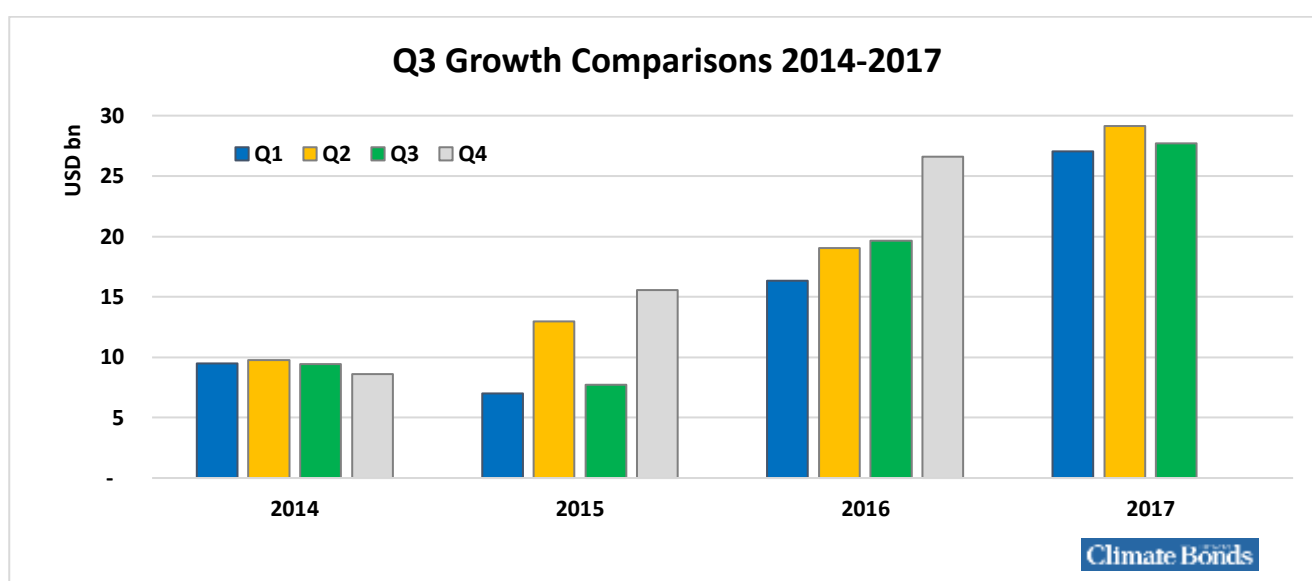


# Green Bonds Market Summary: Q3 2017

Climate Bonds Initiative: Update

## Q3 Headline Figures

- Issuance: **USD27.7bn** bringing the 2017 total to USD85.2bn<sup>1</sup>
- Second largest quarter of issuance ever
- 75 green bond deals from 65 issuers, with 52% being first-time issuers
- Green Bond transactions accounted for approximately 2.7% of global bond market transactions
- Top 5 largest issuers of Q3: Mexico City Airport (USD4bn), Engie (USD1.5bn), EIB (USD1.4bn), Asian Development Bank (USD1.25bn), TD Bank and Greenko equally placed (USD1bn each)



## Summary

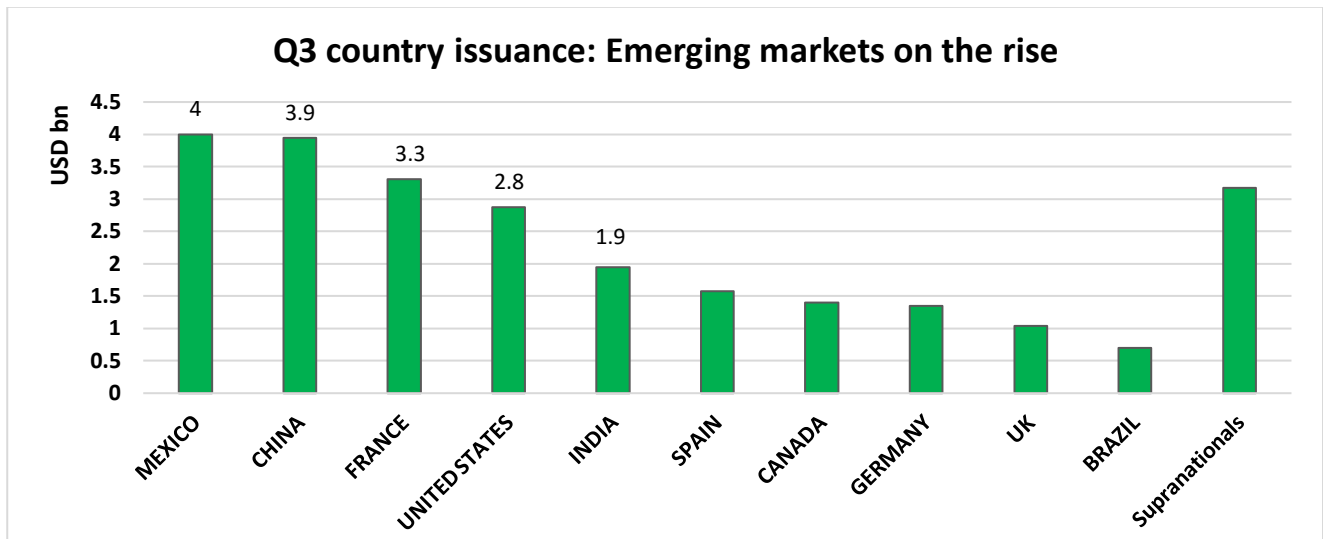
The green bond market has kept its strong pace in Q3 2017. On September 28<sup>th</sup>, the total amount of green bonds issued in 2017 ytd (USD83.2bn) overtook last year's total issuance of USD81.6bn.

