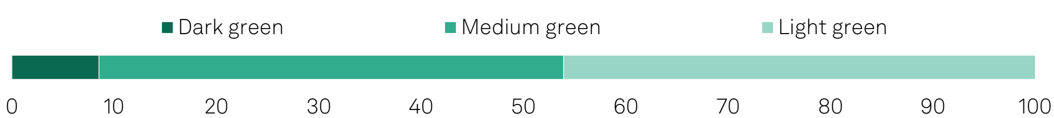
✓Allocations are consistent with pre-issuance commitments.

Allocation Analysis (jump to section)

At the time of the publication of the allocation and impact report, allocations consisted of a portfolio of projects across the Green Financing Framework's three project categories: renewable energy, energy efficiency, and clean transportation.

Allocations consist of a mix of Dark green (8.5%), Medium green (45.4%), and Light green (46.1%) projects. We have assigned a Dark green shade to the renewable energy project category and the electric vehicle (EV) charging projects within the clean transportation category, a Medium green shade to the energy efficiency projects, and a Light green shade to the remaining clean transportation project.

Environmental: Allocations to projects on the date of the report (% of allocation per shade)



Reporting Quality Assessment (jump to section)

✓ The report meets the requirements for allocation and impact reporting contained in the Green Bond Principles and the firm commitments in the Green Financing Framework relating to allocation and impact reporting. The report demonstrates good practices in respect of providing granular information at the project level, although it could also include the impacts of the incremental disbursed amounts.

Strengths

The Greater London Authority (GLA) has allocated 100% of the net proceeds to new financing activities. The fact that the GLA has not undertaken any refinancing provides a greater level of additionality.

The report contains novel reporting approaches that add to its comprehensiveness and transparency. For example, it compares the actual performance data with the ex-ante forecasts and provides a high level of detail on the project evaluation and selection process.

Weaknesses

No weaknesses to report.

Areas to watch

The report does not provide information on the impacts of the incremental disbursed amounts but on the total allocation. However, the GLA has confirmed that the total disbursement will happen by 2028, limiting the risk of overstating the impacts. An internal subsidiary rather than an external verifier will verify the impacts, which we do not consider to be best practice.

Issuer Description

Location: U.K.	**Sector:** Local government

The GLA was established in 2000 and is the elected strategic authority for London. It serves a population of almost 9 million people and consists of two distinct divisions: the Mayor of London and the London Assembly.

The GLA published a Green Financing Framework in November 2023 and its first allocation and impact report under the framework in 2024. S&P Global Ratings has not provided a Second Party Opinion on the GLA's Green Financing Framework.

Consistency Opinion

This section provides our opinion on the consistency of allocations for the report with the commitments set forth in the pre-issuance framework.

Relevant loans

Type	Identifier	Name	Date	Maturity*	Amount raised§ (Mil. £)	Amount allocated† (Mil. £)
Loan	N.A.	GLA Green Loan (via NWF)	Dec 2023	Up to 25 years	190	318.6

*The forecast maturity of the loans disbursed in the period up to 2028 is up to 25 years, which places the final maturity around mid-2050.

§The GLA has raised £190 million under the framework from the NWF. This represents 38% of the £500 million to be deployed by the Green Finance Fund (GFF).

†The amount allocated to the GFF and committed to green projects, an increase of £101.4 million from the previous year. To date, the GLA has disbursed £152.9 million to green projects.

N.A.--Not applicable. NWF--National Wealth Fund. Sources: GLA Allocation and Impact Report, S&P Global Ratings.

✔ Allocation consistency with pre-issuance commitments

Allocations to environmental projects are consistent with the issuer's pre-issuance commitments. Three new projects were added to the portfolio in the fiscal year ended April 5, 2025--two in the energy efficiency category and one in the clean transportation category.

Allocation Analysis

This section provides information on the allocation of proceeds, incorporating the conclusions that led to our consistency opinion.

