

Sustainable Finance Update: Q3 2023

Speakers



Rahul Ghosh

MD – Sustainable Finance
Moderator



Matthew Kuchtyak

VP – Sustainable Finance
Second Party Opinions, Americas



Isabelle Laurent

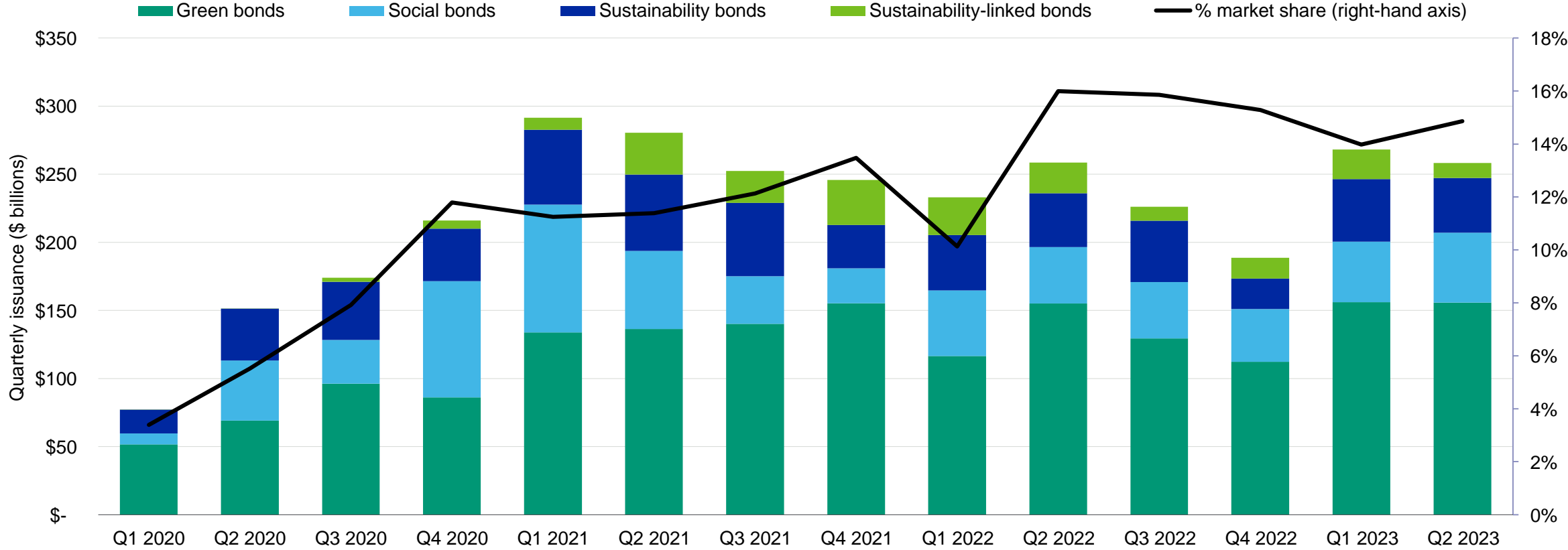
Deputy Treasurer & Head of Funding
European Bank for Reconstruction and
Development (EBRD)



Nicholas Pfaff

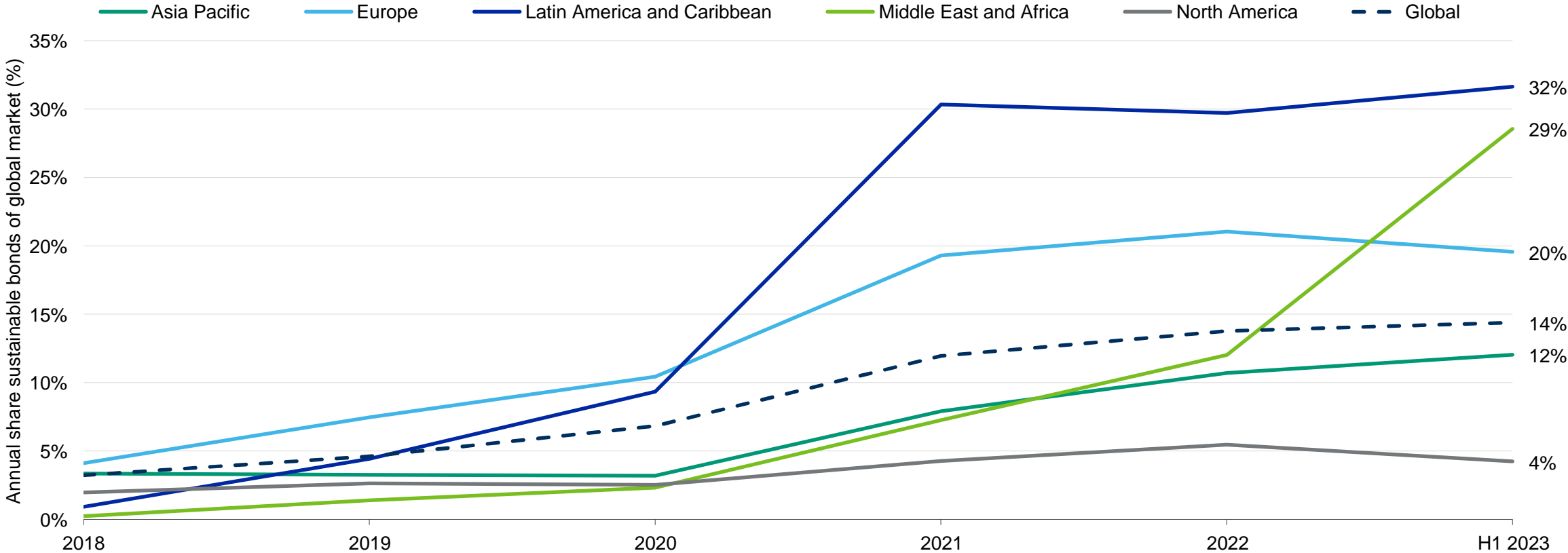
Deputy CEO, Head of Sustainable
Finance
International Capital Market
Association (ICMA)