<sup>1</sup> If our figures are a bit different to others, this is because our figures include: green bonds that meet CBI definitions only. Climate Bonds Initiative regular reporting only includes green bonds (not 'social' or 'sustainability' bonds) that fit inside our [Taxonomy](#) around what constitutes a green bond and where we've been able to find sufficient documentation to make a reasonable assessment. Our figures may not be the largest, but they're the greenest.

## Emerging markets dominate top 5 country table

On the country table, the top sources of issuance were Mexico (USD4bn), China (USD3.9bn), France (USD3.3bn), U.S. (USD2.8bn) and India (USD1.9bn).

Mexico was a surprising addition to the number one spot, after issuing no green bonds in Q1 or Q2 2017. Mexico City Airport Group issued USD4bn via two tranches in September 2017.



## Spotlight on Mexico

The domestic green bond market has been growing rapidly, supported by a wide range of stakeholders. In May, 57 Mexican institutional investors with USD214bn in AUM made a bold public statement to back green bonds in the Mexico Green Bonds Investor Statement<sup>2</sup>.

The Mexican Stock Exchange (Bolsa Mexicana de Valores - BMV) is also active in the green finance space, from their participation in a Climate Bonds Working Group to the creation of the Climate Finance Council and their dedicated green bond segment. The next step for Mexico is to diversify the issuer base – all USD4bn of Q3 issuance came from Mexico City Airport.

## Spotlight on India

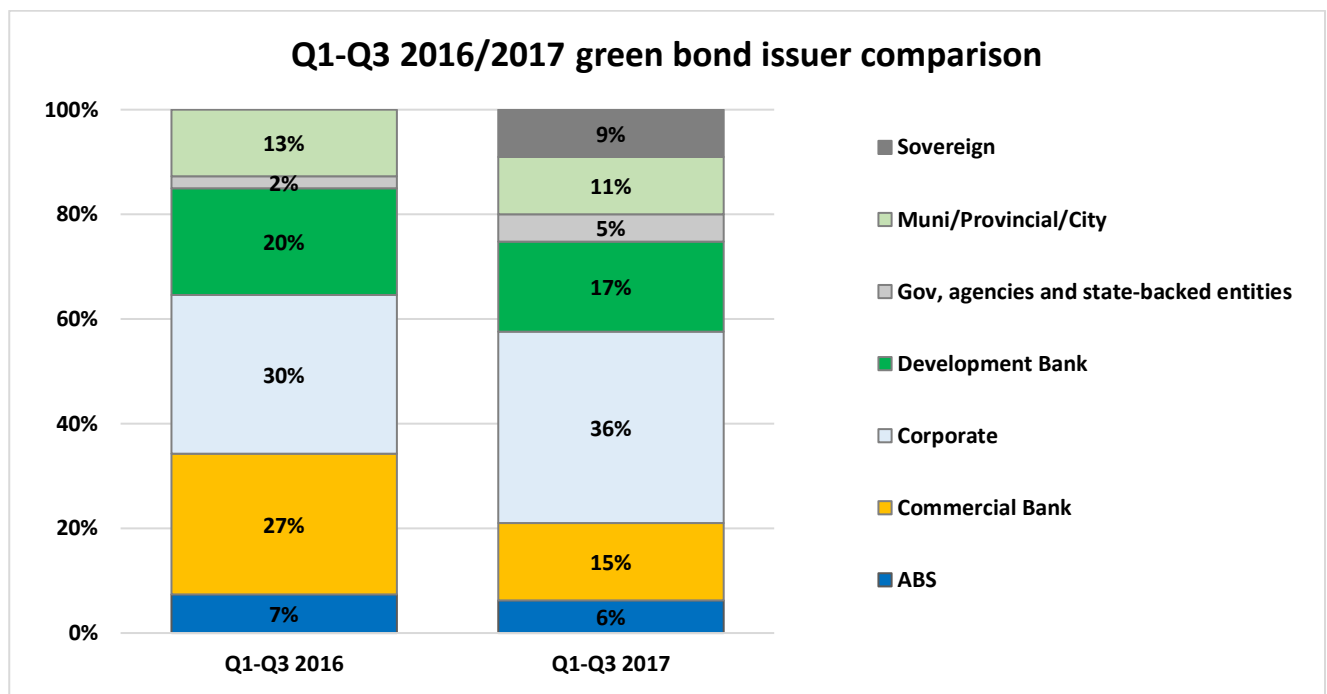
The Indian green bond market has been growing rapidly since the introduction of a draft Green Bond Guidelines by the Securities and Exchange Board of India (SEBI) last year. While slightly smaller than from Mexico in Q3, issuance from India is more diverse with three separate issuers coming to market this third quarter (seven in 2017 to date).

