

Local Climate Bonds

Financial Participation of Citizens – Practical Examples



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SteuerBoard
Energie

Help make
Warrington the
UK's first carbon
neutral town



WARRINGTON
Borough Council

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Green Finance Institute

Search for projects, news and insights...

Local Climate Bonds: A proven and community-shaped solution

Green Finance Institute / Programmes / Coalition for the Energy Efficiency of Buildings (CEEb) / Local Climate Bonds / Local Climate Bonds: A proven and community-shaped solution

A year ago, the Green Finance Institute and Abundance Investment partnered to launch a national campaign to drive awareness and use of Local Climate Bonds (LCBs), a type of Community Municipal Investment (CMI) that uses a crowdfunding model to raise funding for place-based green projects.

**LOCAL
CLIMATE
BOND
CAMPAIGN**



The Research Puzzle (c.2014)

Why do we keep giving money to banks?



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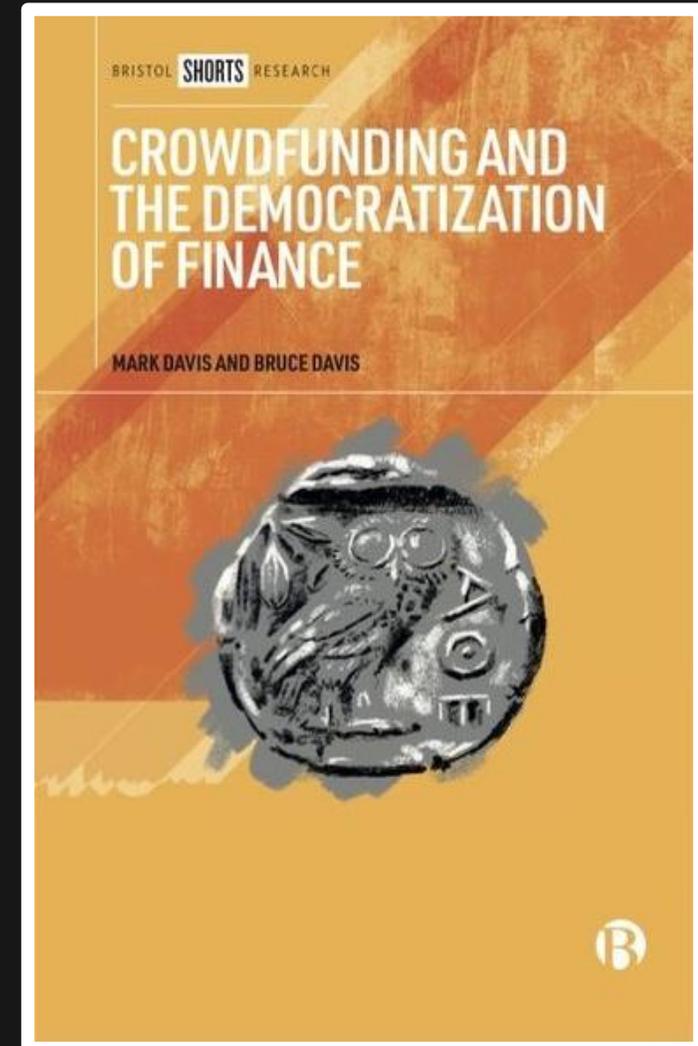
Since GFC 2007/8, we have been told “there is no alternative” (TINA) to capitalism and the rapid financialization of everyday life.

But... did banks go back to ‘business as usual’ after GFC because we did too? Why did we continue to give them our money?

We are familiar with the idea of “ethical consumption”. But this is still an injunction to shop! We need to give more thought to **how we spend, borrow, save, invest.**

Money – in a pension or an investment plan – is **21 times** more effective than consumer spending when it comes to tackling the climate emergency (*Make My Money Matter*, 2021)

“In short, democratizing finance ... could simultaneously weaken the power of entrenched elites while moving society toward an economy that is subordinated to democratic political initiatives.” (Block 2014: 4)



The Research #1

Hanging Out with UK Crowdfunding Platforms



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£50BN Industry

Platforms see FinTech as matching the £53BN lent by high-street banks to SMEs in 2015 within 3 to 5 years.

"I don't think it's unreasonable to think it'll soon be equivalent to about the size of the building society industry."

"... the whole industry needs to scale up, otherwise it won't survive."



Take Back Control

Based upon principles of transparency, fairness, and accountability, the sector seems to want to give the power of money back to individuals and society.

"Investments that build a better world"
(Abundance)

"Make money do good" (Ethex)



Democratic Finance

Beyond financial inclusion, truly democratic finance would need to transform the ownership and influence of the public over their money and investments.

"Democratising finance? It can't be done without financial education. You can't just hope people make better decisions, if you empower them to make those decisions."