Sustainable bond issuance tempers slightly as green bonds have breakout first half



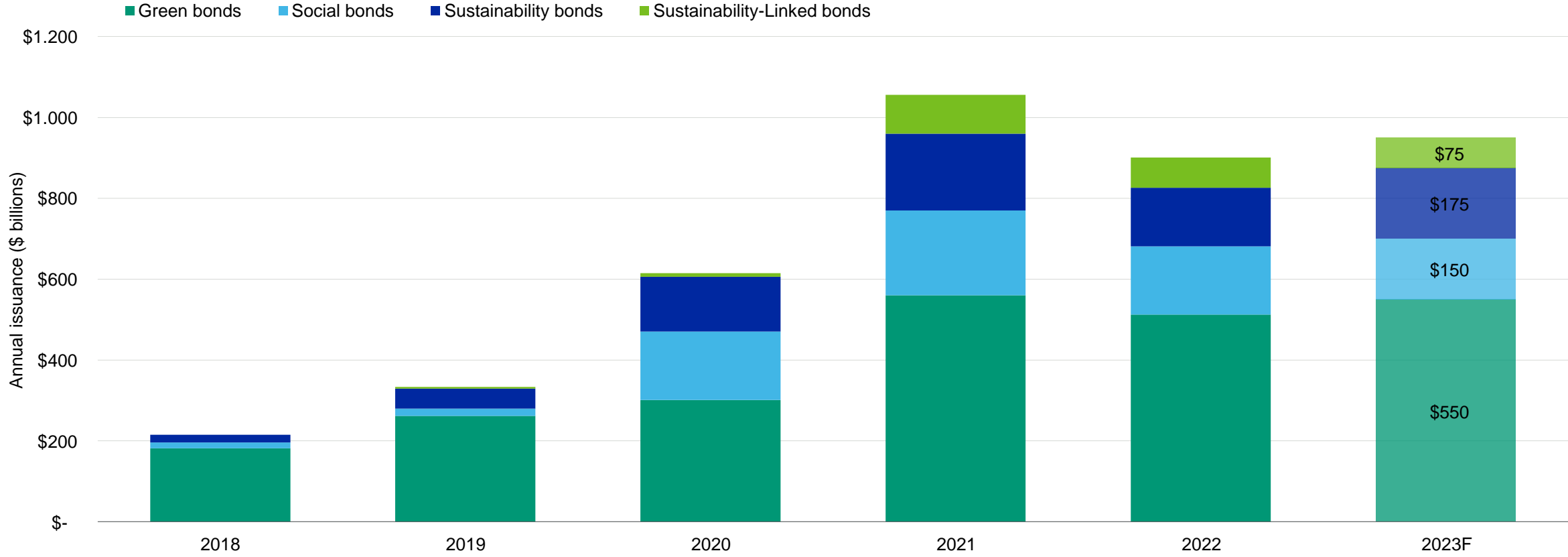
Sources: Moody's Investors Service, Environmental Finance Data, Dealogic

