Climate Bonds INITIATIVE

Media Release

Green Bond Market Hits USD2tn Milestone at end of Q3 2022

USD3.5trn in total issuance across Green, Social, Sustainability, Sustainability-Linked and Transition labelled bonds to date

London: 09/11/2022: 08:00 GMT – Climate Bonds Initiative' (Climate Bonds') Market Intelligence today announced that USD2trillion in green bonds have been issued to date its latest quarterly market update report, sponsored by First Abu Dhabi Bank (FAB).

The collaboration with FAB on the quarterly report coincides with a joint event at COP27 in Sharm El-Sheik, Egypt. *'Scaling sustainable finance: A perspective in the Middle East',* on 11th of November 4pm (EET).

Climate Bonds screens self-labelled bonds issued globally and only includes bond issuance demonstrating climate ambition aligned with the Paris Agreement in its Green Bond Database. The green milestone unites with the rising crop of sustainable bond labels (*social, sustainability, sustainability-linked and transition labels)*, to reach a combined lifetime USD3.5trillion volume at end of the Q3. The news comes as Climate Bonds calls for the market to scale labelled issuance to a volume of USD5trillion per year by 2025 to fight climate collapse.

USD2tn green milestone arrives in tough year for global bond market

Green, social, sustainability, sustainability-linked (SLB) and transition bond (GSS+) volumes reached USD152.3bn in Q3 2022, a decline of 35% compared to Q2 2022, and 45% compared to Q3 2021. The latest market data arrives in our Q3 Summary.

Year-to-date volumes of GSS+ debt had reached USD635.7bn by the end of Q3. More than half of the total (52%, USD332.5bn) came from green bonds. Sustainability bonds supplied 22.4% (USD142.1bn), social 14.8% (USD94.2bn), SLBs 10% (USD63.6bn), and transition comprised the smallest share at 0.5% (USD3.4bn).

Geopolitical and macroeconomic factors have contributed to a drop in debt issuance across the board. However, GSS+ debt constituted 5% of all debt priced in 2021, and that contribution has remained unchanged so far in 2022.

COP 27: Spotlight on Middle East and Africa

The upcoming COP-27 will highlight the massive investment required to tackle climate change in emerging markets (EM) including those in the Middle East and Africa (MEA). The location of host country Egypt in the Northeast corner of Africa will bring renewed focus to the region which, having been hit particularly hard by the ramifications of COVID-19, is suffering the economic impacts of the Russian invasion of Ukraine.

For the first time, Climate Bonds has analysed the shape and size of the MEA GSS+ debt market. Climate Bonds had recorded USD33.2bn of thematic debt originating from the region. While growth over the last four years has been steady, cumulative volumes are less than 1% of the global GSS+ market, indicating vast potential for growth. Governments can play a leading role, and to date, sovereign GSS bonds have originated from four nations in the region. Overall, green is the dominant theme taking 56% of the cumulative volumes. SLBs are responsible for the second largest share at 23%. Instruments have been issued in 14 currencies from 17 countries.

Climate Bonds calls for issuance to reach $5trillion a year by 2025

Climate Bonds is pushing for at least USD5tn in green bonds alone to be issued annually from 2025 onwards. Its recently published 5 steps to 5 trillion manifesto suggests five actions that we must take collectively to achieve this ambitious target.

The fifth action is to boost EM highlighting the need to channel available capital to the right places to address climate change. Mechanisms to get capital flowing from richer to poorer such as blended finance to absorb junior capital tranches, de-risking guarantees, and larger sized deals, must all be multiplied. Economic development must build in mitigation from the start, and large projects should be financed through the capital markets to encourage dedicated investment

Sean Kidney, CEO of the Climate Bonds Initiative said: "We are staring climate catastrophe in the face. To stand a chance of meeting the Paris Agreement's 2050 targets we must slash emissions in half this decade. This means scaling capital flows to climate causes at speed, starting with an annual $5trillion of sustainable finance being issued by 2025."

Rula Al Qadi, Managing Director, Head of Group Funding at FAB said: "Climate change is not purely a scientific challenge, it's also an economic one. And if we are serious about achieving the recommendations set by the Paris Agreement – we will need an immense economic transition that includes significant investment in infrastructure and innovative technology. In this report we focus on the importance of scaling finance to achieve net zero. Moreover, we will build on this dialogue through our participation in an upcoming panel discussion at COP27 about the opportunities that can be unlocked through sustainable scaleup finance. At FAB, we have several compelling pathways and solutions to mobilise scaleup capital – and alongside these, we're also playing our part to lend, invest, and facilitate USD 75 billion in sustainable finance by 2030."

'Scaling sustainable finance: A perspective in the Middle East' will take place at the UAE Pavilion (Blue Zone) and can be streamed online via Office of the Special Climate Envoy's YouTube channel

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Climate Bonds Initiative

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About the Climate Bonds Initiative: An investor-focused not-for-profit, promoting large-scale investment in the low-carbon economy, Climate Bonds Initiative carries out market analysis, policy research, market development; advises governments and regulators; and administers a global Climate Bonds Standard & Certification Scheme. For more information, please visit www.climatebonds.net.

About First Abu Dhabi Bank (FAB): FAB is the UAE's largest bank and one of the world's largest and safest financial institutions. FAB's focus is to create value for its employees, customers, shareholders and communities to grow through differentiation, agility and innovation.

Headquartered in Abu Dhabi, the bank's international network spans five continents, providing global relationships, expertise and financial strength to support local, regional and international businesses seeking to do business at home and abroad. FAB is a trusted adviser and regional partner to major institutions, emerging companies and individuals seeking to do business in the UAE, the MENA region and beyond. As an engine of growth for the region, it helps customers to thrive and grow stronger by managing risk, providing access to capital and facilitating trade flows across developed and emerging markets.

With total assets of over AED 1.1 Trillion (USD 312 Billion) as of September-end 2022, FAB is rated Aa3/AA-/AA- by Moody's, S&P and Fitch, respectively - the strongest combined ratings of any bank in the MENA region. The Bank has been ranked by Global Finance as the Safest Bank in the UAE and the Middle East since 2011, and #31 Safest Bank globally in 2022. The Banker's Top 1000 World Banks 2021 rankings, measured by Tier 1 capital, ranked FAB as #1 in the UAE, #3 in the Middle East and #91 across the globe. FAB is also a regional sustainability leader (MSCI ESG rating of AA, 'Leader' category), and a constituent of MSCI ESG Leaders and FTSE4Good EM indices.

About Climate Bonds Standard: It is an overarching science-based, multi-sector standard overseen by the independent Climate Bonds Standards Board that allows investors and intermediaries to easily assess the climate credentials and environmental integrity of bonds and other green debt products.

Launched in 2011, with periodic updates, the Climate Bonds Standard is the most detailed, climate aligned investment criteria available in the market and provides guidance to issuers, investors, governments and regulators.

Current Standard V3.0 and supporting documentation is available here. New Climate Bonds Standard Version 4.0 is open now for public consultation and will be available by end of Q4 2022.

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