**Environmental Finance Events**

Last year over **1000** senior-decision makers from **30+** countries attended events organised by *Environmental Finance*

<table>
<thead>
<tr>
<th>Event Name</th>
<th>Date</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Green Bonds Symposium</td>
<td>28 February 2018</td>
<td>Santa Monica</td>
</tr>
<tr>
<td>Environmental Finance Water: Risk, Opportunity and Sustainability 2018</td>
<td>18 April 2018</td>
<td>London</td>
</tr>
<tr>
<td>Green Bonds Asia 2018</td>
<td>7 June 2018</td>
<td>Singapore</td>
</tr>
<tr>
<td>Green Bonds Europe 2018</td>
<td>18 June 2018</td>
<td>London</td>
</tr>
<tr>
<td>Green Equities 2018</td>
<td>16 October 2018</td>
<td>London</td>
</tr>
<tr>
<td>Insurance &amp; Climate Risk</td>
<td>24 September 2018</td>
<td>New York</td>
</tr>
<tr>
<td>Green Bonds Americas 2018</td>
<td>25 September 2018</td>
<td>New York</td>
</tr>
<tr>
<td>Insurance &amp; Climate Risk EMEA</td>
<td>3 December 2018</td>
<td>London</td>
</tr>
</tbody>
</table>

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“Good variety of issues and topics. Look forward to next year’s event”

NRW Bank

“Great conference. It sets the standard”

HSBC

“Excellent content/top organisation”

P3 Value

“Very useful for networking, market updates and developments”

London Stock Exchange

“Great panels + keynotes + audience”

Rabobank

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Environmental Finance is delighted to bring you Green Bonds: Review of 2017 powered by our leading green bond database www.greenbonddata.org. With the green bond market continuing to evolve in 2017, setting fresh records and attracting issuers in new parts of the world, our database will grow with the market, providing knowledge and transparency.

2017 saw a total of $153.5 billion of green-labelled bonds issued, breaking through the $100 billion mark for the first time. The previous year saw $92.4 billion of issues, which was itself a record.

In its early years, the decade-old market was supported by multilateral development banks, but is now also being driven by municipalities, financial institutions and a growing number of corporates (see page 11).

The US, France and China were the leading countries in the green bond market (see page 6). While in the US and China, issuers were mainly agencies and financial institutions in 2017, French issuers were more diverse. The French sovereign bond accounts for 53% of the value of issuance from the country, but corporates account for 32%, agencies 10%, and financial institutions and municipals the remaining 5%.

The number of countries from which green bonds have been issued continued to grow in 2017, with Argentina, Chile, Fiji, Lithuania, Malaysia, Nigeria, Singapore, Switzerland and the UAE all joining the fray (see page 13).

2017 saw a growing number of green bonds issued in various currencies, illustrating the growth of the green bond market in emerging market countries (see page 14).

One of the big themes of the market’s recent evolution is sovereign issuance. Poland was the first national government to issue a green bond, when it raised €750 million ($800 million) in December 2016. It raised €7 billion issue – comfortably the biggest green bond ever issued. It has tapped this twice, bringing the total to more than €9 billion.

Fiji and Nigeria also came to the market, with smaller issues of $48.2 million and $29.7 million, respectively.

Poland’s €1 billion ($1.243 billion) repeat issue in 2018 has kicked off issuance in what is expected to be an important year for the sovereign market. There are thought to be more than 10 sovereigns planning issues, including Hong Kong and Sweden, while Belgium has announced plans to raise several billion euro through a green bond, and Indonesia is set to issue the first green sovereign sukuk.

The infrastructure supporting the green bond market also continued to grow in 2017, with S&P launching its green evaluation tool, The Monetary Authority of Singapore launching a green bond grant programme, Japan’s Ministry of the Environment establishing Green Bond Guidelines and the launch of the ASEAN Green Bond Standards (see page 5).