Sustainable bonds are an increasing feature of most regional bond markets



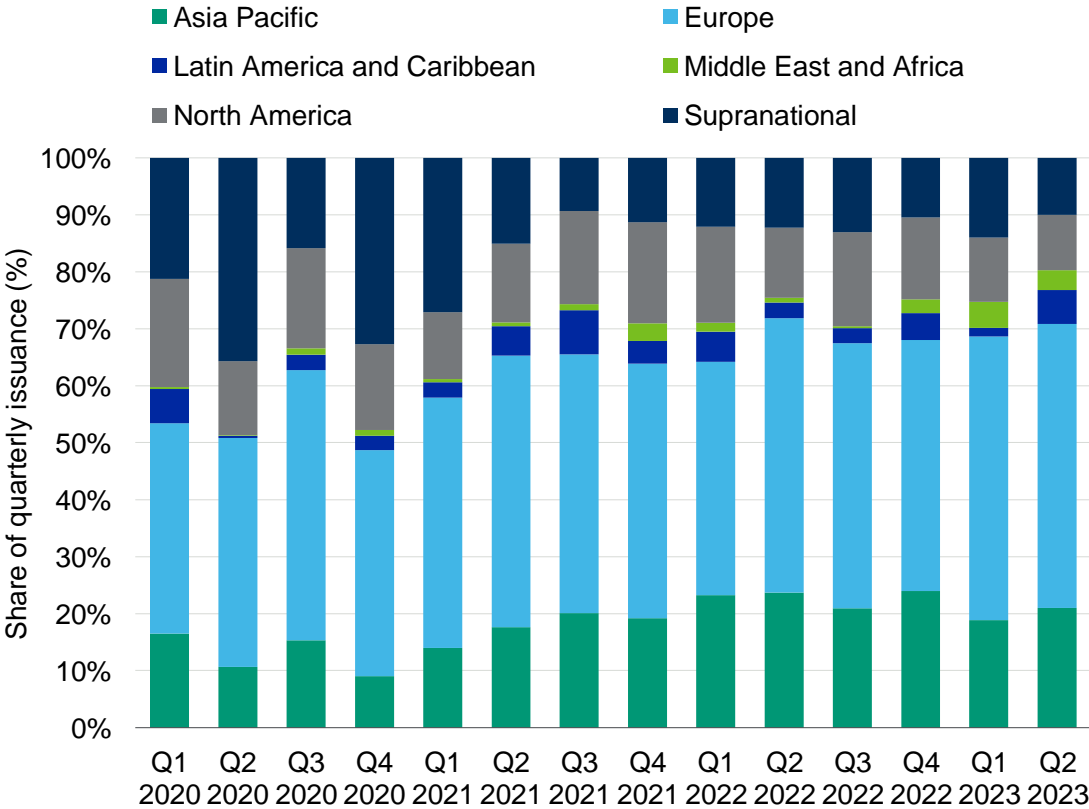
Sources: Moody's Investors Service, Environmental Finance Data, Dealogic

Rising above challenges, sustainable bond issuance set to eclipse \$950 billion in 2023

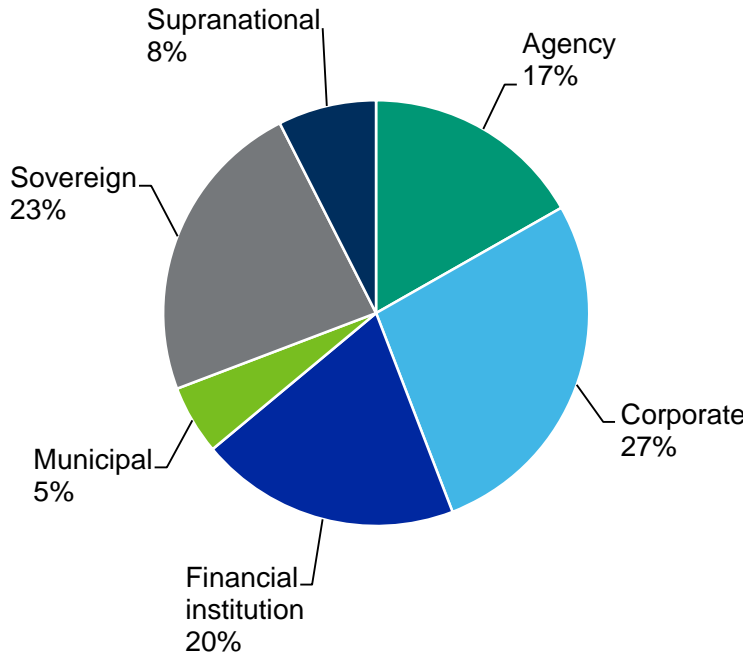


2023F represents Moody's 2023 full-year forecast
Sources: Moody's Investors Service, Environmental Finance Data

European issuers continue to dominate GSSS bond market while Latin American volumes bounce back

