

# Luxembourg Launch First Green Stock Exchange: LGX, 'The Full Green Monty'



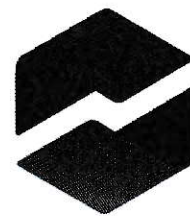
Dina Medland Contributor ①

Today, less than six weeks before COP22, the Luxembourg Stock Exchange (LuxSE) becomes the first stock exchange globally to introduce a platform for green financial instruments. Luxembourg Green Exchange (LGX) is for issuers who dedicate 100% of the raised funding to green investments. It will restrict access to those issuers who comply with stringent eligibility criteria.

Asked why he is doing this, Robert Scharfe, CEO of LuxSE says: "Why are we doing it? We think the time is right. New issuance of green securities has taken off since COP21. When we look at the market it is good news that it is growing so fast, but is it growing fast enough? No, it is not. As the International Energy Agency (IEA) has estimated, the world needs \$1 trillion a year until 2050 to finance a transition to low emissions."

We met earlier this month in Singapore at a conference where the momentum building in green finance was evident, and covered here on Forbes as "a quiet revolution." Talking to him then, his frustration was palpable at the skepticism often expressed around the subject of green finance becoming mainstream.

Now he says: "Why can't we go faster? Many issuers are not motivated to do so, they don't see the advantages and they do see an increased cost of reporting. There is also 'greenwashing.' But maybe it is just not good enough to do it the way we have always done it. A dedicated green exchange will raise the bar for disclosure. Because we are raising the bar we are making the



## LUXEMBOURG GREEN EXCHANGE

Luxembourg Green Exchange (LGX) goes live today - gathering issuers that dedicate 100% of the raised funding to green investments Source: Luxembourg Stock Exchange (LuxSE)

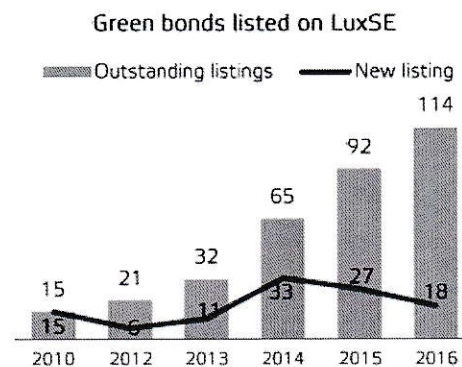
market more interesting for issuers because we give them more visibility in dedicated infrastructure."

LGX will immediately become home to the majority of the 114 green bonds listed at LuxSE, worth over \$45 billion. Securities will have to state their nature clearly as "green" or equivalent: "climate-aligned," for example. Disclosure on use of proceeds will have to be compliant with standards laid out by the Climate Bonds Initiative (CBI) and the International Capital Market Association (ICMA), with whom the LGX concept has been developed. The World Wildlife Fund (WWF) has also been involved in its development.

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As far back as 2007, LuxSE became the first exchange in the world to list a Green Bond. It was issued by the European Investment Bank (EIB) to finance part of its climate projects.