Marine Durrieu, Green Bond Analyst, marine.durrieu@environmental-finance.com
Largest in 2017

The biggest deals and issuers of the year

**Largest Single Green Bond**
- Republic of France
- Value: $7,512 M

**Largest Issuer**
- Fannie Mae
- Total value: $31,548 M

**Largest Agency**
- Fannie Mae
- Number of deals: 1,148

**Largest Sovereign**
- Republic of France
- Total value: $10,609 M

**Largest Supranational**
- European Investment Bank
- Total value: $4,741 M

**Largest Corporate**
- Mexico City Airport
- Value: $4,000 M

**Largest Municipal**
- New York MTA
- Value: $2,021 M

**Largest Financial Institution**
- Bank of Beijing
- Value: $2,181 M

**Largest Second Opinion Provider**
- Sustainalytics
- Number of second options: 65
Key developments in the market in 2017

A timeline of some the most important events during the year

- **January**
  - Biggest ever green bond: Republic of France

- **March**
  - The Monetary Authority of Singapore launches green bond grant programme, to kickstart issuance
  - BlackRock launches index-linked green bond fund
  - First green bond from UAE: National Bank of Abu Dhabi
  - Japan’s Ministry of the Environment establishes Green Bond Guidelines

- **April**
  - First green sukuk and first green bond from Malaysia: Tadau Energy Sdn Bhd

- **August**
  - First green bond from Argentina: Provincia de Jujuy

- **September**
  - Johannesburg Stock Exchange launches green bond segment

- **October**
  - ASEAN Green Bond Standards launches
  - First green bond from Fiji: Government of Fiji

- **November**
  - First African sovereign green bond: Nigeria $30m

- **December**
  - Launch of Social Bond Principles and Sustainability Bond Guidelines
  - First green bond from Switzerland: Helvetia Environnement Groupe
  - LuxFlag launches Green Bond label

- **June**
  - First green bond from Switzerland: Helvetia Environnement Groupe
  - Natixis issues first green-labelled Commercial Mortgage-backed Security

- **July**
  - First green bond from Lithuania: Lietuvos Energija

- **September**
  - IFC selects Amundi to manage its $2bn emerging market green bond fund

www.greenbonddata.org
Top 5 largest issuing countries in 2017

Fannie Mae helped secure the US’s place as biggest issuing country

Total values

3 largest deals in the United States
- New York MTA: $2,021.5 M
- IFC: $1,459 M
- Apple: $1,000 M

USA: $48,106.2 M

3 largest issuers in the United States
- Fannie Mae: $31,548 M
- New York MTA: $4,002 M
- IFC: $1,459 M

Spain: $5,655.8 M

3 largest deals in Spain
- Iberdrola: $1,173 M
- Iberdrola: $1,060 M
- Gas Natural Fenosa: $948 M

3 largest issuers in Spain
- Iberdrola: $3,404 M
- Gas Natural Fenosa: $948 M
- ADIF- Alta Velocidad: $681 M

France: $19,899.25 M

3 largest deals in France
- Republic of France: $7,512.1 M
- Republic of France: $1,840.9 M
- Engie: $1,609.5 M

3 largest issuers in France
- Republic of France: $10,609 M
- Engie: $3,103 M
- SNCF: $1,936 M

Germany: $10,007.01 M

3 largest deals in Germany
- KfW: $2,173.8 M
- Innogy SE: $1,005 M
- KfW: $1,000 M

3 largest issuers in Germany
- KfW: $4,148 M
- Berlin Hyp: $1,150 M
- Innogy SE: $1,005 M

China: $15,253.6 M

3 largest deals in China
- Bank of Beijing: $2,181 M
- ICBC: $2,143.8 M
- Bank of China: $1,476.3 M

3 largest issuers in China
- China Development Bank: $3,923 M
- Bank of Beijing: $2,181 M
- ICBC: $2,144 M

USA: $48,106.2 M
France: $19,899.25 M
Spain: $5,655.8 M

China: $15,253.6 M
The United States green bond market in 2017

The value of issues by agencies rose in 2017 (due to Fannie Mae), while renewable energy’s share of the use of proceeds declined.

Comparison of issuer types and use of proceeds for 2016 and 2017 in the US market

Methodology: When bonds have more than one designated ‘use of proceeds’, the value of the bond has been divided between all of the named ‘use of proceeds’ types, assuming an equal share for each.

www.greenbonddata.org
Top 5 deals Q1, Q2, Q3, Q4 2017

Republic of France and Mexico City Airport issued some of the biggest green bonds

### Top Deals: Q1
- **Republic of France**
  - $7,512.1 M
- **Engie**
  - $1,609.5 M
- **Enel**
  - $1,315.8 M
- **SNCF Reseau**
  - $1,080 M
- **Iberdrola**
  - $1,060 M

### Top Deals: Q2
- **Bank of Beijing**
  - $2,181 M
- **KfW**
  - $2,173.8 M
- **Republic of France**
  - $1,840.9 M
- **European Investment Bank**
  - $1,500 M
- **TenneT**
  - $1,119.1 M