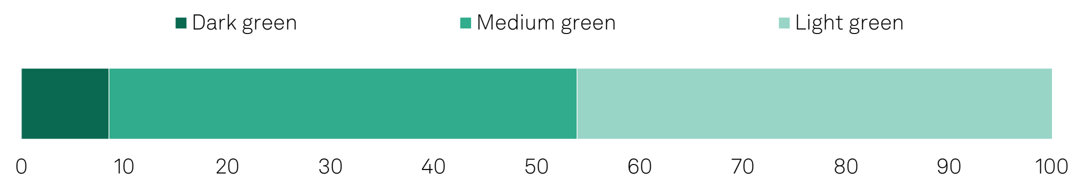
Environmental projects

- S&P Global Ratings has not provided a Second Party Opinion on the GLA's Green Financing Framework. This section includes our key analytical considerations on project allocation since 2023 using our Shades of Green methodology.
- As of the report's publication date, environmental allocations consist of a portfolio of projects across the three project categories in the framework: renewable energy, energy efficiency, and clean transportation.
- Since the launch of the fund in June 2023, allocation to renewable energy projects accounted for 1.4% of total allocations. The GLA used the investments in this category exclusively for the installation of lightweight solar photovoltaic (PV) membranes on the roof of the London Stadium to generate up to 950 megawatt hours of renewable energy. Solar power is a key element in limiting global warming, and as such, we assign a Dark green shade. However, potential negative impacts remain, notably relating to the procurement of critical materials and to the disposal of solar panels at the end of their life.
- Allocation to clean transportation projects accounted for 53.2% of total allocations. These projects involved:
  - Implementing an Ultra Low Emission Zone (ULEZ) covering every London borough to improve air quality and reduce greenhouse gas emissions from vehicles (87% of total allocations in the clean transportation category). According to the U.N., ULEZ is the largest clean air zone in the world. Drivers of vehicles that do not meet certain emissions standards need to pay a daily charge to drive in the zone. The GLA has funded infrastructure upgrades including over 1,800 enforcement cameras and citywide signage. We consider ULEZ to be a transition solution that does not prevent combustion-engine cars from circulating. As such, we assign a Light green shade.
  - Upgrading 55 London fire brigade stations to provide the required electrical capacity for EV chargers (the remaining 13% of allocations in the clean transportation category). Mitigating greenhouse gas emissions from transportation will be crucial to meeting global decarbonization goals, since the transport sector accounts for 23% of global energy-related greenhouse gas emissions. We see the supporting infrastructure for EVs as being in line with a low-carbon, climate-resilient future and assign a Dark green shade. However, there are risks relating to the end-of-life treatment and disposal of electrical and electronic equipment.
- Allocation to energy-efficiency projects accounted for 45.4% of total allocations. The GLA has financed six projects involving the installation of electric heating systems, internal and external LED lighting, heat recovery ventilation, variable refrigerant flow systems for heating and cooling, fabric improvements, and air source heat pumps. Enhancing existing buildings' energy efficiency is central to a sustainable, low-carbon future. The GLA has also financed decarbonization and energy-generation measures at the London Museum's new site in Smithfield Market. The International Energy Agency emphasizes that the primary drivers of decarbonization in the building sector are energy efficiency and electrification. We take a positive view of efforts to improve energy efficiency that are backed by rigorous quantitative performance metrics and that aim to reduce additional environmental impacts. The energy efficiency eligibility criteria present in the Green Financing Framework is considered Light green. This reflects a lack of thresholds in respect to energy improvement, and the minimal threshold of improving the energy performance certificate rating up to one band. However, all projects allocated so far in the energy efficiency category go beyond the commitments made in the Green Financing Framework, providing evidence of significant energy savings. As such, these projects have been assigned a Medium green shade.
- The allocation and impact report exclude investments in fossil-fuel boilers; energy-from-waste infrastructure; brown, black, or blue hydrogen; and vehicles powered using fossil-fuel combustion and ethanol.