'Self-Policed' Sector

Platforms very aware of the risk of reputational damage to the sector resulting from significant business failure and/or notable public scandal.

"... the FCA doesn't worry about it so much, because they consider the people doing it are generally more high-net worth anyway – which means they don't have to worry so much about the poor granny in Stockport who puts all her life savings into some dodgy scheme!"

The Research #2

Understanding the Investors



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Who were they?
52 interviews

Part of a larger on-going project, some impressions across six FinTech markets

Equity-based Crowdfunding
Peer to Business (P2B)
Peer to Consumer (P2C)
Real Estate Lending
Real Estate Equity Investment



Pocket Money
5-10%?

Some investors that I interviewed allocated only a relatively small proportion of their overall portfolio to FinTech.

It was money they were “prepared to lose”.

Rate of Return
4-7%?

Nearly all of the investors I spoke with cited a better ROI as the principal motivation for moving their money into FinTech.

Many wanted to “hurt the banks” after 2007/8.



Time is Money
15 sec/min?

Investors seemed to vary greatly in the time they spent making investment decisions.

Some took as little as 15 seconds! “Tick, tick, tick.”

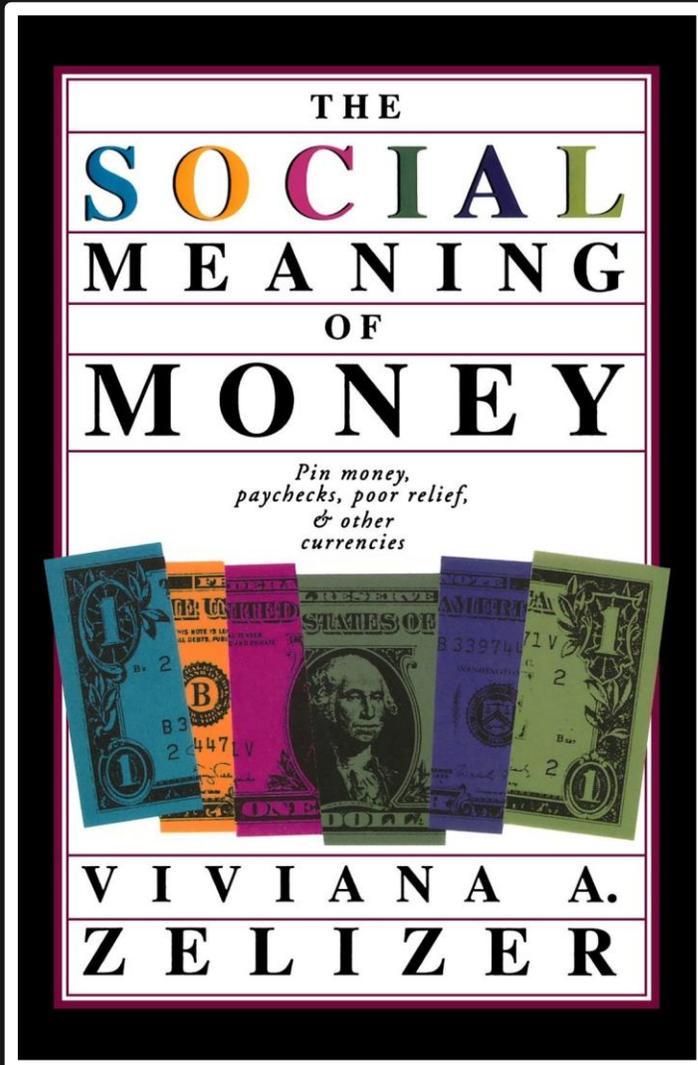


Theory: The Inspiration

Money, TINA and the Value of 'Relational Work'



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Gift, Payment, Entitlement: How money arrives into a household changes the values attached to it

Earmarking: The values attached to money changes how it is allocated within the household – i.e. food, bills, holiday, clothes, entertainment, savings, investments

Boundary Marking: How money is earmarked reflects the negotiation of relationships within a household, drawing boundaries around who money is allocated to and for what – e.g. women in charge of weekly shopping, children's clothes

Relational Work: Negotiating money in households involves a constant and complex social process known as 'relational work'...



Viviana Zelizer

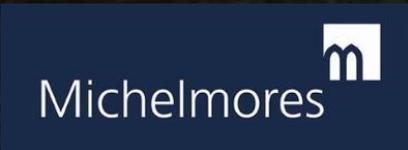
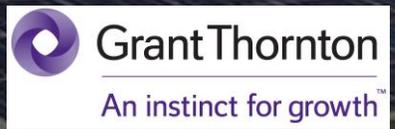
Co-creating Local Climate Bonds

Building partnerships to finance community energy projects



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a.
abundance.



What are Local Climate Bonds?

