

SUSTAINABLE DEBT MONITOR

Boom time!

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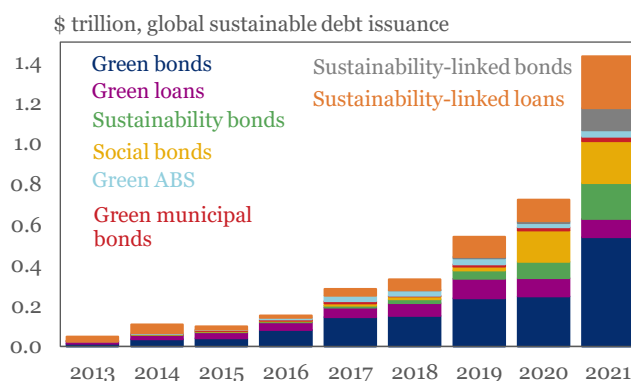
- Record highs: global issuance of sustainable debt (bonds and loans) hit a fresh record of over \$1.4 trillion in 2021, almost double the level in 2020—bringing total market size close to \$3.4 trillion.
- Amid surging demand, we project global sustainable debt issuance at \$1.8 trillion in 2022, soaring to \$3.8 trillion in 2025. Under favorable market conditions, total issuance could reach an annual pace of over \$7 trillion by 2025.
- EM borrowers raised more than \$230bn from ESG debt markets in 2021—over three times the \$75bn raised in 2020.
- Greening SOEs: EM state-owned enterprises raised >\$50bn from ESG bond markets in 2021—1.5% of total issuance.

Sustainable debt issuance doubles in 2021: Last year was another blockbuster for [ESG investing](#). ESG debt funds alone attracted a surge in investment flows of over \$135 billion in 2021—up from \$55 billion in 2020. And helped by [strong investor demand](#)—often reducing borrowing costs—global sustainable debt (bonds and loans) issuance surpassed a new record of over \$1.4 trillion in 2021, almost double the pace of 2020 (Chart 1). Despite subdued activity in December, total issuance was over \$350 billion in Q4 2021, up 30% from Q4 2020. Overall, the sustainable debt universe expanded to near \$3.4 trillion in 2021, up from \$1.8 trillion in the previous year, with mature markets accounting for some 75% of the total (Table 1).

The largest category of sustainable debt, [ESG-labelled bond issuance](#)—encompassing green, social, sustainable, and sustainability-linked bonds (GSSS)—has doubled to near \$1.1 trillion in 2021 and now accounts for some 70% of the sustainable debt universe. Of note:

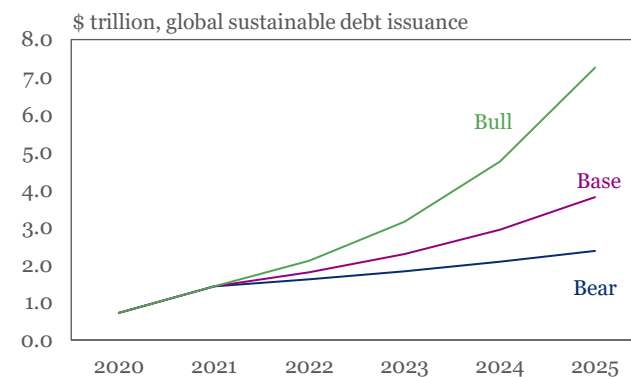
- The **green bond market** achieved two new milestones in 2021: full-year issuance rose to a fresh high of over \$500 billion, while cumulative issuance hit \$1.5 trillion.
- **Social bond issuance** hit nearly \$205bn, up nearly 90% from 2020. France, South Korea, and [Chile](#) were the biggest issuers. Supranationals play a crucial role in green and social bond market development, currently accounting for 17% of all ESG-labelled bonds.
- **Sustainability bond issuance** surged to \$177bn, dwarfing 2019-2020 totals, as first-time non-financial corporate issuers joined the market.
- **Sustainability-linked bond issuance** reached \$109 billion—almost 10 times higher than 2020 levels—as investor appetite for these instruments intensified.

Chart 1: Global sustainable debt issuance hit a new record of over \$1.4 trillion in 2021...