Shades of Green

- The portfolio consists of a mix of Dark green projects (8.5% of portfolio's project value), Medium green projects (45.4%), and Light green projects (46.1%).
- The financing of solar PV membranes within the renewable energy project category (1.4% of total allocation) and EV charging projects within the clean transportation category (7.1%) are shaded Dark green.
- Investments within the energy efficiency project (45.4%) are shaded Medium green.
- Investments for the implementation of ULEZ (46.1%) are shaded Light Green.

Environmental allocations at the date of the report (% of allocation per shade)



Source: S&P Global Ratings.

Reporting Quality Assessment

This section provides an opinion on the quality of the issuer's post-issuance allocation and impact reporting.

✓ Alignment with reporting requirements

The report aligns with the requirements for allocation and impact reporting contained in the Green Bond Principles and Green Loan Principles. The 2024-2025 fiscal year is the GLA's second reporting cycle, following the first one in fiscal year ended April 5, 2024. The GLA reports allocations and impacts annually until full allocation, and on a timely basis in case of material developments.

✓ Satisfaction of pre-issuance reporting commitments

The report satisfies the issuer's pre-issuance commitments relating to allocation and impact reporting.

Additional reporting considerations

Comprehensiveness of allocation reporting

- We consider it good practice that the GLA provides granular information at the project level, for example, project descriptions and allocations per year. While the GLA has allocated 100% of the proceeds, it had not disbursed them all at the time of reporting. The actual disbursements are expected to happen in accordance with borrowers' needs to align with their disbursement profiles. Moreover, the report specifies the share of disbursement versus overall allocation. The GLA expects to have made all disbursements by 2028, thus limiting the risk of overstating the expected impacts of the projects to which it has allocated but not yet disbursed funds.

- The GLA uses the Green Financing Framework proceeds to capitalize the Green Finance Fund (GFF), an internally managed fund to finance eligible green projects. The Green Financing Framework states that, due to unfavorable bond market conditions, financing for the GFF will initially come from the GLA's cash reserves. When bond market conditions are favorable, the GLA will launch the green bond program and use the proceeds to refinance its initial commitments. The GLA has therefore not issued any bonds under the framework. However, in December 2023, the GLA raised £190 million under the framework with a loan from the National Wealth Fund (NWF). This represented 38% of the £500 million total to be deployed from the GFF. The GLA has drawn £148 million from the NWF so far, using £48 million for direct payments to projects and £100 million to repay borrowings from 2023–2024 that it used to meet its disbursement obligations to green projects.

Linking allocations and issuer level sustainability performance, targets, and strategy

- The report contains some information on how the allocations align with the GLA's national objectives and targets. For example, the executive summary refers to various national strategies, while the report contains good information on how various allocations to projects will help achieve social objectives.
- The GFF's ultimate objective is to support the mayor's 2030 net-zero ambition and other environmental goals. To that end, the GLA commits to report on at least one of the core indicators set out in the framework under the relevant green project categories. The amount of annual greenhouse gas emissions reduced and/or avoided is the core indicator across the three green project categories. On the reporting date, all the projects that the GFF finances will report their contributions toward this indicator.

Relevance and materiality of metrics

- The GLA reports on quantitative impact metrics that are in line with international guidelines and principles (for example, Nordic Public Sector Issuers - Position Paper on Green Bonds Impact Reporting 2024; the International Capital Market Association's Harmonized Framework for Impact Reporting; and the Green Bond Principles).
- Project applicants must report the actual impact metrics once the works are completed. This allows for comparison with the reported forecast impacts. On the date of the report, Transport for London's London-wide expansion of ULEZ is the only project to have been completed that provides the actual impact metrics on its performance. This project alone reports an actual reduction of 35,000 metric tons of carbon dioxide equivalent (tCO_2e) per year, which compares favorably with the forecast annual impact of a 25,636 tCO_2e reduction for the whole clean transportation category. The forecast for the whole category also includes the forecast impact of the project to upgrade the electrical capacity for EV charging at 55 London fire brigade stations.
- We appreciate that the report provides pro rata performance indicators for partly financed projects. The GLA finances all but two of the projects, and as such, no pro rata performance indicators are needed for the majority of projects.
- For every project to which proceeds have been allocated, the GLA also forecasts the qualitative social benefits that it expects at completion.