Mainstreaming the Financial Participation of Citizens



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- **Long-term** (+5 year) investments with a fixed repayment.
- **Issued by local governments** via a regulated crowdfunding platform (**Abundance**)
- Investments are **tied to specific net zero projects** (e.g. solar, EV charge points, retrofit).
- Cost of capital to councils is **competitive with Public Works Loan Board (PWLB)** and can be blended for larger capital projects.
- **Citizen investors take local government risk**, not project risk.
- Today, investors can expect to receive a **4.2%-4.8% return**.
- **Minimum investment of £5** aims to be socially inclusive.



Local Climate Bonds

And the Just Transition Principles



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Empowering those Affected by Change

- Highly accessible for ordinary savers (£5 minimum)
- A new platform to engage residents on Climate Emergency
- More communication with residents increases trust

Mobilizing 'Place-Based' Investment

- Enables local capital to fund local infrastructure
- Improves the local economy and environment

Mitigate Social Risks for Most Vulnerable

- Encourage new donation-based income streams for wealthy residents to gift interest back
- Helps to fund local authority projects for non-front line services, e.g. protects projects to support vulnerable

The Just Transition Mechanism:
Making Sure No One
Is Left Behind

The European
Green Deal

Impact of Local Climate Bonds

Demonstrating success



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West Berkshire Council

- ❑ South of England
 - ❑ Rural / Countryside
 - ❑ Relatively wealthy area
 - ❑ Centre-Right politics – council led by UK Conservatives
 - ❑ Low attachment to place / levels of civic pride
-
- Raised £1 million by offering the UK's first Local Climate Bond
 - **640 investors**, with 22% of funds raised by local residents
 - Average investment of £3,500.00



Impact of Local Climate Bonds

Demonstrating success



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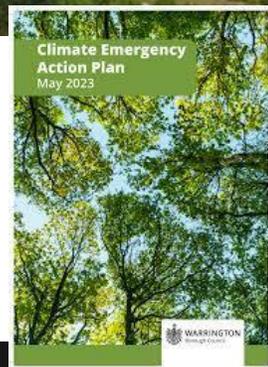
Warrington Borough Council

- ❑ North of England
- ❑ Urban / Town
- ❑ Relatively poorer area
- ❑ Centre-Left politics – council led by UK Labour Party
- ❑ Very High attachment to place / levels of civic pride

- Raised £1 million by offering the UK's second LCB
- **500 investors**, with average investment of £2,000.00



WARRINGTON
Borough Council



Campaign for Local Climate Bonds

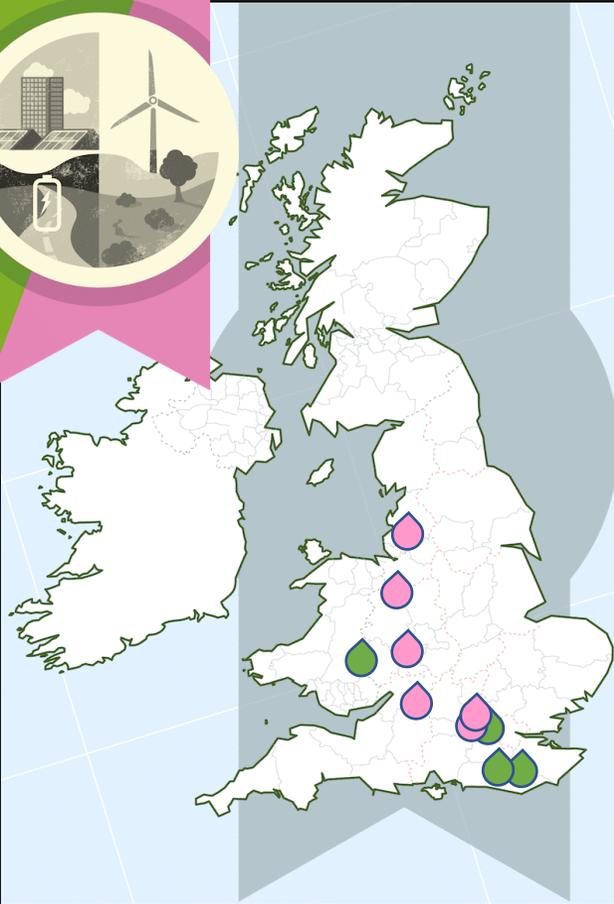
Promoting the Financial Participation of Citizens



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LOCAL
CLIMATE
BOND
CAMPAIGN



Total raise so far:
£7.6 million



City of Westminster



Camden



Lewisham



COTSWOLD
DISTRICT COUNCIL



Cyngor Bwrdeisdref Sirol
Blaenau Gwent

County Borough Council



Telford & Wrekin
COUNCIL



Glasgow
CITY COUNCIL



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