**Media Release**

**Green Bond Label Helped Deals Over the Line in Volatile 2022**

*Every GSS+ Bond Label Exhibits Pricing Benefits with Green Bonds the Hottest of the Lot*

**London: 15/03/2023: 08:00 BST: *Leading green finance not-for-profit, Climate Bonds Initiative (Climate Bonds), today releases a ground-breaking report on the pricing benefits of green and other labelled bonds. According to the report, all bond labels, including green, social, and sustainability, sustainability-linked and transition bonds (GSS+) offer pricing benefits compared to vanilla equivalents. The analysis – sampling bonds priced in the choppy market period of H2 2022- also revealed green bonds have a strong following of investors which helped get deals done in difficult in a faltering fixed income landscape last year.***

From a sample of 72 green bonds with a combined face value of USD79bn priced between July and December 2022, Climate Bonds calculated green bond allocations to investors describing themselves as green or socially responsible reached a record 67%, on average. Multiple issuers reported this unique source of support helped get deals *over the line* in a period of high volatility where deals collapsed and stretches of days passed without new deals being priced. Auto manufacturers saw particularly strong support with allocations for Aldi, Renault, and VW reaching at least 80% of green investors, with issuers remarking the success of the deal was helped by the green label.

Climate Bonds has been surveying this data since 2017 on a semi-annual basis, and allocations have ranged from 45% in H2 2017, climbing to 67% in the most recent observation period, having been within two percentage points of that since H1 2021. This suggests that issuers can rely on this strong appetite from dedicated investors which has also undoubtedly contributed to the strong pricing dynamics we have consistently seen for green bonds over the past few years.

“Thematic bonds have issuers and investors head over heels for one another! Green and other labelled bonds carry huge demand, are regularly oversubscribed, and deliver results for issuers even as tough times cause fixed income to falter. As for investors, they’re throwing themselves at labelled bonds which offer transparent debt fit for the net-zero future,” said Sean Kidney, CEO, Climate Bonds Initiative.

“Amidst a crucial decade for climate action, the labelled bond market really is the goose that’s laid the golden egg. With USD5trillion of annual investment needed by 2025 to avert environmental catastrophe, labelled bonds provide the catalyst to get capital to climate causes,” Sean added.

The report also includes a primary market pricing study of over 500 EUR and USD denominated bonds priced between 01 July and 31 December 2022, the results of which indicate bonds bearing thematic labels price tighter to their respective yield curves compared to matched vanilla equivalents. While there was sparse evidence of any bonds pricing through their yield curves during this period, the analysis suggests that on average, bonds bearing thematic labels achieved better pricing than those that did not. Of all the labels, green bonds, the largest group in the sample, exhibited the largest benefits with an average spread of 48bps compared to matched vanilla equivalents.

*Read the [report](https://www.climatebonds.net/resources/reports/green-bond-pricing-primary-market-h2-2022) for a full breakdown green and other labelled bond of pricing dynamics*

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**Acknowledgements:** Green Bond Pricing in the Primary Market H2 2022 has been produced collaboration with Maria Gonzalez, a PhD candidate at the University of Texas, San Antonio (USTA)

**Notes for Journalists:**

**About the Climate Bonds Initiative:**The Climate Bonds Initiative is an investor-focused not-for-profit, promoting large-scale investment in the low-carbon economy. More information on our website [here](https://www.climatebonds.net/).

**Pricing series: Climate Bonds pricing reports commenced in 2016 and have regularly been produced since.** Previous reports can be found [here](https://www.climatebonds.net/resources/reports). The Green Bond Pricing in the Primary Market H2 2022 report, released today, is the 15th iteration of a leading series analysing the pricing dynamics of green bonds, examining how these instruments offer pricing advantages for issuers and investors. These pricing benefits are projected to continue, given regulatory changes and an increased emphasis on responsible investment.

**Methodology:** [This paper](https://www.climatebonds.net/resources/reports/green-bond-pricing-report-h1-2021) includes labelled green bonds issued during H2 2022. Labelled green bonds meeting the following specifications are included:

* Pricing date between 01 July 2022 and 31 December 2022
* Currency: EUR or USD
* Benchmark size i.e., >= USD475m
* Investment grade rated
* Minimum term to maturity of three years at issue
* Consistent with the Climate Bonds Taxonomy and included in the Climate Bonds Green Bond Database

Amortising, perpetual, floating-rate, and other non-vanilla structures were excluded. These parameters are designed to capture the most liquid portion of the market while not limiting the diversity of data. All historical data is based on asset swap spreads for EUR denominated bonds. USD bonds are compared to a US treasury curve. All historical data is from Refinitiv EIKON.

**Comparable baskets** include bonds issued in the same quarter as the subject green bond. Comparable bonds must fit the parameters described above except that they are not labelled, and the use of proceeds is not explicitly green. Baskets comprise the closest possible matches based on the following considerations in order of priority: a) currency, b) market type (EM/DM/Sukuk), c) no other thematic label d) seniority e) maturity, f) credit rating and g) sector, among bonds issued in the same quarter.

If corresponding bonds cannot be found, best efforts are made to find suitable alternatives from the available sample. The resulting baskets area proxy for how the money could have been invested in the same quarter in which the green bond was issued. The number of bonds in each basket ranges from one to ten bonds. Bonds behave differently depending on when they are issued and that geo-political events can affect bond prices from one day to the next. This proxy was designed to circumvent the fact that vanilla bonds and green bonds with similar characteristics are rarely issued on the same day.

**Suggested citation:**

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