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Structural and specific barriers to the development of a green bond market in Brazil

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Barries to the development of a green bond market in Brazil

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Barriers according to the literature review:

Specific barriers to the development of low-carbon sectors

RP6. Higher up-front costs
RP7. Perception of higher risks
RP8. Green bond issuance requirements
RP9. Underwriter´s lack of incentive to structure a green bond

Structural barriers to the development of capital and credit markets (affect financial flows to low-carbon sectors as well)

RP1. Unstable macro-environment
RP2. Deficiencies in the legal and judicial systems
RP3. Unstable political environment
RP4. Conservative investment culture
RP5. Crowding-out due to subsided credit

Method

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This research adopts a qualitative approach, based on primary data obtained through in depth, semi-structured interviews aiming to investigate the barriers to the development of a green bond market in Brazil.

These organisations were selected for representing investors known by the authors to be involved in low-carbon investments or for their role in fostering the increase of low carbon investments in the country.

Table 1. Categories of interviewees.

Interviewee	Type of organisation	Organisation representatives participating in the interview	Role(s) of representative(s)
1	Asset manager	3	Head, specialist and portfolio manager
2	Asset manager	1	Head
3	Asset manager	1	ESG analyst
4	Investor association	1	Sustainability board members
5	Investor association	1	Coordinator
6	Organisation that promotes responsible investment	1	Head
7	Organisation that promotes responsible investment	2	Consultants
8	Organisations that promote responsible investment	1	Head
9	Government	1	Coordinator

Discussions

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	Barriers according to the literature review:	Barriers according to the interviews:
Specific barriers to the development of low-carbon sectors	RP6. Higher up-front costs RP7. Perception of higher risks RP8. Green bond issuance requirements RP9. Underwriter´s lack of incentive to structure a green bond	~~RP6. Higher up-front costs~~ RP7. Perception of higher risks ~~RP8. Green bond issuance requirements~~ ~~RP9. Underwriter´s lack of incentive to structure a green bond~~ **New:** Lack of supply and demand for green bonds **New:** Low financial attractiveness
Structural barriers to the development of capital and credit markets (affect financial flows to low-carbon sectors as well)	RP1. Unstable macro-environment RP2. Deficiencies in the legal and judicial systems RP3. Unstable political environment RP4. Conservative investment culture RP5. Crowding-out due to subsided credit	RP1. Unstable macro-environment RP2. Deficiencies in the legal and judicial systems RP3. Unstable political environment RP4. Conservative investment culture RP5. Crowding-out due to subsided credit

Figure 1. Barriers to the development of a green bond market in Brazil.

Thank you!

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