Climate Bonds

Media Release

Sustainable Debt Topped $1Trillion in 2021

Huge volume of climate-conscious capital raised in a record year: flagship report

LONDON: 21/04/2022 08:00 BST: **The first annual USD trillion in green issuance could arrive as early as this year. This is according to the latest flagship Annual Sustainable Debt Global State of the Market Report released today by Climate Bonds Initiative, drawing on the latest data from Climate Bonds' Market Intelligence. The report is the most comprehensive of its kind and shows that GSS+ themed debt rose to almost USD1.1tn in 2021, marking a 57% increase upon 2020 volumes. In addition, Annual green bond issuance also broke through the half-trillion mark for the first time, ending 2021 at USD522.7bn, a 75% increase on prior year volumes. Next milestone for the green finance is set to an annual $5 trillion by 2025.**

Sean Kidney, CEO of Climate Bonds Initiative: "The unprecedented times in which we live call for unprecedented levels of action. Failure to affect immediate redress in the environmental merits of global finance implicates market actors as accessories to irreversible climate catastrophe."

"The trillion dollars issued across sustainable markets suggests that capital is beginning to shift at scale – but more is needed. This year we hope to see a trillion raised in green bonds alone, rising to $5 trillion by 2025."

The Sustainable Debt Global State of the Market (2021) Report is the 11th iteration of a leading series and offers the most comprehensive analysis available of the green, social and sustainability (GSS) markets, plus sustainability-linked bonds (SLBs), and transition bonds to the end of 2021.

Major findings

Climate Bonds captured GSS+ themed debt amounting to almost USD1.1tn in 2021, marking a 57% increase on the 2020 figure of USD700bn. The addition of 5999 individual instruments contributed 35% to the cumulative total of 16,697. Green was the largest theme surpassing the half-trillion mark to reach a record USD522.7bn.

Since market inception in 2007, Climate Bonds has recorded more than 16,000 GSS+ debt instruments with a cumulative volume of USD2.8tn. The green theme is the largest with a total of USD1.6tn, followed by social at USD539bn, sustainability at USD521bn and the rapidly growing contributions from SLBs and transition bonds at USD135bn and USD9.6bn respectively.

September was the busiest month on record, attracting GSS+ volumes of USD15.4bn. This included seven sovereigns, who between them priced eight bonds worth almost USD30bn.

The SLB market gained momentum and was the fastest growing theme amassing a USD118.8bn volume with YoY growth of 941%.

Green Bonds: Half a Trillion in 2021

Annual green bond issuance broke through the half-trillion mark for the first time, ending 2021 at USD522.7bn, a 75% increase on prior year volumes. Climate Bonds Market Intelligence forecasted that the first annual trillion in green issuance could arrive in 2022 and ran a stakeholder survey affirming that 2022 would mark a realisation of a long-held market milestone.

At a Glance

- The green theme attracted 839 issuers during the year as the average size of individual green bonds increased by more than 50% to reach USD250m.
- Europe was the most prolific region, with cumulative issuance reaching USD758bn by year end.
- The Sovereign Green Bond Club continued to expand its membership. Eleven countries added USD72.8bn in new bonds or taps. Italy, the UK, Serbia, Spain, and South Korean issued debut Sovereign green bonds.

- Issuers were keen to fund upcoming liabilities while interest rates remained low and September was the most prolific month in the history of the green bond market (USD86bn).
- Three quarters (73%) of the 2021 green bond volume originated from developed markets (DM) while 21% came from EM and just 4% was issued by supranational issuers (SNAT). The EM contribution increased from 17% in 2020, with extraordinary growth from development banks (378%), financial (324%) and non-financial corporate (278%) issuers.
- Green bond issuance in the Asia-Pacific region (129%) experienced the strongest growth followed by SNAT (102%).
- The USA maintained its position as the most prolific source of green bonds. Volumes increased by 63% to USD81.9 from USD50.3bn in 2020. The cumulative total stands at USD304bn, which is 50% larger than China, the next largest country source (USD199bn).
- Private sector issuance recovered in 2021 with strong growth coming from financial corporate (143%) and non-financial corporate (111%) issuers. At the end of 2021, these two issuer types together represented 44% of cumulative green bond volumes. Sovereign also experienced triple digit growth of 111% on the period, and now contributes 10% to cumulative volumes.
- Energy, Buildings, and Transport were the three largest UoP categories, collectively contributing 81% to the 2021 total.
- Most green bonds (86%) added to the Climate Bonds Green Bond Database in 2021 had external reviews.