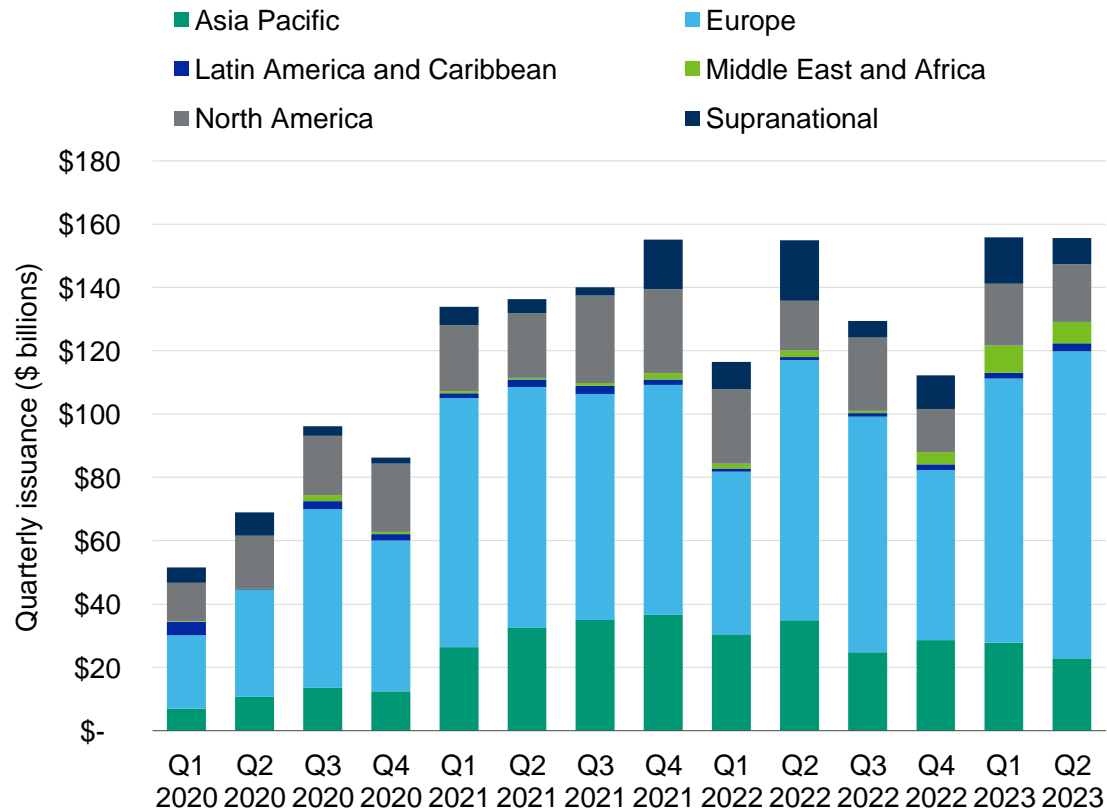


Share of global Q2 2023 GSSS bond volumes by issuer type

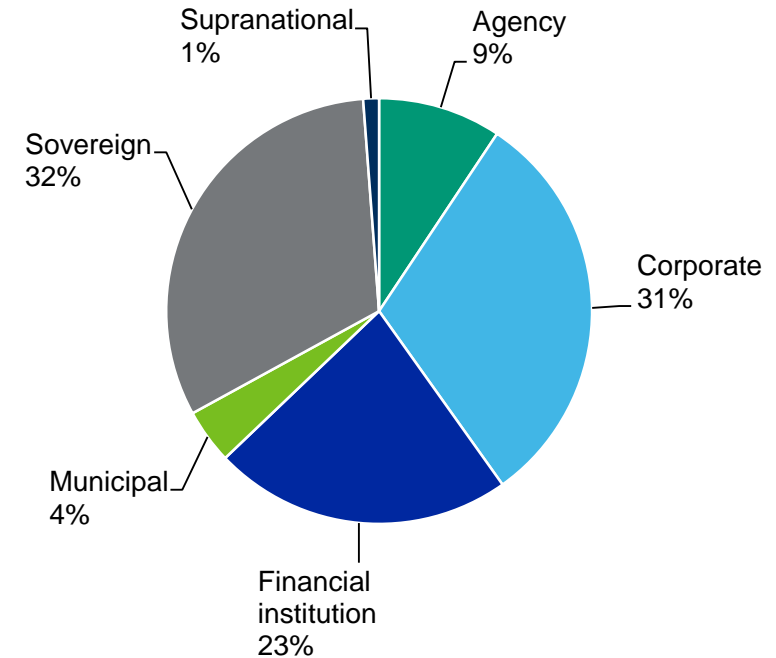


Sources: Moody's Investors Service, Environmental Finance Data

Global green bond issuance surges in first half of 2023

