Financing the Response to Climate Change: The Pricing and Ownership of U.S. Green Bonds

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We study green bonds, which are bonds whose proceeds are used for environmentally sensitive purposes. After an overview of the U.S. corporate and municipal green bonds markets, we study pricing and ownership patterns using a simple framework that incorporates assets with nonpecuniary utility. As predicted, we find that green municipal bonds are issued at a premium to otherwise similar ordinary bonds. We also confirm that green bonds, particularly small or essentially riskless ones, are more closely held than ordinary bonds. These pricing and ownership effects are strongest for bonds that are externally certified as green.

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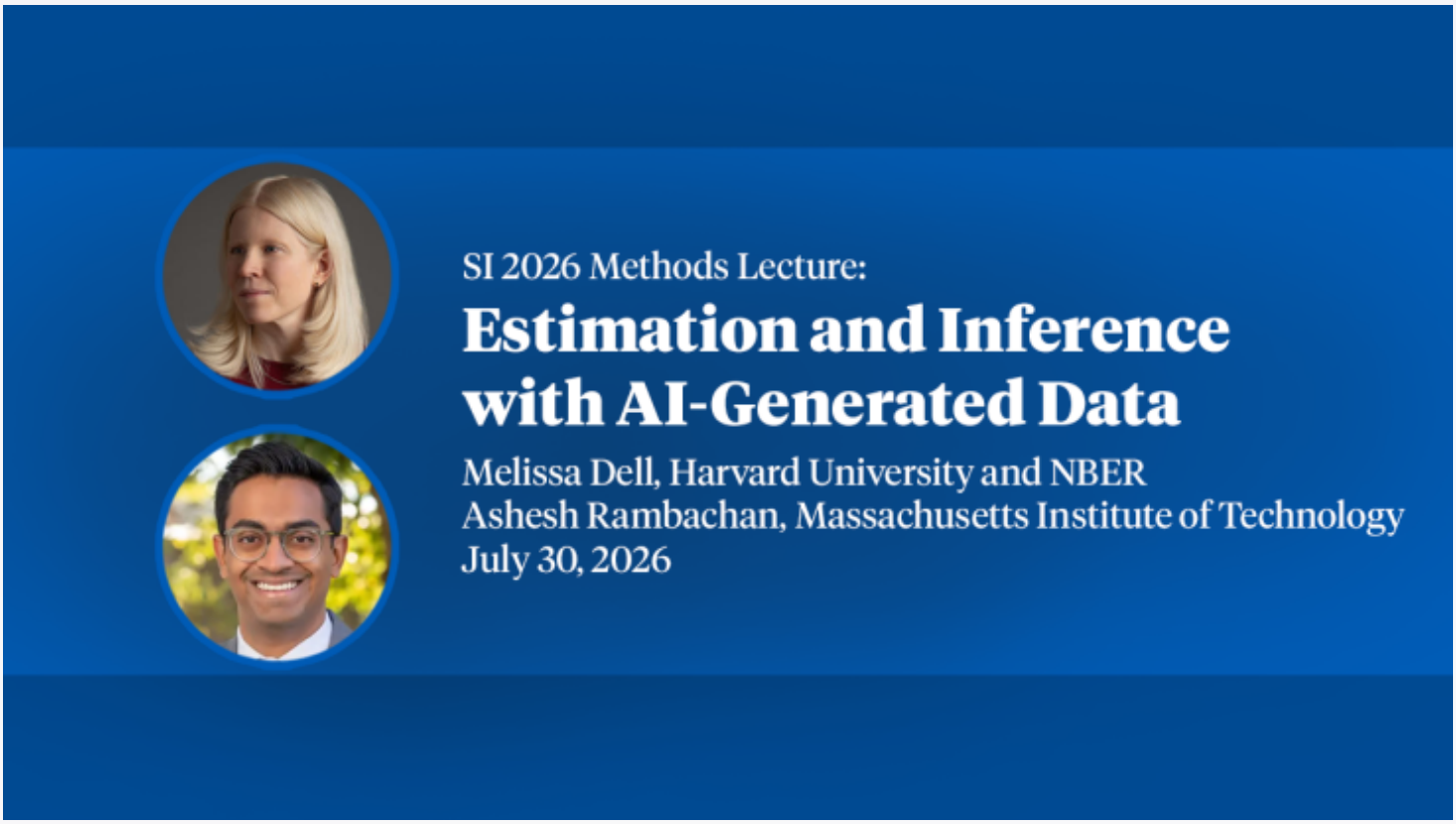


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