India is also becoming a leader in best practice with more than half of its green bonds (by value) obtaining the Climate Bonds Certification. There is also potential from Indian Railways and Mumbai Metro Rail Corporation Ltd. to issue debut green bonds.

<sup>2</sup> <https://www.climatebonds.net/2017/06/57-mexican-investors-usd-214bn-aum-back-green-bonds>

We hope to see this towards the end of the year, as well as talks about “blue bond” issuance (bonds which proceeds will go towards water infrastructure projects) coming to fruition into 2018.

Indian regulators are also working to develop green finance. In addition to SEBI’s final Green Bond Guidelines of May 2017, the Reserve Bank of India (RBI) has been recently working on a green finance framework to streamline the process of raising green debt. It also passed regulatory reforms looking to strengthen and expand the Indian corporate bond market. Key measures include the permission for banks to issue masala bonds. The latter are already a growing theme in the green bond market.



### New Issuances

Firsts from both Malaysia (Tadau Energy) and Lithuania (Lietuvos Energija) further expanded the geographic diversity of the market. 24% of new issuers were from China and 18% from the U.S.

The first Green Sukuk was issued by Tadau Energy (MYR250m - USD58.5m) at the end of July 2017. Another Malaysian solar company, Quantum Solar Park, followed in early October with its inaugural MYR1bn (USD236m) green SRI issuance, which is also the largest to date.

Sukuk are “tradable Islamic finance instruments”, consistent with the principles of Shari’ah and represent an ownership in underlying assets or earnings from those assets.

While sukuk are often described as Islamic bonds, there are also types of sukuk that have equity-type risk-sharing structures. Their closest equivalent is probably the “[YieldCo](#)”, with its fixed interest like return.

These financial instruments are important within Islamic finance and we hope to see the green part of this market flourish, supported by incentives including [tax deduction on issuance costs](#).

### **External reviews are increasing**

Only 4 out of the 33 new green bond issuers this quarter did not have any external review on their green bond framework (and 3 of the 4 were US municipalities). This is part of an emerging trend for issuers to seek external verification, contributing to the development of a more robust and transparent green bond market, on top of broadening investor base and increasing confidence on the greenness of the assets.

Repeat issuers are part of this trend - for example, Sumitomo Mitsui Banking Corp (SMBC) commissioned [Sustainalytics](#) to provide an opinion on their framework for their second issue, while their inaugural deal did not have any external review.

### **Bonds pending or not included**

USD7.5bn of labelled green bonds have not been included in our Q3 numbers. These are either because the proceeds will finance social or other wider projects or because they fit into three broad categories:

- 1) **Insufficient information available (<USD0.5bn)** to assess whether or not they are in line with the [Climate Bonds Taxonomy](#). This includes some bonds where proceeds are going to broad categories such as energy, but no further information is available to assess whether controversial projects such as clean coal or large hydro are included.

In some cases, issuers even had an external review but chose not to make it publicly available (e.g. [Meggle](#)). These bonds are pending inclusion until further information is available.