### Top Deals: Q3
- **Mexico City Airport**
  - $4,000 M
- **Engie**
  - $1,493.3 M
- **Asian Development Bank**
  - $1,250 M
- **European Investment Bank**
  - $1,124 M
- **Greenko**
  - $1,000 M

### Top Deals: Q4
- **ICBC**
  - $2,143.8 M
- **NY MTA**
  - 2,021.5 M
- **Bank of China**
  - $1,476.3 M
- **Republic of France**
  - $1,256.3 M
- **Iberdrola**
  - $1,173 M

Total value Q1
- $34,351.81 M

Total value Q2
- $35,485.31 M

Total value Q3
- $36,877.38 M

Total value Q4
- $45,929.53 M
# Top 20 lead managers 2017

<table>
<thead>
<tr>
<th>LEAD MANAGERS</th>
<th>VALUE ($M)</th>
<th>NUMBER OF DEALS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit Agricole</td>
<td>8,952</td>
<td>81</td>
</tr>
<tr>
<td>HSBC</td>
<td>7,425</td>
<td>48</td>
</tr>
<tr>
<td>Citi</td>
<td>7,103</td>
<td>36</td>
</tr>
<tr>
<td>Bank of America Merrill Lynch</td>
<td>6,690</td>
<td>47</td>
</tr>
<tr>
<td>J.P. Morgan</td>
<td>6,168</td>
<td>43</td>
</tr>
<tr>
<td>BNP Paribas</td>
<td>6,081</td>
<td>34</td>
</tr>
<tr>
<td>Société Générale</td>
<td>5,044</td>
<td>23</td>
</tr>
<tr>
<td>Barclays</td>
<td>4,658</td>
<td>30</td>
</tr>
<tr>
<td>SEB</td>
<td>4,384</td>
<td>30</td>
</tr>
<tr>
<td>Morgan Stanley</td>
<td>3,590</td>
<td>31</td>
</tr>
<tr>
<td>Natixis</td>
<td>3,424</td>
<td>17</td>
</tr>
<tr>
<td>Goldman Sachs</td>
<td>2,785</td>
<td>18</td>
</tr>
<tr>
<td>Santander</td>
<td>2,567</td>
<td>15</td>
</tr>
<tr>
<td>Nordea</td>
<td>2,519</td>
<td>20</td>
</tr>
<tr>
<td>MUFG</td>
<td>2,388</td>
<td>13</td>
</tr>
<tr>
<td>BBVA</td>
<td>2,096</td>
<td>19</td>
</tr>
<tr>
<td>TD</td>
<td>1,795</td>
<td>9</td>
</tr>
<tr>
<td>LB</td>
<td>1,788</td>
<td>11</td>
</tr>
<tr>
<td>ABN AMRO</td>
<td>1,681</td>
<td>8</td>
</tr>
</tbody>
</table>

Methodology: An equal amount is allocated to each manager by dividing the total size of the deals by the number of lead managers. The figures refer to bonds settled in 2017.

www.greenbonddata.org
A regional breakdown of the types of entities issuing green bonds

**Issuer type by region**

North America: $55,983 M
- **Supranational**: 73.7%
- **Municipal**: 18.74%
- **Corporates**: 6.9%

Europe: $61,406 M
- **Supranational**: 70.6%
- **Agency**: 20.8%
- **Sovereign**: 1.7%

Asia: $24,939 M
- **Financial institution**: 100%

South America: $3,803 M
- **Supranational**: 73.7%
- **Municipal**: 18.74%

Africa: $394 M
- **Supranational**: 73.7%
- **Sovereign**: 7.6%
- **Municipal**: 18.74%

Middle East: $587 M
- **Financial institution**: 100%

Australasia: $2772 M
- **Corporates**: 6.9%
- **Financial institution**: 70.6%
- **Municipal**: 20.8%
- **Sovereign**: 1.7%
The value of issues by sovereigns rose in 2017, while renewable energy’s share of the use of proceeds declined.