Source: Bloomberg, BNEF, IIF

Chart 2: ...and is projected to climb to \$1.8 trillion in 2022 and near \$3.8 trillion in 2025



Source: Bloomberg, IIF estimates

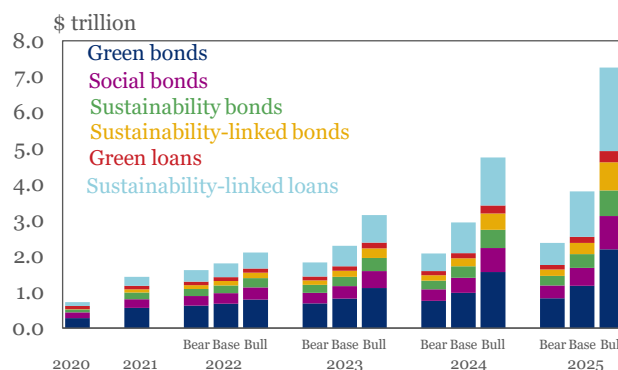
At \$1 trillion outstanding, **sustainable loans** account for over 30% of the sustainable debt universe, with sustainability-linked loans the fastest-growing segment. Largely driven by non-financial corporates, including consumer goods sectors, issuance topped \$260bn in 2021, about 2.5 times 2020 levels. During the same period, green loan issuance amounted to \$90 billion, similar to 2020 levels, though slightly less than its all-time high in 2019.

The future of sustainable debt market: With **strong tailwinds**—including the rush to net-zero commitments driving the development sustainable debt markets, our **baseline scenario** sees total global sustainable debt issuance reaching \$1.8 trillion in 2022 and near \$3.8 trillion in 2025 (Chart 2). While we expect green bonds to dominate near-term, sustainability-linked loan issuance is projected to grow exponentially, dominating the market by 2025 (Chart 3). Under favorable market conditions (our bull scenario), global sustainable debt issuance could reach an annual pace of \$7.2 trillion by 2025.

Emerging markets are slowly catching up: **ESG integration** in emerging and frontier markets (EMs & FMs) accelerated in 2021. Total issuance topped \$230bn in 2021, up from \$75bn in 2020 (Chart 4). However, activity was largely concentrated in China, expanding some five-fold to near \$110bn. Ex-China, over 40% of EM and FM issuance was from Latin America (mainly Chile, Mexico, and Brazil), followed by EM/FM Asia (25% of total, mainly India, Indonesia, and Malaysia). Strong appetite for ESG-aligned EM debt securities has also been evident in Eurobond markets: The share of ESG bonds in the EM sovereign Eurobond market jumped to over 15% in 2021, more than tripling the 2020 pace. We **expect** sovereign EM ESG Eurobond issuance to approach \$40bn in 2022—making up fully 25% of projected Eurobond issuance in 2022.

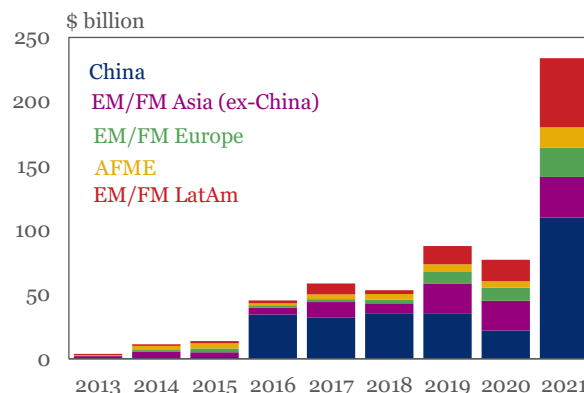
Greening SOEs? EMs issued over \$175 billion of ESG-labelled bonds in 2021. Over \$50 billion of this issuance was associated with state-owned enterprises (SOEs) and was almost entirely driven by SOEs in China. At present, EM SOEs **dominate** sectors which are critical for the transition to a low-carbon economy while **constituting** over half of all

Chart 3: ESG debt issuance projections by instrument



Source: Bloomberg, IIF estimates

Chart 4: Outside China, over 40% of emerging and frontier ESG debt issuance was from Latin America



Source: Bloomberg, IIF

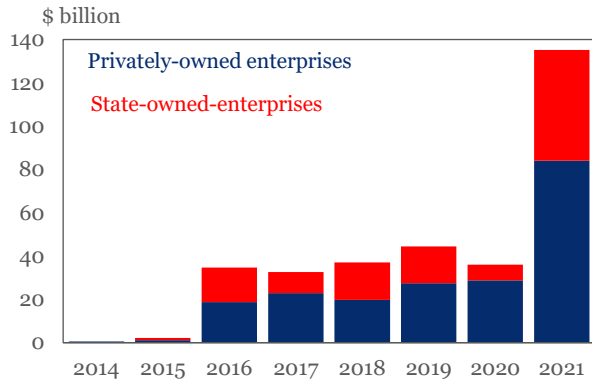
EM corporate debt securities. With foreign investors' hunger for climate-aligned debt securities on the rise, we expect many EM SOEs to increasingly prioritize climate and environmental issues in their debt management practices in an effort to ensure access to affordable and sustainable international capital.

