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"It Might Not Be That Hard Being Green in the Muni Market" -- (or "Some Things Old, Some Things New, Some Things Borrowed and Some Things Green")

The topic of green bonds often inspires confusion or uncertainty. But for many issuers, green bonds can be viewed as a useful way of framing certain financings of similar kind to others previously undertaken in a manner useful for both issuers and investors without undertaking drastic shifts in burdens or risks.

Investopedia.com provides the following useful (though not comprehensive) definition:

> "A green bond is a type of fixed-income instrument that is specifically earmarked to raise money for climate and environmental projects. These bonds are typically asset-linked and backed by the issuing entity's balance sheet, so they usually carry the same credit rating as their issuers' other debt obligations."

Comparing a proposed green bond against a traditional bond, the biggest differences are the "what" and "why" (and perhaps to a lesser extent the "where") questions that speak to the project purpose and its components. The "how" question, regarding security and sources of bond repayment, is most likely unchanged between green bonds and an issuer's other bonds. The "who" question shows a divergence insofar as green projects are oriented for investors focused on the potential for environmentally friendly outcomes. The issuer's team will resemble a typical bond financing with a few possible exceptions. In some instances, an issuer may seek to obtain certain certifications for the project or be able to disclose how the project may fit certain green bond standards which have been articulated by certain standard-setters (e.g., International Capital Markets Association green bond principles). The "when" question centers on post-issuance disclosures about project development and outcomes.

Projects similar to those an issuer has frequently financed might be suitable for green bonds. The Commonwealth of Massachusetts, for example, has issued green general obligation bonds for projects involving (i) clean water and drinking water, (ii) energy efficiency and conservation in state buildings, (iii) open space protection and environmental remediation, and (iv) river revitalization and preservation and habitat restoration. Other types of projects may fit the green label and be within a number of areas (including certain ones identified by the United Kingdom based Climate Bonds Initiative), such as alternative/sustainable energy, pollution control, waste management, nature-based assets including land use, agriculture and forestry, and transport.

There are four key components related to undertaking a green project and fashioning related primary and subsequent disclosures for investors: (i) the broader categories of projects for which the green bonds will be issued, (ii) the framework for evaluating and selecting specific projects, (iii) proceeds expenditure management, and (iv) post-issuance reporting to investors.

Green bonds are primarily a way to frame, articulate, and provide information for investors about projects serving a certain purpose. While a green bond financing (like any other) must comply with applicable state, securities, and tax laws, those laws do not dictate a green bond offering (with certain exceptions). The basic concept of consumer labeling for investors might also be analogized to other areas of social and policy concerns, such as closing digital access gaps; alleviating poverty; and developing historically disadvantaged, underserved, or structurally depressed communities.

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