**Comparison of issuer types**

<table>
<thead>
<tr>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agency</td>
<td>31.27%</td>
</tr>
<tr>
<td>Financial</td>
<td>36.45%</td>
</tr>
<tr>
<td>Corporate</td>
<td>31.5%</td>
</tr>
<tr>
<td>Supranational</td>
<td>10.7%</td>
</tr>
<tr>
<td>Municipal</td>
<td>10.5%</td>
</tr>
<tr>
<td>Sovereign</td>
<td>0.85%</td>
</tr>
</tbody>
</table>

**Comparison of use of proceeds**

<table>
<thead>
<tr>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renewable energy</td>
<td>Renewable energy</td>
</tr>
<tr>
<td>Energy efficiency</td>
<td>Energy efficiency</td>
</tr>
<tr>
<td>Climate Change Adaptation</td>
<td>Climate Change Adaptation</td>
</tr>
<tr>
<td>Eco-Efficient products, production technologies and processes</td>
<td>Eco-Efficient products, production technologies and processes</td>
</tr>
<tr>
<td>Clean transportation</td>
<td>Clean transportation</td>
</tr>
<tr>
<td>Sustainable water management</td>
<td>Sustainable water management</td>
</tr>
<tr>
<td>Pollution prevention and control</td>
<td>Pollution prevention and control</td>
</tr>
<tr>
<td>Sustainable management of living natural resources</td>
<td>Sustainable management of living natural resources</td>
</tr>
<tr>
<td>Terrestrial and aquatic biodiversity conservation</td>
<td>Terrestrial and aquatic biodiversity conservation</td>
</tr>
</tbody>
</table>

Methodology: When bonds have more than one designated ‘use of proceeds’, the value of the bond has been divided between all of the named ‘use of proceeds’ types, assuming an equal share for each.
Although the number of external review providers continue to increase, 30.2% of green bonds in 2017 did not obtain a review.
Countries joining the green bond market in 2017

Green bonds were issued by borrowers from nine new countries – Argentina, Chile, Fiji, Lithuania, Malaysia, Nigeria, Singapore, Switzerland and UAE – during the course of the year.
The growing number of currencies issued

The number of currencies issued in 2017 has risen drastically compared with five years earlier. Figures are for percentage of value of market.

2012 Total value: $2,706.5 M
- EUR: 57%
- SEK: 16%
- TRY: 12.5%
- AUD: 6%
- USD: 4%
- BRL: 3%
- PLN: 1%
- MYR: 0.3%
- IDR: 0.2%

2017 Total value: $153,496.6 M
- USD: 47.7%
- EUR: 37.25%
- CNY: 5.33%
- SEK: 2.5%
- AUD: 1.3%
- NOK: 1.2%
- CAD: 1%
- JPY: 1%
- INR: 0.3%
- SGD: 0.3%
- IDR: 0.16%
- MYR: 0.15%
- COP: 0.14%
- TWD: 0.1%
- ZAR: 0.05%
- NZD: 0.05%
- RUB: 0.05%
- BRL: 0.03%
- FJD: 0.03%
- HKD: 0.02%
- NGN: 0.02%
- TRY: 0.02%
- MXN: 0.006%
Maturity profile of green bonds by sector

The average tenor of green bonds has gradually increased over the 10 years since the market’s inception.

Average Maturity Years

<table>
<thead>
<tr>
<th>Year</th>
<th>Agency</th>
<th>Corporate</th>
<th>Financial Institution</th>
<th>Municipal</th>
<th>Supranational</th>
<th>Sovereign</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>5</td>
<td>10</td>
<td>15</td>
<td>20</td>
<td>25</td>
<td>30</td>
</tr>
<tr>
<td>2008</td>
<td>6</td>
<td>12</td>
<td>16</td>
<td>21</td>
<td>26</td>
<td>31</td>
</tr>
<tr>
<td>2009</td>
<td>7</td>
<td>14</td>
<td>17</td>
<td>22</td>
<td>27</td>
<td>32</td>
</tr>
<tr>
<td>2010</td>
<td>8</td>
<td>15</td>
<td>18</td>
<td>23</td>
<td>28</td>
<td>33</td>
</tr>
<tr>
<td>2011</td>
<td>9</td>
<td>16</td>
<td>19</td>
<td>24</td>
<td>29</td>
<td>34</td>
</tr>
<tr>
<td>2012</td>
<td>10</td>
<td>17</td>
<td>20</td>
<td>25</td>
<td>30</td>
<td>35</td>
</tr>
<tr>
<td>2013</td>
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<td>18</td>
<td>21</td>
<td>26</td>
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<tr>
<td>2014</td>
<td>12</td>
<td>19</td>
<td>22</td>
<td>27</td>
<td>32</td>
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<tr>
<td>2015</td>
<td>13</td>
<td>20</td>
<td>23</td>
<td>28</td>
<td>33</td>
<td>38</td>
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<tr>
<td>2016</td>
<td>14</td>
<td>21</td>
<td>24</td>
<td>29</td>
<td>34</td>
<td>39</td>
</tr>
<tr>
<td>2017</td>
<td>15</td>
<td>22</td>
<td>25</td>
<td>30</td>
<td>35</td>
<td>40</td>
</tr>
</tbody>
</table>

representing the highest and lowest tenor.
Market size predictions for 2018

What can we expect from 2018?