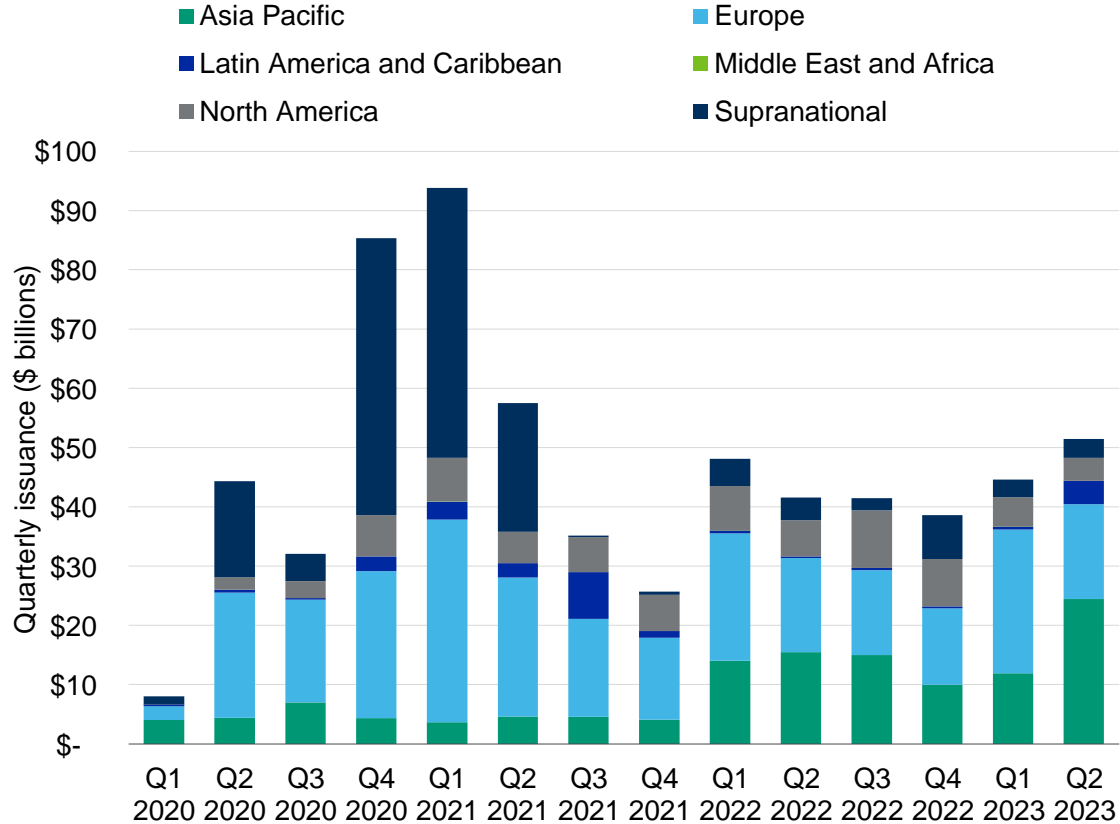


Share of global Q2 2023 green bond issuance by issuer type



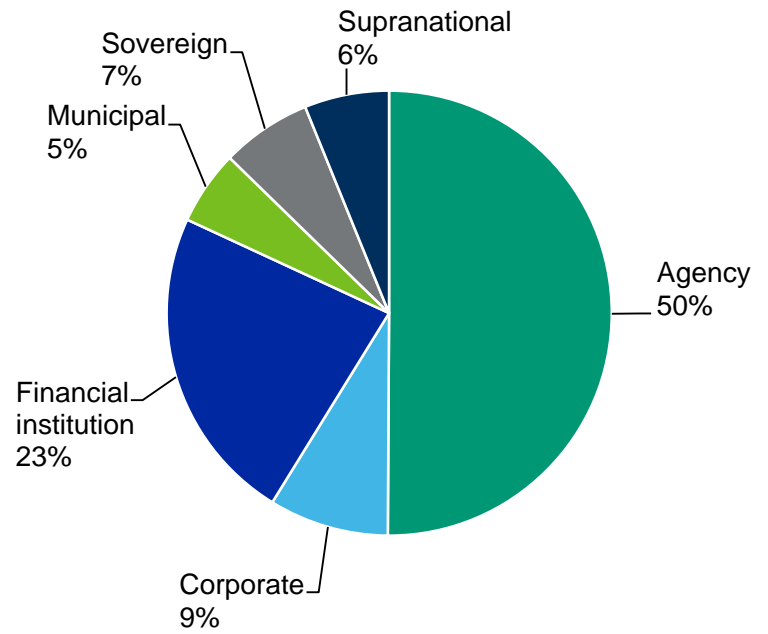
Sources: Moody's Investors Service, Environmental Finance Data