Transparency on methodology and assumptions

- Project applicants are required to detail their forecast environmental metrics in their application, and, where available, to submit any relevant supplementary documentation, including, but not limited to, feasibility studies and details on the applicable greenhouse gas emissions accounting methodology and assumptions.
- London Treasury Ltd. undertakes a detailed review of the energy and greenhouse gas emissions quantification methodology provided by project applicants. London Treasury seeks clarification where deviations in the figures exceed 10%. Having the same entity check the impact computations provides consistency and ensures comparability. Yet GLA is not obtaining external third-party verification on its allocation and impact reporting, which we would have considered stronger practice.
- Project applicants' forecast emissions figures are assessed using the methodology in the GHG Protocol's guidance and standards, along with, where applicable, the U.K. Department for Energy Security and Net Zero's emission factors for the quantification of greenhouse gas emissions savings.
- The report does not provide information on the impacts of the incremental disbursed amounts but on the total allocation. However, the GLA has confirmed that the total disbursement will happen by 2028, limiting the risk of overstating the impacts.
- The GLA’s disclosure of the methodologies and assumptions that it uses for reduced and/or avoided emissions figures is positive, given the level of transparency and the sources used. The GLA also provides good transparency on its calculations of air-pollutant reductions, referencing the ULEZ Year One report, which provides clear calculations. We welcome the GLA’s inclusion of pro rata figures, case studies, and clarity on the use of forecast and ex-ante data, with plans for future reporting on actual performance outcomes once available.

S&P Global Ratings' Shades of Green

Assessments	Dark green	Medium green	Light green	Yellow	Orange	Red
Description	Activities that correspond to the long-term vision of an LCCR future.	Activities that represent significant steps toward an LCCR future but will require further improvements to be long-term LCCR solutions.	Activities representing transition steps in the near-term that avoid emissions lock-in but do not represent long-term LCCR solutions.	Activities that do not have a material impact on the transition to an LCCR future, or, Activities that have some potential inconsistency with the transition to an LCCR future, albeit tempered by existing transition measures.	Activities that are not currently consistent with the transition to an LCCR future. These include activities with moderate potential for emissions lock-in and risk of stranded assets.	Activities that are inconsistent with, and likely to impede, the transition required to achieve the long-term LCCR future. These activities have the highest emissions intensity, with the most potential for emissions lock-in and risk of stranded assets.
Example projects	Solar power plants	Energy efficient buildings	Hybrid road vehicles	Health care services	Conventional steel production	New oil exploration

Note: For us to consider use of proceeds aligned with ICMA Principles for a green project, we require project categories directly funded by the financing to be assigned one of the three green Shades.

LCCR--Low-carbon, climate-resilient. An LCCR future is a future aligned with the Paris Agreement; where the global average temperature increase is held below 2 degrees Celsius (2 C), with efforts to limit it to 1.5 C, above pre-industrial levels, while building resilience to the adverse impact of climate change and achieving sustainable outcomes across both climate and non-climate environmental objectives. Long term and near term--For the purpose of this analysis, we consider the long term to be beyond the middle of the 21st century and the near term to be within the next decade. Emissions lock-in--Where an activity delays or prevents the transition to low-carbon alternatives by perpetuating assets or processes (often fossil fuel use and its corresponding greenhouse gas emissions) that are not aligned with, or cannot adapt to, an LCCR future. Stranded assets--Assets that have suffered from unanticipated or premature write-downs, devaluations, or conversion to liabilities (as defined by the University of Oxford).

Related Research

- Analytical Approach: Sustainable Financing Post-Issuance Reviews, June 30, 2025
- FAQ: Applying Our Analytical Approach for Post Issuance-Reviews, June 30, 2025
- Analytical Approach: Second Party Opinions, March 6, 2025
- FAQ: Applying Our Integrated Analytical Approach For Second Party Opinions, March 6, 2025
- Analytical Approach: Shades Of Green Assessments, July 27, 2023

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