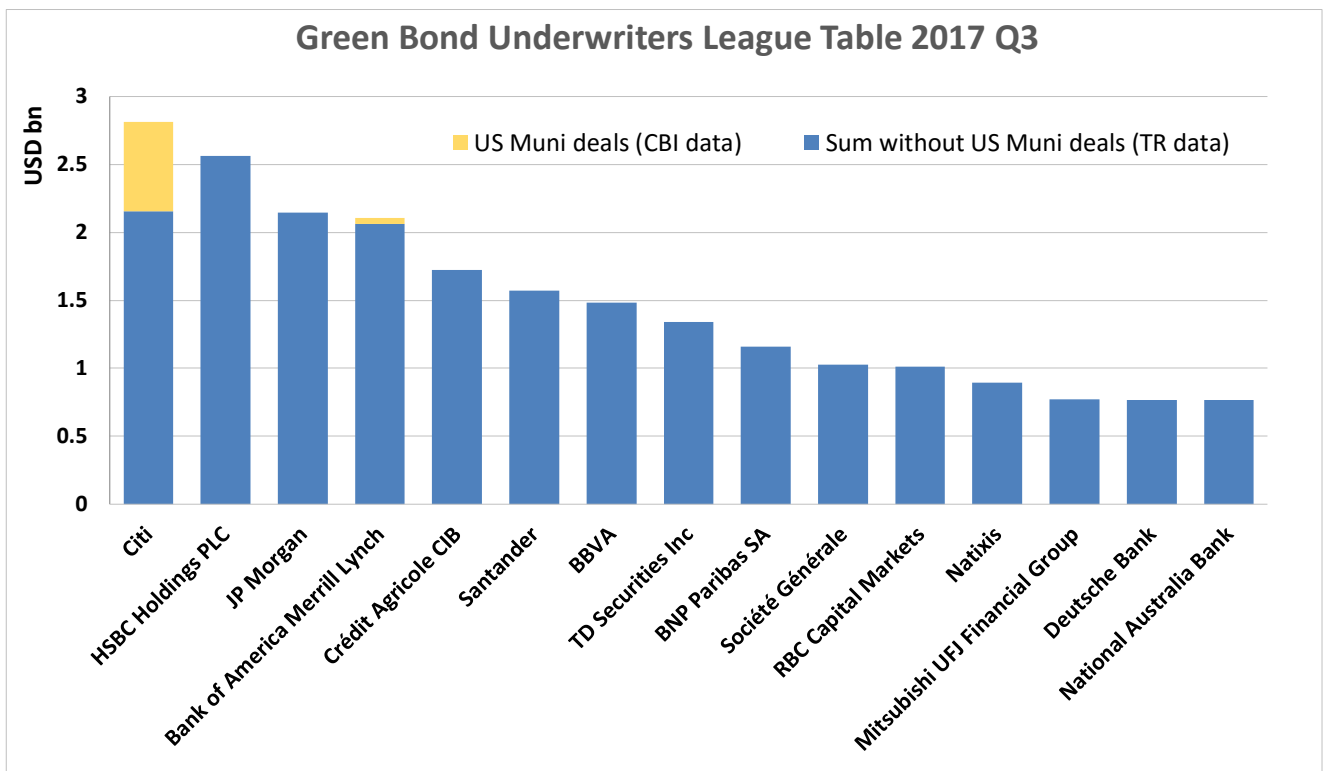
- 2) **Use of proceeds is not in line with the Climate Bonds Taxonomy (USD2.7bn)** usually because they include large-scale hydro or clean coal projects. All these bonds were issued by Chinese entities.

Although hydro and clean coal are currently permissible under the People’s Bank of China (PBoC) definition, we are expecting to see a stricter green bond catalogue in line with international definitions in the near future.

- 3) **Less than 100% of proceeds are allocated to green projects (USD2.4bn).** Bonds are excluded if less than 95% of proceeds are being used to finance green projects. This covers bonds issued under the Chinese regulator 'NDRC' whose Guidance allows issuers to use up to 50% of funds raised to repay bank loans or supplement their working capital.

### Q3 Underwriters League Table

The league table shows Citi, HSBC and JP Morgan taking top spots. The League table data is produced via a collaboration between Climate Bonds and Thomson Reuters. Information on Thomson Reuters methodology and data is set out at the conclusion of this report.