Global social bond issuance uptick in Q2 supported by Asia-Pacific issuers

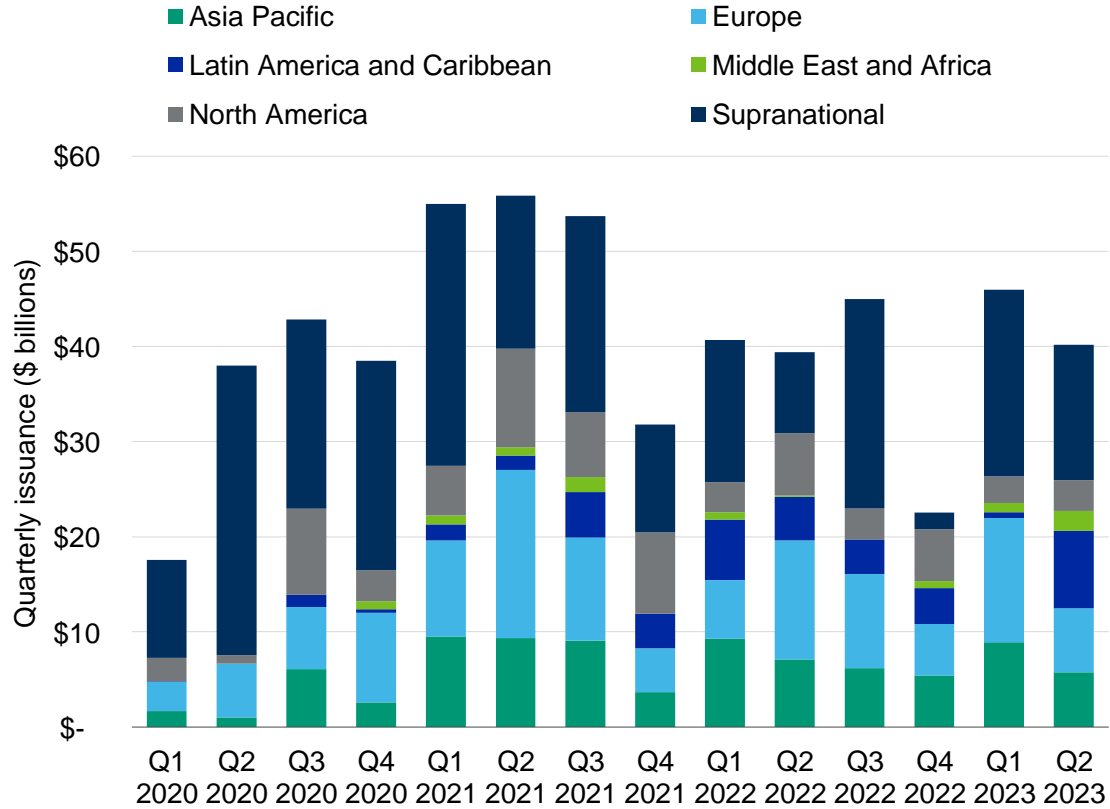


Sources: Moody's Investors Service, Environmental Finance Data

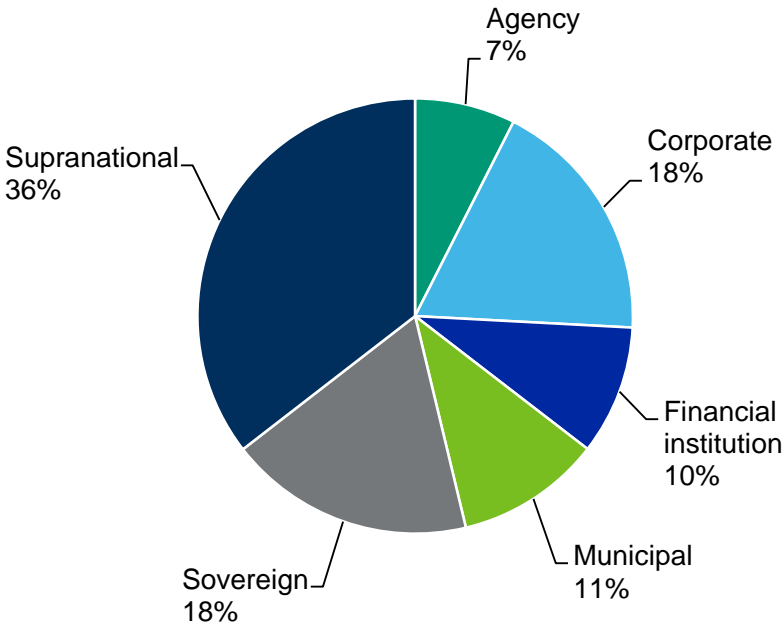
Share of global Q2 2023 social bond issuance by issuer type