Table 1: Outstanding Sustainable Debt Securities, Q4 2021

\$ billion	Debt securities	Green bonds	Green ABS	Sustainability bonds	Social bonds	Green municipal bonds	Sustainability-linked bonds	Loans	Green loans	Sustainability-linked loans	Total
Global markets	2328	1295	82	340	409	75	126	1059	422	637	3387
Mature markets	1677	961	82	205	256	75	97	827	271	556	2504
Emerging and frontier markets	306	215	0	42	23	0	27	165	115	49	471
Offshore centers	27	22	0	2	0	0	2	67	36	31	94
Supranationals	318	98	0	91	130	0	0	0	0	0	318
Top 7 MMs	1188	647	81	125	188	75	71	603	184	420	1791
Top 7 EMs	240	176	0	23	19	0	23	89	57	33	330
2 offshore centers	26	21	0	2	0	0	2	66	36	30	92

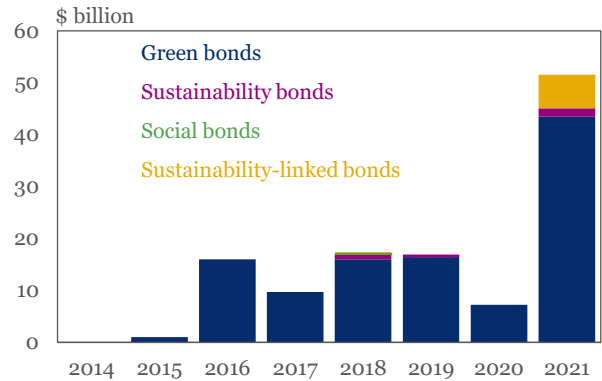
Source: Bloomberg, BNEF, IIF; top 7 mature markets by size include the U.S., France, Germany, the UK, Spain, the Netherlands, & Italy; top 7 EMs by size include China, India, Chile, Brazil, Mexico, Turkey & Indonesia; the 2 offshore centers by size include Singapore and Hong Kong; *compiled by country of risk

Chart 5: EM ESG-labelled corporate bond issuance by state-owned enterprises (SOEs)