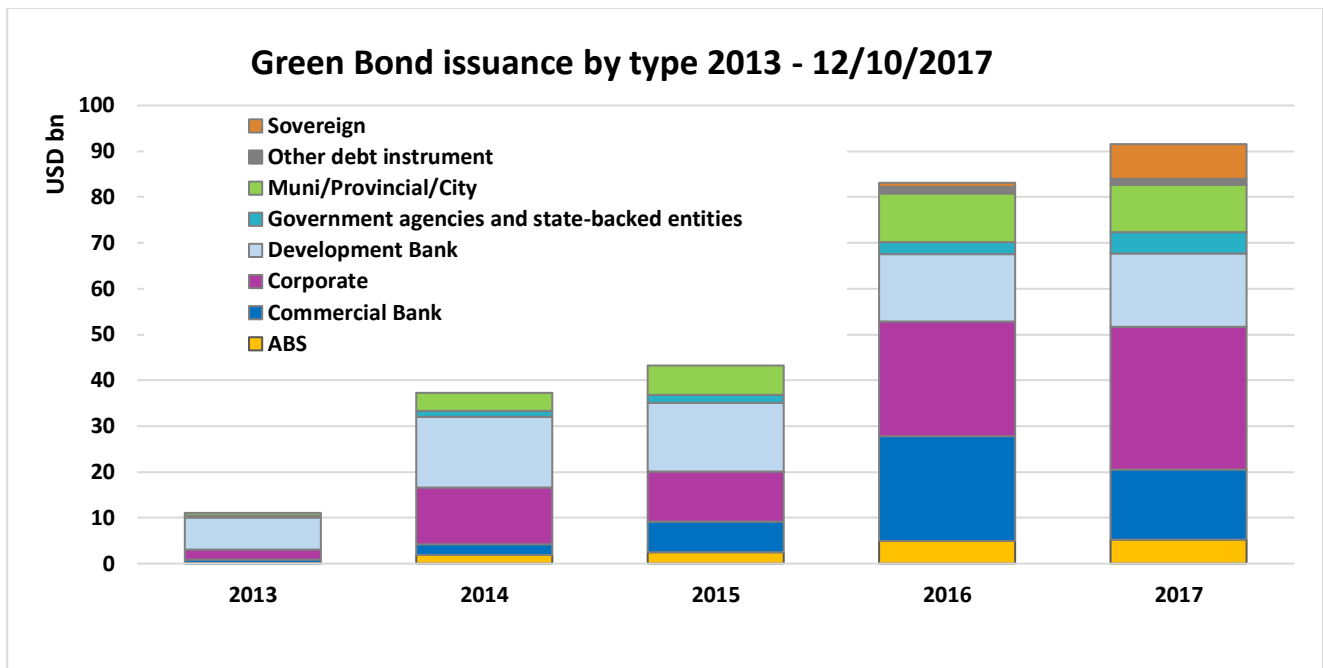
### Predictions for the remainder of 2017

At the time of publication (7<sup>th</sup> November 2017), total green bond issuance for 2017 was around USD95.7bn, edging towards the globally symbolic USD100bn mark which we hope will be reached during COP23.

But where will we land on the 31<sup>st</sup> of December? We're still optimistic for a late flourish and a record \$130bn for the year.

Watch this space; we'll post the 2017 Annual Green Bonds Market Update next quarter.

OK, ok one last chart 😊



## Note

### League tables: Methodology and data

Since Q3 2016, the underwriters league tables are collated using data from Thomson Reuters *except* for US municipal bonds which are calculated by the Climate Bonds Initiative. As such, ranking volumes differ from Thomson Reuters tables. Volumes may differ from other league tables as they *include* all ABS deals and US municipal bonds and *exclude* bonds which have less than 100% of proceeds going to environmental assets/projects or aren't within the [Climate Bonds Taxonomy](#). Note data includes:

- Primary Issuance only
- Underwritten transactions only
- Thomson Reuters data excludes tax exempt Muni bonds
- The global table includes transactions that mature at least 360 days after settlement, for international 18 months and above.
- Transactions that mature or are callable/puttable less than 360 days after settlement are excluded, for international 18 months and above.
- Self-funded straight debt transactions are excluded (excluding mortgage and asset securitizations) unless two or more managers/ underwriters unrelated to the issuer are present. The unrelated firm in a self-funded transaction with only two book runners in the syndicate will receive league table credit.
- Transactions with an issue size of less than USD 1 million (equivalent) are included, sole led MTN take owns with a minimum size of USD50m for core currencies are included, USD10m for non-core.
- Deals must be received within five business days of pricing to be eligible.
- For a transaction to be green league table eligible, deals must have 100% of proceeds formally earmarked for green projects.
- Issuances where there is a mixed use of proceeds designated across different projects, are not eligible for example, ESG bonds that combine both social and green projects.

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