Sustainability bond volumes moderate in the second quarter of 2023

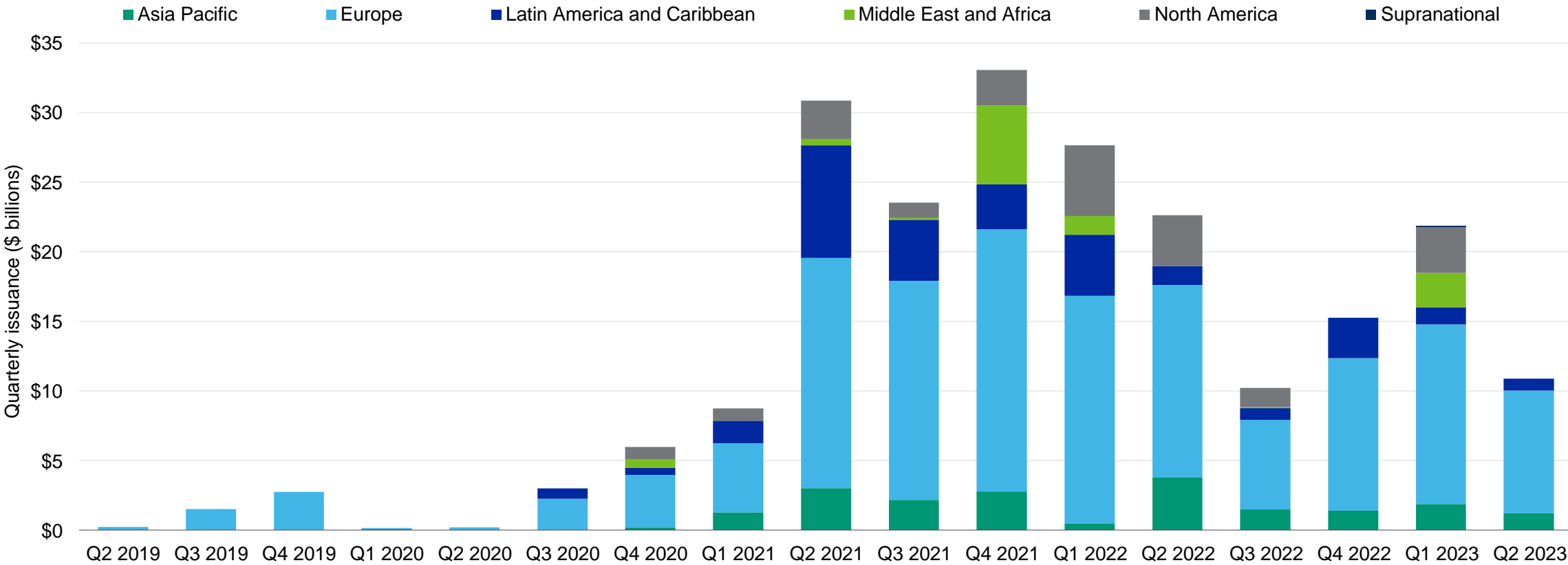


Share of global Q2 2023 sustainability bond issuance by issuer type



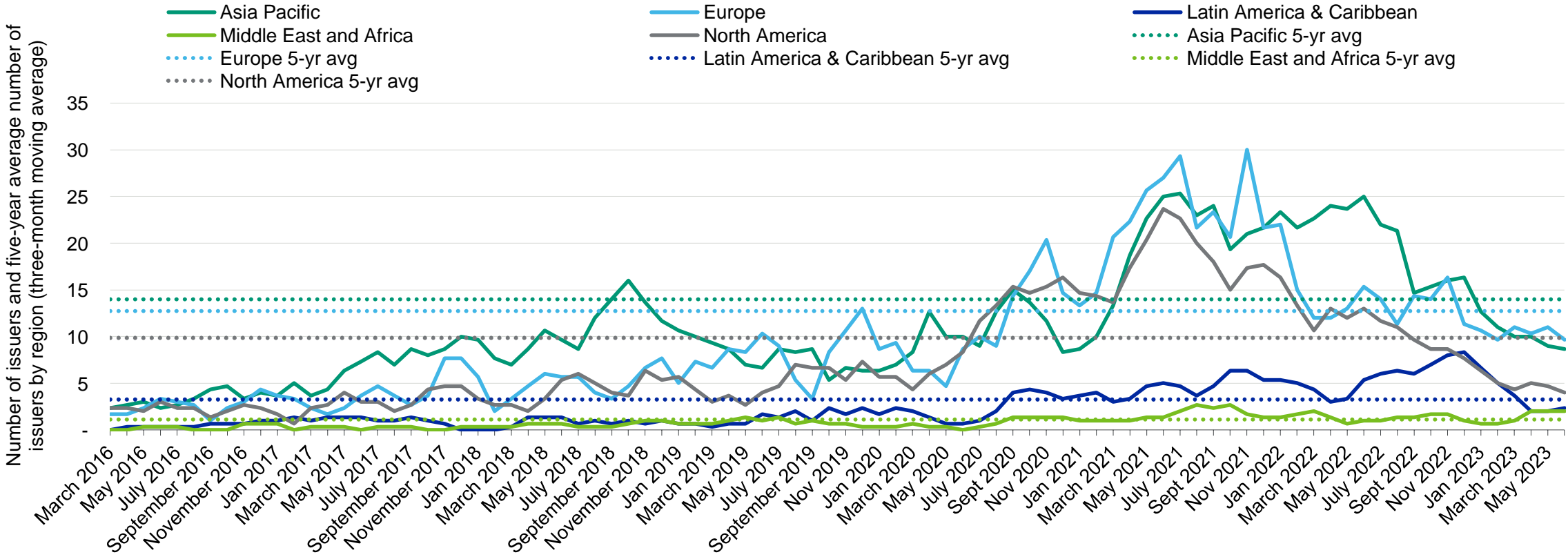
Sources: Moody's Investors Service, Environmental Finance Data

Sustainability-linked bond volumes continue to cool with certain regions absent from the market