Green Bond value per year: ($M)

2018 Predictions

- Climate Bonds: $250-300 B
- Moody’s Analytics: $250 B
- S&P Global: $200 B
- HSBC: $180 B
- SEB: $175 B
- TD: $160 B
On the search for sovereigns

The next growth spurt for the green bond market could come from sovereigns, reports Michael Hurley

Poland’s ground-breaking €750 million ($792 million) green bond, issued in December 2016, was a thunderstrike moment in green finance. In the form of sovereigns, the green bond market suddenly had an exciting new source of financing, which promised to bring liquidity and deliver large-scale investment opportunities.

Even before Poland’s issuance, industry observers held their ears keenly to the ground as they anticipated the arrival of sovereigns eager to market their green credentials. Yet, to date, only four countries have issued green bonds – Poland, France, with its €7 billion issue, and Fiji, which raised 100 million Fijian dollars ($48 million) and Nigeria, which raised 10.69 billion naira ($30 million). France has subsequently tapped its issue twice, taking the total raised to nearly €10 billion, according to Environmental Finance’s Green Bond Database, making it comfortably the biggest green bond ever issued. Poland, meanwhile, returned to the market with a second green bond, worth €1 billion, at the end of January.

That could soon change, with as many as 15 sovereigns queuing to issue green bonds, according to Columbia Threadneedle’s lead portfolio manager Simon Bond, speaking in November at Environmental Finance’s inaugural Insurance & Climate Risk conference.

As this article went to press, Belgium was planning its inaugural issue in the first quarter of 2018, to raise between €3 billion and €5 billion, which will finance railways, energy-efficient renovations of public buildings and research and development into storing energy.

Pierre Blandin, head of sovereign, supranational and agency debt capital markets at Credit Agricole CIB, one of the lead managers on France’s issue and a structuring advisor on the planned Belgian transaction, says: “You could argue that, since the France sovereign green Obligation Assimilable du Trésor (OAT), nothing has happened – Fiji’s green bond was not a game-changer from a bond market perspective.

“But I do believe the sovereign issuers are focusing more on the green bond market. They have taken notice of the fact that France has managed to overcome some of the hurdles that some [potential] sovereign issuers raised in the past,” adds Blandin.

“Sovereigns are only now realising that green bonds provide easy access to a large and diverse funding pool to provide a low-cost injection of capital”

Mindy Hauman, White & Case

And Poland, Nowak offers. He says Poland, along with France, is a benchmark for other sovereigns looking into the possibility of issuing because it overcame barriers: “We see the interest from other issuers. To be honest, we don’t tell them that the process is smooth and easy.”

Mindy Hauman, counsel at law firm White & Case’s capital markets practice in London, says one of the major challenges was devising a framework. White & Case was an advisor on the first Poland green bond.

The framework had to “reflect Poland’s unique status as a sovereign and the characteristics of its green finance needs and its assets,” she says. In addition, some investors viewed Poland’s planned green bond with scepticism, “given that Poland relies on coal to generate the majority – more than 80% – of its electricity needs.

“Nonetheless, other investors applauded Poland for demonstrating its commitment to diversifying into green energy and a more sustainable future,” she says.
Where next for sovereign green bond issuance?

2018 is likely to see a number of first-time sovereign green bond issuers come to market. Some of the rumoured candidates include:

- Belgium
- Hong Kong
- India
- Morocco
- Kenya
- Ghana
- South Africa
- Italy
- Ireland
- Portugal
- Sweden

Countries that have already issued sovereign green bonds:
- France
- Fiji
- Poland
- Nigeria

“...The issuance also helped clear up the misconception about sovereign green bonds that they are more complicated to issue than conventional sovereign bonds. Poland’s bond took only a few months to devise and future bonds may take less time still now that the framework is in place,” according to Hauman.

Nowak says that although the process of issuing a green bond “is convoluted and required much more work” than a non-green bond, “it is totally worth it - the results exceeded the difficulties.”

To issue its first green bond, the Polish government passed legislation that allows the State Treasury to manage segregated funds. The proceeds go into a ‘green cash account’, which was previously not allowed until the law was changed.

