

Technology

Nuclear Energy Generator Splits ESG Buyers With Green Bond Sale

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November 18, 2021, 10:38 AM EST

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A Canadian utility is selling green bonds to help fund an overhaul of nuclear reactors, a rare use of proceeds that will challenge sustainable debt investors. *Photographer: Thierry Monasse/Bloomberg*

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Bruce Power LP announced a C\$500 million (\$395.6 million) bond sale on Thursday after holding meetings this week to discuss its green financing framework, according to people familiar with the matter.

Canada's only private-sector nuclear generator has an agreement with the Province of Ontario to refurbish six of its eight power units. That's expected to cost several billion dollars, some of which would come from green financing over the next decade, according to the framework.

Including nuclear power among green investments is controversial due to concerns about waste disposal, the potential for weapons proliferation as well as the potentially devastating consequences of accidental radiation. The European Union, which has been leading the path on green financing, is debating whether to include this in its green rulebook for investments, with at least four countries opposing it.

“This deal will definitely be an interesting one to watch as nuclear is the subject where we see ESG-focused investors most split,” said Ryan Vaughn, a portfolio manager at RP Investment Advisors LP in Toronto, referring to environmental, social and governance factors. “We view nuclear as a transition technology which poses higher ecological risks versus renewables but that has an important role to play in the global path to net-zero,” Vaughn said in an emailed response to questions before the bond sale was announced.

Net-Zero Targets

Bruce Power, which produces 30% of Ontario’s energy, is committed to reach net-zero emissions by 2027. CICERO Shades of Green Ltd., an external reviewer, says Bruce Power’s framework is “medium green,” the second-highest on a scale of five levels.

“I think everybody recognizes that to get to net zero, you’re going to need a range of technologies: you’re going to need renewables, you’re going to need storage, you’re going to need hydro but you’re also going to need nuclear,” James Scongack, chief development officer at Bruce Power said in a telephone interview on Wednesday.

The International Capital Market Association isn’t aware of any green bond ever used to finance nuclear power, a representative said in an emailed response to questions. Bruce Power’s potential green bonds would comply with the principles for such debt set by ICMA.

The company last sold bonds in April 2020 when it issued C\$600 million of 2030 securities, according to Bloomberg data. The 4% bonds trade at a spread of about 134 basis points over government bonds, according to Bloomberg bid prices, from as wide as 154 basis points in January.

A green bond would likely price at a slightly lower yield than existing debt, perhaps by a few basis points, Aaron Young, an associate portfolio manager at RPIA, said in an emailed response to questions.

– *With assistance by Greg Ritchie*