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Treasurer Chiang Presents Green Bond Vision to Environmental Finance Gathering in New York

Promises California will lead with green bonds to build a future of clean, green infrastructure

NEW YORK, NY – Earlier today, California State Treasurer John Chiang delivered the following remarks to the online news service *Environmental Finance*'s 'Green Bonds Americas 2018' event in New York City. Chiang spoke before an audience of more than 250 issuers and investors about how green bonds can ensure sustainable growth and finance California's infrastructure needs.



The following is text of a speech delivered by Treasurer Chiang's speech to Green Bonds Americas 2019:

Thank you, Peter, for your kind introduction and for the opportunity to stand in this room, in front of so many of you, and discuss these important issues.

Let me start by saying the Brooklyn Bridge is not for sale.

But, last week, while standing in the shadow of California's Golden Gate Bridge, I thought about when the history of that engineering marvel, and how it actually once was for sale.

For a time, it appeared nobody would buy it.

The Golden Gate was, in fact, financed by \$35 million in bonds — in 1930's dollars.

But those bonds sat unpurchased for several years because, as we all know, 1930 came just one year after the 1929 crash of the stock market and the start of the Great Depression.

Then, in 1932, an institutional investor stepped forward and bought all the bonds. Every one of them!

This one investor had a vision that endures to this day. He recognized the need to put men back to work during the darkest days of the Great Depression...the need to connect the San Francisco ...and the changes that this new bridge would herald — not only as the longest and tallest suspension bridge in the world at the time but as a bridge to the changing world.

Our Golden Gate Bridge is a global icon — showing what is possible when our infrastructure, financing, and public needs join together to build a better future.

I see this same bold vision here in this room today. We are the ones who see the future. And the future is green!

That's why — only a few weeks ago — I signed the Green Bond Pledge, and made California the first state in the nation to pledge to use green financing to combat climate change.

I was pledging that, as the fifth largest economy in the world, California will lead the way and help finance as much new clean infrastructure as we possibly can.

My signature on that document concluded a two-year process that began with a five-city, national listening tour, where we met with market experts and investors to identify barriers and challenges to growing the green finance market.

This led to my partnering with the Milken Institute and Environmental Finance, the host of today's event. We gathered the best minds in the green bond marketplace to develop actionable strategies to stimulate a more robust green market in the United States and elsewhere.

We are focused now on executing those strategies.

At the same time that I signed the Green Bond Pledge, I also released a report that chronicled the strategies and solutions that will grow the U.S. green bond market.

We used California municipal markets as a case study, but the ideas in my report are meant to be transferable worldwide. Our earnest hope is that leaders throughout the world will be inspired by our work and adapt these strategies in their own communities.

First, we proposed a new program to provide transaction support and potential pricing incentives to make it easier for issuers to structure a green bond. Such a program would also aggregate information to help investors measure the impact of any given bond.

I call this a “Responsible Issuer” program. It is designed to help issuers with such best practices as how to assure green projects are green, and how to ensure disclosures are easy and accurate. We hope — with the proper funding and legislative authority — that this program will utilize existing online platforms to aggregate and publish deal data for issuers and investors alike.

Think of it as a one-stop shop for issuers and investors looking to participate in California’s green municipal bond market.

We also talk about enabling smaller, less frequent borrowers to compete with their larger counterparts.

This enhancement would enable smaller municipalities and agencies to take on debt with environmental benefits and a lower cost of capital.

And part of this even includes aggregating bonds. Many green bond issues are too small to attract institutional investors — especially international investors. However, if we could group these small green bonds into one larger offering, a broader range of investors will be interested.

For example, counties that sprawl through California’s agriculture-rich Central Valley could form a ‘Green District’ and combine bond issuances from water districts and local municipalities into one larger bond issuance to meet the region’s environmental needs.

The next step forward is for California Governor Jerry Brown and me to establish a working group to develop and implement a green bonds strategy that will fulfill the commitment we made in the Green Bond Pledge. My office — the office of the California State Treasurer — has already been involved in California state agencies issuing over two billion dollars in green bonds. And that’s just the start!

We will make sure our infrastructure projects take into account climate change, are both climate adaptive and climate resilient, and include positive climate attributes. It’s time for our major infrastructure projects to align with climate realities. And, we’ll be sure our climate goals and financing strategies align by issuing infrastructure bonds as green bonds, wherever feasible.

California is recognized as a world-wide leader.

We have the fifth largest economy in the world.

We have Hollywood, the music industry, Silicon Valley, Napa Valley, and internationally, California is a major political leader.

While many of our laws may cause an initial uproar in other localities when we pass them, over time those same localities wind up following our lead — the same will be true for the global green bond market as we turbocharge ours.

Currently, the State of California has \$85 billion worth of outstanding bond debt. And there's another \$33 billion that has been authorized, but has not yet been issued. Add to that an additional \$15 billion that awaits voter approval on this November's ballot.

If you combine all of those, we get \$133 billion. That's a lot of money, but is still only a fraction of what California needs over the next 10 years.

Here in California, estimates of our infrastructure needs fall somewhere between \$400 and \$800 billion over the next decade. This is the result of decades of gross underinvestment by the State of California in its critical infrastructure needs.

As a matter of fact, the last great builder in California was former Governor Pat Brown, who took on the monumental infrastructure projects that enabled California to become the power player on the world stage that it is today.

He built our higher education system, which is now the envy of the world.

He took on the task of building colossal bridges and freeways that support millions of cars and trucks, promoting commerce and trade.

He invested in the hundreds of miles of aqueduct that today delivers 4.2 million acre-feet of water per year to 27 million people throughout California and also irrigates 750,000 acres of farmland in the center of our state, a region widely recognized as our national "bread basket."

When Governor Jerry Brown's father exited public office more than 50 years ago, our population was just 19 million. Today, with a population nearing 40 million, we've more than doubled in size.

And we have woefully fallen behind in maintaining and updating this infrastructure we inherited from our parents.

Millions in California today are experiencing a lack of access to clean, reliable drinking water.

A massive number of California's bridges are rated structurally deficient and pose a danger to millions.

Nearly 700 dams are considered to have high hazard potential — putting thousands of communities at risk.

How can we continue to thrive in the 21st century with 20th century infrastructure?

Obviously, we cannot.

So I say, we have got to build!

And if we're going to build, let's build it green.

Let's build to protect ourselves from rising sea levels.

Let's build to protect ourselves from extreme weather.

Let's build to protect ourselves from horrific wildfires that ravage our state each year. Green bonds have the awesome potential to open doors and unlocks billions in new capital, so they are more important today than the bonds that built the Golden Gate Bridge more than 80 years ago.

Let's think more expansively once again; like we did 80 years ago.

Only instead of building a bridge from one end of a bay to another, let's build a bridge to future that draws on the green financing power of the markets and investors like yourselves — to help every man, woman, and child cross over to a greener, healthier, and more sustainable future.

Thank you.

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