Because the funds are segregated, the green bond proceeds are insulated against policy risk that could otherwise be caused by a change in government, where the new administration was less inclined to pursue green objectives.

Blandin says the innovation at the heart of France’s transaction “was probably an eye-opener for a number of sovereign issuers”.

“One of the hurdles, initially, was the perception that a green bond should finance investments - France included a number of other eligible expenditures, such as tax credits,..."

Pierre Blandin, Credit Agricole
R&D, operating expenditures. France committed to invest an equivalent amount to €7 billion for all the projects and expenditures listed at the time of issuance - what we call the notional equivalence model," he says.

Unlike Poland, France did not create an act of parliament to issue its green bond. The French government instead implemented two control mechanisms. An ex-ante, or forecast-based, control will involve the intervention of an independent rating agency and the issuance of an annual report by the French Government on the allocations of the funds invested.

Secondly, an ex-post, or results-based, control will be based on the opinion of a committee of experts in environmental issues on the environmental impact of the financed projects. The seven-member committee held its first meeting in December, and will reconvene in June 2018, with the first evaluation reports on the impact of eligible green expenditure to be published next year.

In this way, the French OAT served as a case study for other potential issuers on how to structure a transaction. Hauman, at White & Case, says there are multiple reasons other sovereigns should want to follow the examples of Poland and France.

Most sovereigns have a need for infrastructure, a large portion of which could be financed through green financing initiatives, she says, and they are in the unique position of being able to provide favourable conditions that attract private capital, through tax incentives or subsidies. Many sovereigns have strong creditworthiness and are able to make very large-scale issuances, she adds.

Blandin adds that many countries could see a green bond as an opportunity to help meet their Nationally Determined Contributions made under the Paris Agreement.

“Sovereigns are only now realising that green bonds provide easy access to a large and diverse funding pool to provide a low-cost injection of capital,” which is one reason sovereigns in emerging markets are becoming particularly interested in the sovereign space due to the scarcity of supply versus high investor desirability.

“Emerging market sovereigns in particular should not miss the opportunity to be a pioneer of this movement while the initiative is still for the taking,” urges Hauman.

India, Hauman suggests, “is a good bet for a green bond issue” due to the country’s ambitious target to increase renewable power capacity to 175GW by 2022.

In Africa, the Moroccan Capital Markets Association published a green bond framework and guidelines for green bond issuance, signalling that Morocco may enter the market, while in Kenya, Dutch development bank FMO has signed a memorandum of understanding with the Kenya Bankers Association to develop a green bond framework, which could pave the way for a sovereign issuance.

Municipal issues by the Cities of Cape Town and Johannesburg, respectively, were “perhaps testing the waters for a potential sovereign issue from South Africa,” Hauman suggests.

BNP’s Sfakianos concurs that “issuance will be biased towards emerging markets in terms of numbers of green bond issuances, but towards developed markets in terms of volumes”.

“In a couple of years we will see a big change. We are confident that will be a big boost to the market,” adds Sfakianos.

However, not every country will view issuing a green bond as an attractive way to raise capital. “Germany, for example, is opposite to France in the sense that it’s libertarian, and the markets are expected to come up with solutions”, says one German banker who asked not to be named.

Similarly, the UK has not committed to coming to market with a green bond, with the UK climate minister, Claire Perry, saying the UK may consider issuing one only after standard definitions of sustainable and green finance have been drawn up.

France will continue tapping its first issuance until it reaches the size of a non-green OAT, says Credit Agricole’s Blandin: “Within two to three years that bond should reach the €15 billion to €20 billion mark.”

However, potential investors might have to wait some time for other sovereigns to issue, he adds: “I’m not expecting the floodgates to open – it’s such a lengthy process that requires the alignment of so many different stars, at a sovereign level, that I don’t see dozens suddenly rushing to the market in January.

“We should not underestimate that sovereigns also have social objectives - green is probably the most relevant right now because of the Paris Agreement, but objectives could be combined: investments that can tick a green, but also a social box. “I would not rule out a sovereign coming with a sustainability bond, combining green and social investments, to the market,” Blandin argues.

“The local authority sector is probably closest to the sovereign sector - almost all large sustainability benchmarks that have been issued by local authorities were not purely green, but sustainability or social. Look at Ile de France, NRW, Communidad de Madrid – they have all issued sustainability bonds.

“If you extrapolate that to what a sovereign can do, it’s logical to say that some might focus on sustainability, not only green,” he concludes.
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