

Emerging market green bond issuance hits \$52 billion in 2019 and can help weather shocks, Amundi and the IFC reveal in new report

- *In 2019 emerging market green bond issuance rose 21% to \$52 billion, with China the largest issuer*
- *2019 marks success in global green bond market with record issuance of \$240 billion*
- *Need for green investments is crucial: current pandemic shows responsible investors in emerging markets can collaborate with issuers through green bonds to unlock long-term capital and help issuers become more resilient for shocks to come*

London, 6 May 2020—Amundi, Europe's largest asset manager, and IFC, a member of the World Bank Group, today published their annual *Emerging Market (EM) Green Bond Report*. The second edition of the **Amundi-IFC Emerging Market Green Bond Report 2019** focuses exclusively on green bond investments in emerging markets. With the aim of highlighting market progress and identifying future opportunities, this report offers to address the gap in public information on emerging market green bonds. The full report is available [here](#).

COVID-19 crisis and the current state of play

As we publish this report, governments across the world are implementing unprecedented measures to fight one of the most acute pandemics since the Spanish Flu. Emerging market economies have far less room for fiscal and monetary manoeuvring, and as shown by early indicators, will be disproportionately hit by the COVID-19 crisis. Today, both green bond issuers and investors face the challenge of overcoming current market turbulence.

However, responsible investors with long-term allocations to emerging markets can collaborate with issuers through green bonds and ESG funds to unlock long-term capital and help issuers become more resilient. So far, investment flows since the start of the crisis have proven more resilient towards green investments when compared to their traditional counterparts. It is possible that investors view green issuers as more long-term oriented and flexible for weathering short-term volatility.

Debt capital markets offer essential funding for sustainable development

Financing countries' climate and sustainable development commitments will require global investment on an unprecedented scale. IFC estimates cumulative climate investment potential of \$29.4 trillion in emerging market cities through 2030. Sustainable finance policies and products, like debt capital instruments, are already helping to plug this gap, by financing projects with environmental and social benefits.

Momentum is rapidly building for the global green bond market, which has now surpassed \$700 billion in outstanding issues. This market is a crucial source of financing for projects with positive environmental impacts in both developed and emerging countries. Investor appetite for green bonds continues to grow, and emerging market issuers are likely to benefit from increasing demand.

EM Green bond issuance in 2019:

Globally, the green bond market outperformed in 2019, with a record issuance volume of \$240 billion (3% of total global bonds issued last year). EM green bond issuance increased by 21% to \$52 billion, bringing the overall market size to \$168 billion. Issuances have been driven by greater recognition among both issuers and investors of the benefits they provide including stable and predictable returns, and a greater awareness of ESG products and strategies.

EM green bond growth continues to be led by China, with the East Asia and the Pacific region responsible for 81% of the market. Other emerging markets drove the overall growth in 2019 with \$18 billion of issues, nearly triple that in 2018. Outside China, the leading issuers were: India, Chile, Poland, the Philippines, the United Arab Emirates, and Brazil, demonstrating greater geographical diversification.

The size of EM green bond issues ranged from \$1.5 million to \$2.9 billion in 2019. Benchmark-sized bonds of at least \$300 million numbered more than 60 in 2019, marking a year-on-year increase of 25%. Some 52% are in hard currency, and excluding China, local currency bond issues make up 9% of cumulative EM green bond issuance. In emerging markets, renewable energy makes up the largest sector for use of proceeds, followed by transport, green buildings, waste, water, biodiversity conservation, and adaptation.

Financial institutions remain the largest issuing sector in emerging markets, making up 59% of issuances (contrasted with 19% in developed markets), followed by non-financial corporates at 35%, sovereigns at 12%, government agencies at 5% and municipalities at 0.1%. Non-financial corporates and sovereigns both increased their market share in the green bond space.

Regulatory and Policy developments are also helping to standardise practices and green finance definitions. As of 2019, national green bond guidelines have been established in at least 14 emerging market countries and global initiatives, like the Green Bond Principles and EU Green Bond Standard, are underpinning many of the policies and strategies launched at national and regional levels.

Future potential for emerging markets green bond market

Increased investor appetite for green bonds and growing awareness of green products are driving growth, in terms of both issuance and investment. However, Amundi and IFC conclude that five key challenges must be addressed to further facilitate the expansion of the emerging markets green bond market:

1. Quality and availability of information to identify, measure, and track green investment
2. Supply constraints, including the limited availability of labelled green assets and a pipeline of green projects
3. Lack of awareness and know-how about issuing and investing in green products
4. Overall macroeconomic and policy instability as well as challenges related to regulatory frameworks, including harmonized standards, green definitions, and green taxonomies
5. Underdeveloped capital markets with insufficient liquidity and high transaction costs

Yerlan Syzdykov, Global Head of Emerging Markets at Amundi, said: *“Amundi is proud to have collaborated with IFC for the second edition of this report. Now, more than ever, as governments and communities collectively tackle COVID-19, we recognise the importance of making our economy more resilient to global shocks. Our research shows that debt capital markets can help close financing gaps and mobilize capital for sustainable development in emerging markets.”*

Although it is hard to assess the long-term impacts of the current crisis and there are still many challenges to scaling green bonds, momentum is building with more investors seeking to align their investment strategies with environmental considerations. Our research indicates that the green bond phenomenon, especially in emerging markets, shows potential signs of resilience during these unprecedented times.”

Jean Pierre Lacombe, Director of Global Macro & Market Research at IFC, commented: *“Over the past decade, green finance has moved from a niche market to one that is increasingly mainstream. The next decade is critical for transitioning to low-carbon economies and mobilizing investment for sustainable development. As economies face many challenges in light of the COVID-19 pandemic, green finance provides innovative solutions for building robust economies. This report highlights where green bond markets can be scaled up and what steps will be necessary.”*

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About Amundi

Amundi, the leading European asset manager, ranking among the top 10 global players¹, offers its 100 million clients - retail investors, institutional investors and companies - a complete range of savings and investment solutions in active and passive management, in traditional or real assets.

With its six international investment hubs², financial and extra-financial research capabilities and long-standing commitment to responsible investment, Amundi is a key player in the asset management landscape.

Amundi clients benefit from the expertise and advice of 4,500 employees in nearly 40 countries. Created in 2010 and listed on the stock exchange in 2015, Amundi currently manages more than €1.5 trillion of assets³.

Amundi, a Trusted Partner, working every day in the interest of its clients and society

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¹Source: IPE "Top 400 asset managers" published in June 2019, based on assets under management as at 31/12/2018

²Boston, Dublin, London, Milan, Paris and Tokyo

³Amundi data as at 31/03/2020