

Media Release

## Green bond market update shows huge potential for green finance

### Sean Kidney launches flagship Climate Bonds report in London

**LONDON 01/10/18: 16:00 BST:** The green bond market continues to boom, Climate Bonds CEO Sean Kidney will tell an audience of investors at Climate Bonds Initiative's flagship report, ['Bonds and Climate Change State of the Market 2018'](#), London launch tomorrow.

The annual analysis of the labelled green bond and wider climate-aligned bond universe is sponsored by HSBC. It identifies over [USD1.45trillion](#) of potential green bonds showing that the market has headroom for huge growth into the 2020s.

"There is enormous green potential. Investor demand for green bonds remains incredibly strong; more companies responding would increase needed supply and satisfy investor demand for a quality product that is consistent with international climate targets." Mr. Kidney said.

"This demand for quality green product will be ongoing. It's a natural outcome of institutional investors lifting their green & ESG portfolio allocations whilst increasing their engagement with corporates on climate risk, climate opportunities and the development of business models and capex plans that contribute to the Paris emissions reduction goals.

The 2018, 7<sup>th</sup> edition of the [report](#), provides an analysis of the labelled global green bond markets, major sectors of investment, and also the climate-aligned universe that includes issuers of unlabelled bonds from companies in climate related business lines and activities.

"Leveraging this climate-aligned market to help create a larger and more diverse green finance sector is now part of the growth story." says Mr. Kidney. "A large market gets major investors to engage with climate related assets and builds confidence that green finance is the future."

"To achieve the low carbon transition needed to meet Paris goals, institutional investors are also looking to global energy leaders to shift their business models towards growth opportunities in clean energy. Issuing green bonds is one way they can draw attention to their brown-to-green transition strategies." said Mr. Kidney.

"Investment in climate solutions sectors like low carbon transport, clean energy, low carbon buildings and sustainable land use is happening, but it will become much larger."

This year's report also provides an in-depth review of the variety of green bond structures being used; including ABS, Green Schuldschein, sukuk, covered bonds, private placements, hybrids and MTN programmes.

## Green bonds: Key findings

- USA, China and France are top three countries for labelled green bond issuance, followed by Germany, Netherlands, Sweden, Spain, Canada and Mexico
- Fannie Mae is by far the largest green bond issuer with USD37.7bn of outstanding aligned volume, followed by the EIB with USD26bn and Germany's Kreditanstalt fuer Wiederaufbau (KfW) with USD15.2bn
- Transport is the largest area of potential green bond issuance, with USD532bn climate-aligned bonds already outstanding. Transport represents 44% of the climate-aligned universe, followed by energy at 23%
- Energy has the highest number of climate-aligned issuers (292) while the buildings sector has the largest number of bonds outstanding (1,843)

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### Notes for Journalists

**Bonds & Climate Change – The State of the Market 2018:** The SOTM report is commissioned by the HSBC and is produced on an annual basis by the Climate Bonds Initiative. This is the 7<sup>th</sup> annual report and [can be downloaded here](#). Previous reports can be [found here](#).

The dataset includes climate-aligned and green bonds issued after 1st January 2005 and before 30th June 2018.

**\*\*Labelled green bonds:** Bonds labelled as 'green' by the issuer and are financing green assets and projects and form the basis of green indices.

**\*\*Fully-aligned bonds:** Bonds from issuers that derive > 95% of revenues from 'green' business lines. This label is increasingly used to refer to bonds that are financing green/climate assets that help enable a low carbon economy but have not been labelled as 'green' by the issuing entity.

**\*\*Strongly-aligned:** Bonds from issuers that derive 75-95% of revenue from 'green' business lines.

**About the Climate Bonds Initiative:** CBI is an international investor-focused not-for-profit organisation working to mobilise the USD100tn bond market for climate change solutions.

The Climate Bonds Initiative carries out market analysis, policy research, market development; advises governments and regulators; and administers a global green bond certification scheme.

Sean Kidney, CEO, Climate Bonds Initiatives a member of the European Commission's Technical Expert Group (TEG) on Sustainable Finance and was previously a representative on part of EU High-Level Expert Group on Sustainable Finance.

For more information, please visit [www.climatebonds.net](http://www.climatebonds.net).

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