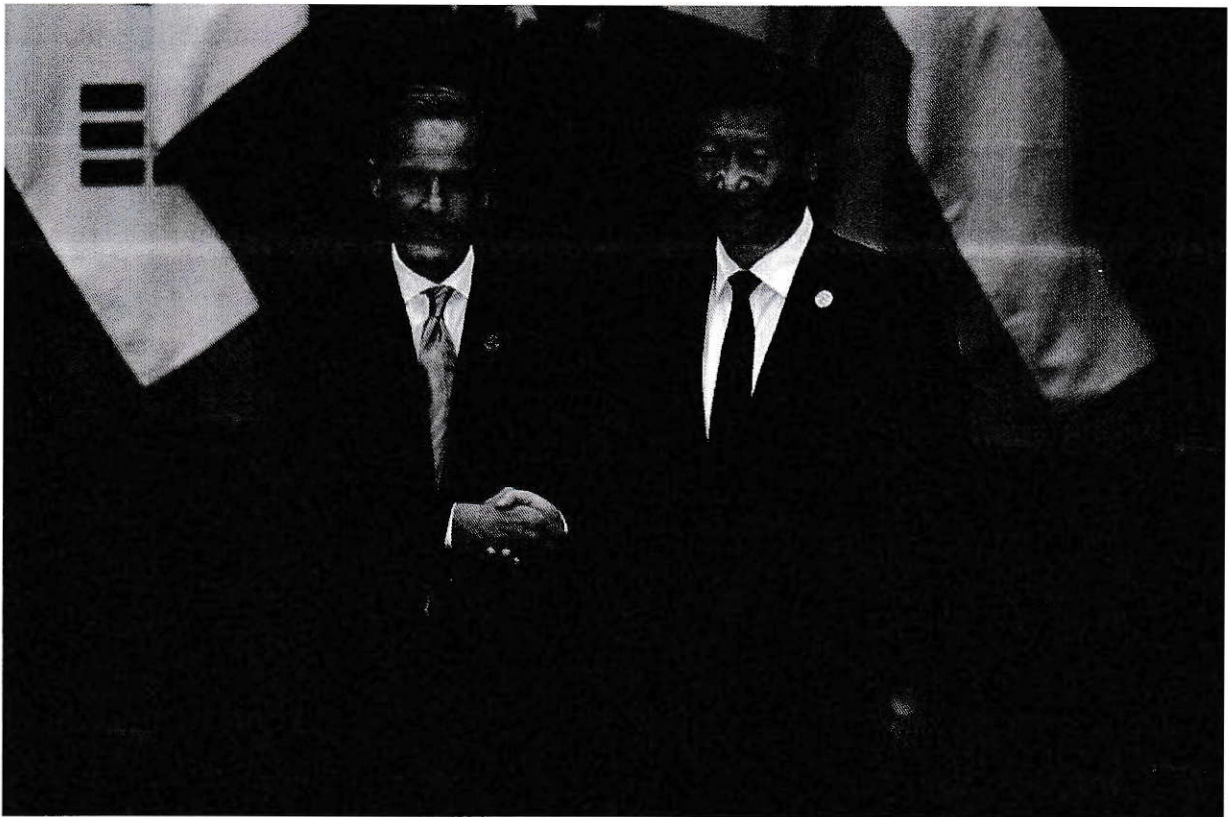
Last week Mark Carney, the Governor of the Bank of England and Chairman of the Financial Stability Board, made a speech in Berlin in which he linked allocating capital to green technologies with the prospects for an environmentally sustainable recovery in global growth. He said that one option for driving green investment would be to boost the small but growing market for green bonds.



Source: Luxembourg Stock Exchange

Green bonds listed on LuxSE Source:  
Luxembourg Stock Exchange





The Bank of England's governor Mark Carney, left, shakes hands with Chinese President Xi Jinping. AP  
Photo/Ng Han Guan

At LGX, there is an unprecedented requirement for these green securities - a commitment from the issuer to provide both independent external review and ex-post reporting. "Ex-post reporting is far from being the market standard. The decision to introduce it as an entry requirement stems from our ambition to be able to guarantee that securities on LGX are genuinely green. Such reassurance is what investors seek as they increasingly expect issuers to be crystal clear about the use of proceeds. We are making impact reporting mandatory" says Mr Scharfe.

Access to LGX is banned for securities on an excluded categories list which includes nuclear power production, trade in CITES, animal testing for cosmetics and other non-medical products, medical testing on endangered species and fossil fuels.

Last year was another record year for new labelled green bonds, with over \$42 billion issued across the globe. CBI estimates that in 2016, green bonds issuance will reach \$100 billion. But this is an almost invisible fraction of overall capital market funding. With this launch LuxSE aims to become the main center for sustainable finance in Europe.

Its CEO jokes that LGX is offering "the full green monty." "Behind our green door you will find different shades of green but all the information you need to make an investment decision," he says.

*I'm a long-time journalist who never did like to specialize, as I have too many areas of interest in a fast-changing world. I am an independent writer/editor/consultant, an ex-Financial Times journalist and I have been a regular contributor to the FT in recent years. I now w... MORE*