



For Immediate Release

## **New report finds USD174bn of climate-themed bonds**

*The climate-themed bond market is broader and deeper than expected*

London 31<sup>st</sup> May - The Climate Bonds Initiative, in association with HSBC Climate Change Centre of Excellence, today launches a new report on the current size and future prospects for climate-themed bonds.

The Report gives a snapshot of the climate-themed bond markets' size, the key investments themes and regional market, and finally identifies three key ways to accelerate market expansion.

"Investor interest in the link between bonds and climate change is growing and this report shows that the value of climate-themed bonds is 24 times bigger than the 'green bonds' issued by development banks", says Nick Robins, Director at the HSBC Climate Change Centre of Excellence.

The report identifies seven climate themes – energy, transport, building and industry, climate finance, water, waste and pollution controls, agriculture and forestry – in which bond investors can tap current opportunities.

"The climate-themed bond market is dominated by USD119bn of transport bonds, almost entirely from railway bonds, and USD29bn of low carbon energy bonds. Together these themes make up 85% of the market", says Sean Kidney, Chair at the Climate Bonds Initiative.

"This re-framing of the investable universe could help to overcome a perception among investors that climate-themed bonds are a niche market", says Nick Robins.

Sean Kidney adds that "A large amount of bonds in low-carbon energy and finance could be included if utilities and banks clearly linked corporate bonds to climate-aligned assets."

The Report found that 67% of the market originates in Europe, followed by USA (17%), Russia, Canada and China all at 3% each. UK institutions have issued the largest amount of climate-themed bond with 23% of the global total.

"Institutional Investors, with their USD71 trillion in assets – including pension funds and insurance companies – have an important role to play in financing the low-carbon transition through bonds", says Sean Kidney. "The bond market is now worth USD99 trillion compared to USD55 trillion for equities – a

reversal of where we were a few years ago and a number of factors such as Basel III could prompt a greater use of bond markets for climate financing”.

“As markets and technologies mature, investor attention will focus increasingly on bond markets as an expression of the climate investment theme”, says Nick Robins.

The Report also identifies three ways to grow the market: standards, aggregation and policy support.

“Bond investors need scale”, says Sean Kidney. “Renewable energy and energy efficiency markets are much more disaggregated than traditional energy sectors – we need to promote the aggregation of those small projects into larger offerings suitable for the appetite of the big investors. Standardization is a must. The development of internationally recognized climate terms and definitions and third-party certification of these bonds would help investors select bond investments that fund climate change solutions while minimizing the perception of reputational risk”.

Governments can also help to reduce perceptions of policy risk in a number of ways, for example by providing fiscal support for qualifying bonds or by allocating public finance to enhance the credit of qualifying bonds.

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#### **Useful Links:**

View and download full report: <http://climatebonds.net/2012/05/hsbc-climate-bonds-report/>

Climate Bonds Initiative website [www.climatebonds.net](http://www.climatebonds.net)

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#### **About Climate Bonds Initiative:**

The Climate Bonds Initiative is an investor-focused not-for-profit, promoting large-scale investment in the low-carbon economy. The Climate Bonds Initiative is developing:

- Proposals for governance architecture — regulatory mechanisms, standards, tax policies, green banks — that will support a rapid scaling up of investment.
- Models for engineering investibility in projects and assets necessary for attracting bond financing such as renewable energy, energy efficiency and forestry.

<http://youtu.be/GHnKbsf6cR0>