

Green bond investment reach \$600 billion

Robert Kropp | July 17, 2015



Even before all the data was in, we knew that 2014 was a somewhat unexpectedly [strong year for green bonds](#).

At the United Nations in January, a coalition of investment banks organized by [Ceres](#) announced its support for the Green Bond Principles. According to Ceres, the principles “serve as voluntary guidelines on recommended process for the development and issuance of Green Bonds. They encourage transparency, disclosure and integrity in the development of the Green Bond market.”

At a February webinar hosted by [As You Sow](#), Amelia Timbers of the organization said, “In 2013, there were over \$10 billion in green bonds issuances, and that figure is expected to double in 2014.”

But by June, Bloomberg reported, “At its current pace, total 2014 volume could surpass \$40 billion, triple the \$14 billion issued in 2013.”

In September, while marchers on behalf of the climate filled the streets of New York, a group of institutional investors published an [Investor Statement](#), which welcomed the evolution of the Green Bonds market.

“We, as investors and fiduciaries, understand that we have a responsibility to address threats to the future performance of our investments from climate change,” the signatories wrote.

Later in 2014, **As You Sow** recently published [Green Bonds in Brief](#), which reported that Bloomberg's forecast in June was on the mark: According to the Climate Bonds Initiative, over \$35 billion was invested in Green Bonds during 2014.

If anything, the trend is clearly accelerating, according to [updated reporting](#) from the Climate Bonds Initiative; through last month, \$14 billion has been invested in green bonds, and the nongovernmental organization predicts a \$70 billion market by the end of 2015.

When other climate-aligned bonds — 95 percent of whose assets are determined to be climate-aligned, but which are not labeled as green bonds — are taken into account, the numbers increase exponentially. The total climate-aligned bond market, according to the Initiative, comprises nearly \$600 billion; of this amount, \$66 billion is from labeled green bonds.

“The climate-aligned universe has increased by \$95 billion since the 2014 report,” the new report stated. “Almost a third of the increase (32 percent) came from the rapid growth of the labelled green bond market (additional \$30.6 billion of green bonds).”

The report also noted especially [strong growth in climate-aligned bonds](#) in emerging markets; in fact, the nation with the largest share of the market is China, where investments total \$164 billion, or one-third of the total market. And this year, India became the first emerging economy to issue labeled green bonds; China is expected to follow suit shortly.

The dominant themes of the climate-aligned bond market are low-carbon transport and energy; 70 percent of climate-aligned bonds are invested in low-carbon transport, while 20 percent focus on clean energy.

The report concludes with 10 recommendations for policymakers to consider in order to help strengthen investor confidence in the green and climate-aligned bond markets:

1. Strategic issuance from public entities.
2. Strengthening planning and pipeline transparency of green projects.
3. Improving the risk-return profile of green bonds: credit enhancement.
4. Tax incentives.
5. Boosting demand: domestic fund mandates.
6. Central banks: boosting demand and convening power.

7. Market integrity: Supporting standards development.
8. Market creation and development: aggregation of small-scale green assets.
9. Financial regulatory measures are important.
10. International financial cooperation.

"Investors representing \$43 trillion of assets under management signed statement at last September's U.N. Climate Summit about the importance of addressing climate change and their willingness to invest accordingly, subject to meeting their risk and yield requirements," Climate Bonds Initiative CEO Sean Kidney said.

"This report shows them that there's a large and liquid \$600 billion universe of bonds they can invest it — and it's 90 percent investment grade."

<https://www.greenbiz.com/article/green-bond-investments-reach-600-billion>