At a Glance 2021: Sustainability Bonds
Sustainability volumes reached USD200.2bn in 2021, a 23% increase on the USD162.5bn witnessed 2020. In 2021, Climate Bonds captured 287 issuer names, a 184% increase when compared to 2020. The average size of each instrument declined to USD188m from USD310m in 2020. The number of countries issuing in 2021 grew 84% YOY to reach 46.

At a Glance 2021: Social Bonds
Social bond issuance has skyrocketed since the outbreak of COVID-19 in early 2020. Issuance in 2021 was slightly more subdued, with volumes reaching 223.2bn, a decline of 13% YOY.

While the number of new instruments more than doubled (2555 in 2021, a 102% rise from the 1265 instruments issued in 2020) the average size of each bond more than halved (USD87m average in 2021 down from USD201.7m).

At a Glance 2021: Sustainability-linked and Transition Bonds
The SLB markets went from strength to strength in 2021 with a volume of USD118.8bn, representing an expansion of 941% on last year's total of USD11.4bn. The average size of each instrument was relatively large at USD428.8bn.

The transition bond market is still new and continued to grow, with 12 bonds coming from nine issuers in 2021, amounting to a volume of USD4.4bn. The transition bond market grew more than 33% YOY to a cumulative USD9.6bn.

Julie Becker, CEO of the Luxembourg Stock Exchange commented:

"Capital markets must support the transition to a more sustainable economy, and this can be facilitated through a wide range of innovative instruments. 2021 saw a new record of global sustainable debt issuances, a growth that was reflected on the Luxembourg Green Exchange. As an example, we welcomed on our exchange and LGX the largest green bond ever issued, the EUR 12 billion inaugural green bond issued by the European Commission as part of the NextGenerationEU recovery instrument. We also noticed a steep increase in SLB issuances last year, a trend which we expect will continue in 2022 and potentially result in a sovereign SLB issuance. Beyond reorienting capital flows towards sustainable development projects, the priority is now to make sure the funding reaches the regions of the world where it is needed the most."

Launch Webinar:
A Report Launch Webinar will be held on Friday 22nd April 2022
08:00 New York / 13.00 London / 14:00 Paris / 20.00 Beijing

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Notes for Journalists:

Climate Bonds Initiative: (Climate Bonds) is an international organisation working to mobilise global capital for climate action. Founded in 2009, Climate Bonds supported the development of a large and liquid green bond and other labelled thematic markets. It carries out market analysis, policy research, market development; advises governments and regulators; and administers a global Climate Bonds Standard & Certification Scheme. Climate Bonds expertise in sustainable finance have been instrumental in the development of several green taxonomies around the world. For more information, please visit http://www.climatebonds.net.

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State of the Market Series: The State of the Market Report 2021 is the 11th iteration of the market leading series on labelled finance markets. The series is widely respected as the most comprehensive analysis of thematic finance, originally covering green finance, and later encompassing new social, sustainability, sustainability-linked and transition bonds markets. The substantial capacity of Climate Bonds Market Intel endows the series with deep insight into the geographical, sector, issuer, and investor specifics and delivers huge projections for the years ahead.

Data Methodology:

This report is based on three Climate Bonds databases:

1. Green Bond Database (GBD)
All deals in the green theme have been screened to verify their integrity. Screening is based on a set of process rules stipulated in Climate Bonds GBD Methodology, including the following two overarching criteria:

- Deals must carry a variant of the green label
- All net proceeds must verifiably (based on public disclosure) meet Climate Bonds' green definitions based on the Climate Bonds Taxonomy (based on Paris Agreement targets)

2. Social and Sustainability Bond Database
Climate Bonds does not screen social and sustainability bonds' use of proceeds against performance thresholds. The use of proceeds is, however, classified in accordance with the respective labels and categorised as follows:

Sustainability: label describes a combination of green and social projects, activities, or expenditures e.g., sustainable; SDGs; SRI; ESG, etc.
Social: label is exclusively related to social projects e.g., pandemic, COVID-19, housing, gender, women, health, education, etc.

3. SLB and Transition Bond Database

SLB: Climate Bonds records but does not screen SLBs against thresholds or targets. Such a screening methodology is currently under consideration.

Transition Bonds: Climate Bonds records but does not screen transition bonds against thresholds or targets. As relevant criteria are developed Climate Bonds will introduce screening for bonds in those sectors. Climate Bonds is currently developing criteria for the Cement, Chemicals, and Steel industries.

** Full methodology and further information on the different labels in section 2 of the report **