

Media Release

Southern Hemisphere Launch - Climate Bonds Flagship Report

Global green finance market update reflects growth directions

LONDON 31/10/18: 18:00 BST: The global green bond market continues to boom, and Australia should position itself for that growth, Climate Bonds' Head of Markets Bridget Boule will inform a finance sector and investor audience at Climate Bonds Initiative's flagship report, '[Bonds and Climate Change State of the Market 2018](#)', launch in Sydney today.

The Climate Bonds annual analysis of the labelled green bond and wider 'climate-aligned' bond universe identifies over [USD1.45 trillion](#) of potential green bonds, reflecting the market has headroom for huge growth into the 2020s.

The 2018 [report](#), now in its 7th edition, provides an analysis of the labelled global green bond market, 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.

The Australian launch event being hosted by leading legal firm King & Wood Mallesons (KWM) and is the third in an international schedule that commenced at Climate Week New York City.

"Australia has a well-developed and diverse labelled green bond market, led by the major banks. At the same time, there is significant potential for ASX-listed corporates to move from plain vanilla or 'climate-aligned' bonds to offering labelled green bonds to investors," said Ms. Boule. "We see significant domestic opportunities in clean energy, low carbon transport, sustainable water, waste, and green buildings. Australia should be positioning to grow local green markets and green finance expertise and capitalise on offshore trends."

"International and domestic demand for quality green product is growing. The corporate sector responding would increase supply, deepen the local market and signal that ASX companies are transitioning their business models and capex plans in a direction consistent with national and international climate targets."

"We see this demand for quality green product as ongoing. It's a natural outcome of institutional investors, particularly from global pension funds and asset managers lifting their ESG allocations and hedging carbon exposures whilst increasing their direct engagement with banks and large emitters on climate risk, opportunities and the development of business plans consistent with the Paris COP21 objectives."

"With the release of the *State of the Market Report* and our recent *Australia & NZ Green Infrastructure Investment Opportunities (GIIO)* report and *Australia & NZ Green Finance* country [briefing](#) domestic investors and issuers now have a contemporary snapshot of global and local green finance trends to help guide investment directions," Ms. Boule said.

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Notes for Journalists:

Bonds & Climate Change – The State of the Market 2018:

The SoTM report is commissioned by HSBC and is produced on an annual basis by the Climate Bonds Initiative. This is the 7th annual report and can be downloaded [here](#). Previous reports can be [found here](#).

Climate Bonds Initiative would like to thank King & Wood Mallesons (KWM) for their support and assistance in the Australian launch of Bonds & Climate Change – The State of the Market 2018.

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

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 volume, followed by the European Investment Bank (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).

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.

Definitions:

****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 Green Infrastructure Investment Opportunities Australia & New Zealand report:

Published in August 2018 by the Climate Bonds Initiative, the Australia New Zealand [GIIO report](#) explores low carbon infrastructure opportunities on a sector-by-sector basis, identifying over 400 projects and assets (360 and 62 respectively) that could be considered green and qualify for refinancing, additional financing, or new financing, in the near-and medium-term future.

Full project list [is here](#).

Almost half the projects included in Infrastructure Australia's [Infrastructure Priority List 2018](#) meet international investor definitions of 'green' although they are not always labelled as such. Similarly, just over 40% of New Zealand projects in the Australia and New Zealand Infrastructure Pipeline ([ANZIP](#)) could be considered 'green.'

About the Australia and New Zealand Green Finance Country Briefing:

The Australia and New Zealand Green Finance [Briefing](#) gathers and analyses every green bond issued in Australia and New Zealand to-date, for a combined total of AUD10.2bn in green bonds.

The Briefing found that 100% of issuances have received an external review with 85% Certified Climate Bonds, demonstrating best practice in the market.

About the Climate Bonds Initiative:

CBI is an international investor-focused not-for-profit organisation working to mobilise the USD100 trillion 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.

For more information, please visit www.climatebonds.net.

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