Sources: Moody's Investors Service, Environmental Finance Data

First-time issuers in core sustainable bond regions have fallen in recent months



Note: We calculated regional five-year long-term average of new issuers from July 2018 to June 2023 and then measured each issuing segments' three-month moving average of new issuers, on a monthly basis
Sources: Moody's Investors Service, Environmental Finance Data

2023 Update of the Principles

Nicholas Pfaff, Deputy CEO and Head of Sustainable Finance
ICMA

27 July 2023

2023 Guidance from the Principles (infographic)



Updated 2023

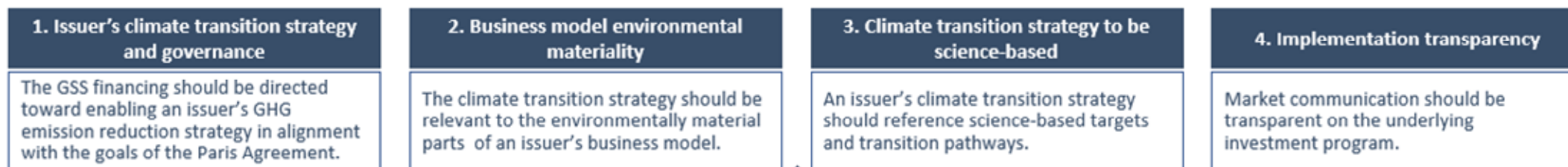
2023 Guidance from the Principles

- **2023 edition of the CTFH** integrates progress made by the market and the official sector on climate transition guidance and disclosures while aiming for clarity and user-friendliness. Includes dedicated recommendations for climate-themed green, sustainability and sustainability-linked bonds and new annexes with illustrative disclosures, infographics and list of wider market and official sector guidance for climate-themed bonds.
- Substantively, the **CTFH 2023** includes:
 - » Just transition considerations and recommended independent oversight of transition plans
 - » Specific reference to Scope 3 where material and disclosure of reporting timeline
 - » More detail on science-based trajectories and the emissions reduction transition path including well below 2 degree scenarios at minimum
 - » New details about carbon cost assumptions, phase out plans for carbon intensive activities and disclosure of any locked in emissions
- **2023 update of the SLBP** and related tools adapted for sovereign issuers, as well as new metrics for sovereigns and social issues in the KPI registry.

Guidance for climate transition-themed bonds

- **Climate transition focuses principally on the credibility of an issuer’s Greenhouse Gas (GHG) emissions reduction strategy, commitments, and practices.**
- Bonds aligned with the Green, Sustainability, or Sustainability-Linked Bond Principles (GSS Bonds) to be underpinned by organisation level climate transition strategies and disclosures **aligned with recommendations of the Climate Transition Finance Handbook 2023 (CTFH 2023).**
- Notably, GSS issuance from issuers in ‘hard-to-abate’ sectors would be strengthened through alignment with the CTFH 2023.
- **Issuers are encouraged to reference the CTFH 2023** and align with the elements contained therein to communicate their GHG emissions reduction strategy. This is especially pertinent to green, sustainability or sustainability-linked instruments designated as “climate transition” bonds (which may take the form of an additional climate transition label, as is the case in certain jurisdictions).

Key Elements of the Climate Transition Finance Handbook



Sustainable Finance Solutions

Green and Sustainability Bonds
Focus on projects

Type: Use of proceeds (UoP)
Guidance: Green Bond Principles and Sustainability Bond Guidelines
Projects: projects that will make a meaningful contribution to an issuer’s GHG emissions reduction strategy. This can include environmental (green) projects that will make a direct contribution to an issuer’s own GHG emissions trajectory, and/or projects (including social) tied to a "just transition".
Additional resources: See Annex 2 for a non-exhaustive list of wider official and market guidance for climate transition themed GSS Bonds.

Sustainability-Linked Bonds (SLBs)
Focus on the issuer’s climate transition trajectory

Type: General purpose with KPIs and SPTs at the issuer level
Guidance: Sustainability-Linked Bond Principles
KPIs and Sustainability Performance Targets (SPTs): where one or more of the KPIs are monitoring GHG emission reduction metrics – either direct results (i.e., absolute/intensity GHG emission metrics) or supportive proxies (i.e., metrics that act as levers to advance GHG emission reduction targets). Targets to be science-based.
Additional resources: See [illustrative KPI Registry](#) and Annex 2 for a non-exhaustive list of wider official and market guidance for climate transition themed GSS Bonds.

2023 Guidance from the Principles

➤ Other updates of the 2023 Guidance of the Principles:

- **Additional Q&As** for green, social and sustainability bond securitisation.
- **Revised language for the Social Bond Principles** confirming the need to identify target populations, and separately an expanded Q&A and specific guidance for impact reporting for Social Bonds.
- **New core recommendations for impact reporting** for Green Bonds, and **impact reporting metrics for energy efficiency & renewable energy**.
- **References to “just transition”** now in CTFH, issuer pre-issuance checklists and information templates
- **Revised mapping to SDGs**, and updated issuer information templates and external review forms

Q&A

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