Press Release

Emerging market green bonds can unlock much needed climate-related investment, Amundi and the IFC reveal in a new report

- *$29 trillion of investment opportunities across six sectors in urban cities in emerging markets to 2030*
- *Emerging green bonds can bridge the gap between the huge amount of private capital in developed markets and investment opportunities in emerging markets*
- *Outstanding green bonds in emerging markets could double by 2021*
- *Green bonds are an effective financing mechanism with benefits to both issuers and investors*

London, 30th April 2019 —Amundi, Europe's largest asset manager, and IFC, a member of the World Bank Group, today published their Emerging Market (EM) Green Bond Report. The **Amundi-IFC Emerging Market Green Bond Report 2018** is the first report focusing exclusively on green bond investments in emerging markets. With the aim of facilitating investor knowledge on the green bond market in emerging economies, the report brings together market insight and forecasts based on public information that is vital for issuers and investors. The full report is available on the Amundi Research Center.

Significant climate-related investment opportunities in emerging markets

Emerging markets are the most exposed regions to climate change risks, but they face an unprecedented challenge to decarbonize their economies, while maintaining a sustainable economic development path. Meeting the financing requirements to build new infrastructure compatible with these challenges requires capital from both the public and private sectors.

An estimated $147.4 trillion[1] of private institutional investor capital is available today in developed markets. However, transferring this capital through appropriate investment opportunities into emerging markets remains challenging. Untapped investment opportunities are estimated to total $29 trillion covering six key sectors (waste, renewable energy, public transport, water, electric vehicles, and green buildings) in emerging market cities up to 2030[2]. The opportunity in renewable energy should be larger than this estimate, if we include non-urban areas.

Green bonds remain the most viable way for emerging markets to finance projects that allow them to continue to grow in a sustainable way. From 2012 to 2018, there was cumulative issuance of green bonds totaling $140 billion across 28 markets, which, based on available data, the IFC estimates could increase to between $210 billion and $250 billion by 2021. Financial institutions have a prominent role to play in the development of EM green bonds, where they account for more than 50% of issuances, but the challenge remains to diversify the range of issuers, which may open the door for private non-financial companies to use green bonds.

Current state of the green bond market in emerging economies

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[1] Institutional asset owners include pension funds ($45 trillion), insurance companies ($26.8 trillion), sovereign wealth funds ($8.1 trillion), foundations ($1.5 trillion), and high-net worth individuals ($66 trillion). Source: The Landscape for Institutional Investing in 2018, World Bank Group, 2018.

[2] According to Climate Investment in Cities – An IFC Analysis (2018),

The earliest EM green bond issuance came in 2012 in South Africa, but global EM green bond growth is being driven by China, with the East Asia and the Pacific region responsible for 81% of the market. Despite a downturn in global bond issuance in 2018, EM green bonds continued to be issued at a steady rate - $43 billion of green bonds were issued, with debut issuers recorded in six countries.

While financial institutions in developed markets have accounted for 18% of total green bond issuances, they are the largest issuing sector in emerging markets, making up 57% of cumulative green bond issuances, followed by non-financial corporates at 25%, government agencies at 14%, sovereigns at 2% and municipals at 1%. In emerging markets, renewable energy makes up the largest sector for use of proceeds, while low-carbon transport, water, green buildings, and waste are the next largest sectors.

The size of EM green bond issues ranges from $1.5 million to $4.4 billion, with an average issue size of $385 million. Some 34% are in hard currency, and excluding China, local currency bond issues make up 6% of cumulative EM green bond issuance. About half of the bonds have a credit rating—of those, some 90% are investment grade.

While green bond markets in emerging countries have initially been growing at a slower pace than developed countries, there has been a noticeable "catch-up" by emerging markets in terms of their share of issuance. Green bond issuance in developed markets totaled some 2.4% of developed market bond issuance in 2018—with green bonds in EM tracking at 3% of EM bond issuance.

Yerlan Syzdykov, Head of Emerging Markets at Amundi, commented: *"Amundi is committed to knowledge-sharing and thought leadership to address the major societal challenges confronting the world. Contributing to the development of sustainable finance is central to mobilizing policymakers and investors to fight against climate change. We are proud to have contributed to this report, which provides unique insight into the rapidly growing green bond market in emerging countries and the potential yet to be unlocked."*

Paulo de Bolle, IFC's Global Director of the Financial Institutions Group said: *"We are pleased to partner with Amundi to highlight the significant investment potential of green finance, a powerful tool in the fight against climate change. The market for green bonds has expanded rapidly in recent years and emerging markets are expected to contribute increasingly to this growth trajectory in the future. In this context, it is crucial that both issuers and investors have the information they need to continue investing in green bonds, particularly in growing emerging market economies."*

About Amundi

Amundi is Europe's largest asset manager by assets under management and ranks in the top 10[3] globally. It manages 1,476 billion[4] euros of assets across six main investment hubs[5]. Amundi offers its clients in Europe, Asia-Pacific, the Middle East and the Americas a wealth of market expertise and a full range of capabilities across the active, passive and real assets investment universes. Clients also have access to a complete set of services and tools. Headquartered in Paris, Amundi was listed in November 2015.

Thanks to its unique research capabilities and the skills of close to 4,500 team members and market experts based in 37 countries, Amundi provides retail, institutional and corporate clients with innovative investment strategies and solutions tailored to their needs, targeted outcomes and risk profiles.

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[3] Source IPE "Top 400 asset managers" published in June 2018 and based on AUM as of end December 2017
[2] Amundi figures as of March 31, 2019
[5] Investment hubs: Boston, Dublin, London, Milan, Paris and Tokyo

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