

IJGlobal ESG Award, Environment – Hannon Armstrong

Angus Leslie Melville

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Hannon Armstrong is the winner of the IJGlobal ESG Award in the Environmental category for the role it plays as the first US public company solely dedicated to investments in climate solutions.

As Hannon Armstrong states in its submission: “Our core purpose is to make climate positive investments with superior risk-adjusted returns.”

And the ESG judges were keen to reward the role it has played, pointing out that it was “good to see a US firm leading the way with investments and fund raisings” and another adding that “Hannon Armstrong has been a pioneer in the US market in financing climate solutions”.

During the judging session, one judge said: “As a US public company, Hannon Armstrong is setting a high bar on its delivery on climate solutions. They have achieved notable ‘firsts’ in a number of areas and are driving improved transparency across the market and commitment to reporting.”

Judges were keen to support its progress pointing to “key features that are unique” and “dedication to climate solutions” as well as “lots of innovation noted – Carbon Count, for example – and green bonds, combined with its entire strategy and rationale for existence being ESG investments”.

Hannon Armstrong invests in climate solutions developed by leading companies in energy efficiency, renewable energy, and other sustainable infrastructure markets.

The company's goal is to generate attractive returns from a diversified portfolio of projects with long-term, predictable cash flows from proven technologies that reduce carbon emissions or increase resilience to climate change.

2020 – banner year for Hannon Armstrong

Over the course of 2020, Hannon Armstrong completed around \$1.9 billion of transactions, held some \$2.9 billion of transactions on its balance sheet, and managed about \$7.2 billion of assets – all the while ensuring its investments made positive returns to the environment.

According to the submission: “These environmental returns helped avoid 5.2 million metric tons of CO₂ – the equivalent to eliminating emissions from nearly 600,000 average US homes a year and saved 4 billion gallons of water, the equivalent to eliminating the annual water consumption in 80,000 US homes a year.”

Taking advantage of its robust access to capital markets, Hannon Armstrong issued three corporate green bond transactions and cumulatively raised more than \$1.1 billion of green bond debt and equity in 2020.

In April 2020, it issued a \$400 million 6% coupon corporate unsecured bond at the height of Covid-19 market volatility when access to capital was scarce. In doing so, Hannon Armstrong was able to use liquidity to continue to fund climate positive projects without delaying critical development timelines.

In August 2020, Hannon Armstrong issued a \$144 million 0% coupon convertible bond – a noteworthy accomplishment considering there have only been 14 such issuers since 2010, and second only to Microsoft as a dividend paying zero coupon issuer.

Prior to Hannon Armstrong's offering, the issuers of zero-coupon convertible bonds were technology, healthcare or consumer discretionary companies.

The company's success in pricing a zero-coupon convertible, despite being a dividend payer, is testament to the growing appreciation of capital markets to its mission of investing on the right side of climate change and its ability to sustainably grow its diverse portfolio of clean energy investments.

To this end, in 2020 Hannon Armstrong joined the Partnership for Carbon Accounting Financials (PCAF), a global industry-led partnership to facilitate a consistent and transparent approach to assess and disclose greenhouse gas (GHG) emissions associated with loans and investments in the financial services industry.

Hannon Armstrong continued to make highly impactful investments in a diverse array of clean energy portfolios and scored each for its effectiveness in reducing carbon emissions throughout the last financial year.

Each investment is evaluated based on its “CarbonCount”, a proprietary scoring tool for evaluating investments in US-based renewable energy, energy efficiency, and climate resilience projects to determine the efficiency by which each dollar of invested capital reduces annual carbon dioxide equivalent (CO₂e) emissions.

This first-of-its-kind methodology promotes transparency in project finance by creating a simple and comparable metric for infrastructure projects to be evaluated by the degree to which capital investment is mitigating climate change.

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