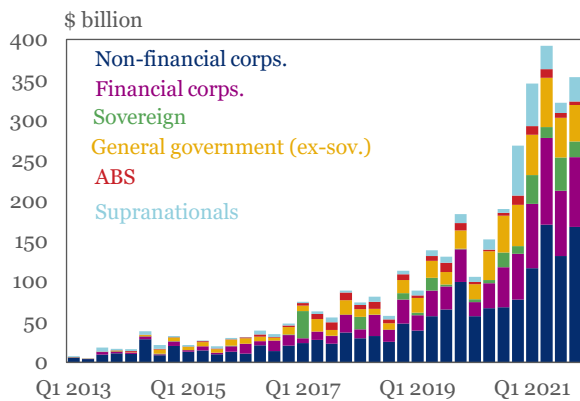
Source: Bloomberg, IIF

Chart 6: EM ESG-labelled corporate bond issuance by SOEs, by instrument



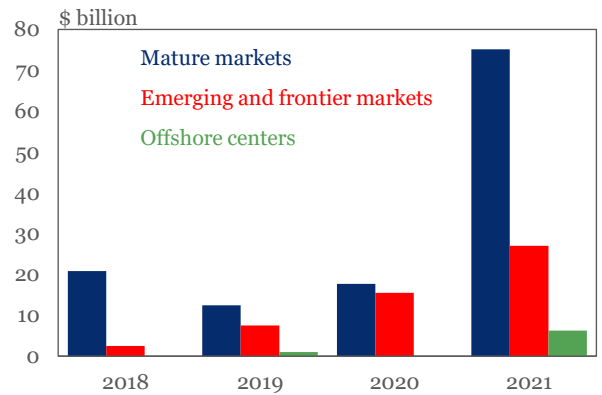
Source: Bloomberg, IIF

Chart 7: Global sustainable debt issuance by sector



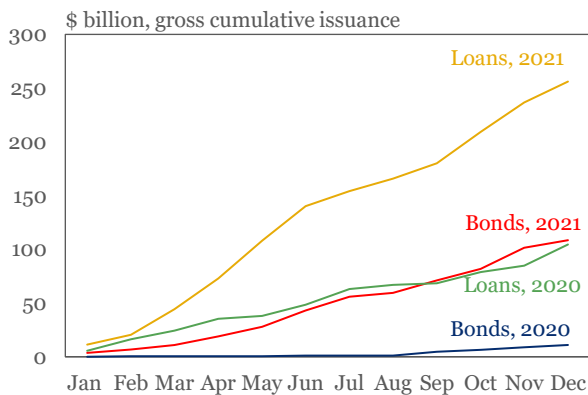
Source: Bloomberg, IIF

Chart 8: Sovereign ESG-labelled bond issuance



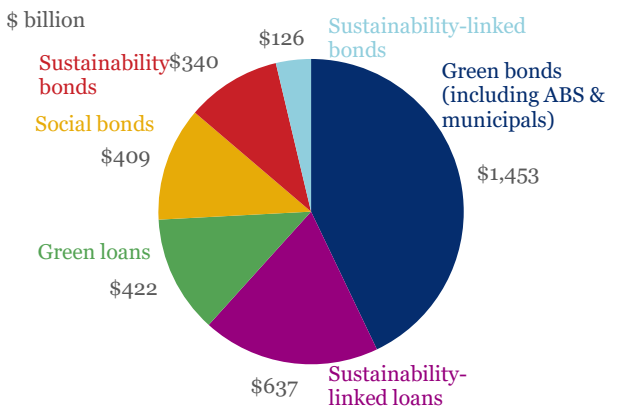
Source: Bloomberg, IIF

Chart 9: Sustainability-linked finance gains traction



Source: Bloomberg, IIF

Chart 10: Global outstanding sustainable debt by instrument



Source: Bloomberg, IIF

Table 2: List of Countries in the Sustainable Debt Monitor Database

	Emerging and frontier markets (141)			Mature markets (35)	Offshore centers (24)
Afghanistan	Egypt	Malaysia	Saudi Arabia	Australia	Anguilla
Albania	El Salvador	Maldives	Senegal	Austria	Antigua & Barbuda
Algeria	Equatorial Guinea	Mali	Serbia	Belgium	Aruba
Angola	Eritrea	Marshall Islands	Seychelles	Canada	Bahamas
Argentina	Eswatini	Mauritania	Sierra Leone	Cyprus	Bahrain
Armenia	Ethiopia	Mexico	Solomon Islands	Czech Republic	Barbados
Azerbaijan	Fiji	Micronesia	Somalia	Denmark	Belize
Bangladesh	Gabon	Moldova	South Africa	Estonia	Bermuda
Belarus	Georgia	Mongolia	Sri Lanka	Finland	British Virgin Islands
Benin	Ghana	Montenegro	Sudan	France	Cayman Islands
Bhutan	Guatemala	Morocco	Suriname	Germany	Curacao
Bolivia	Guinea	Mozambique	Syria	Greece	Dominica
Bosnia & Herzegovina	Guinea-Bissau	Myanmar	Taiwan (China)	Iceland	Gibraltar
Botswana	Guyana	Namibia	Tajikistan	Ireland	Grenada
Brazil	Haiti	Nauru	Tanzania	Israel	Hong Kong
Brunei Darussalam	Honduras	Nepal	Thailand	Italy	Lebanon
Bulgaria	Hungary	Nicaragua	The Gambia	Japan	Mauritius
Burkina Faso	India	Niger	Timor Leste	Latvia	Montserrat
Burundi	Indonesia	Nigeria	Togo	Lithuania	Panama
Cabo Verde	Iran	North Macedonia	Tonga	Luxembourg	St. Kitts & Nevis
Cambodia	Iraq	Oman	Trinidad & Tobago	Malta	St. Lucia
Cameroon	Jamaica	Pakistan	Tunisia	Netherlands	St. Vincent & the Grenadines
Central African Republic	Jordan	Palau	Turkey	New Zealand	Singapore
Chad	Kazakhstan	Papua New Guinea	Turkmenistan	Norway	Turks & Caicos Islands
Chile	Kenya	Paraguay	Tuvalu	Portugal	
China	Kiribati	Peru	Uganda	Puerto Rico	
Colombia	Kuwait	Philippines	Ukraine	San Marino	
Comoros	Kyrgyz Republic	Poland	UAE	Slovakia	
Costa Rica	Lao P.D.R.	Qatar	Uruguay	Slovenia	
Cote d'Ivoire	Lesotho	Republic of Congo	Uzbekistan	South Korea	
Croatia	Liberia	Romania	Vanuatu	Spain	
Dem. Rep. of the Congo	Libya	Russia	Venezuela	Sweden	
Djibouti	Macao	Rwanda	Vietnam	Switzerland	
Dominican Republic	Madagascar	Samoa	Yemen	U.S.	
Ecuador	Malawi	Sao Tome & Principe	Zambia	United Kingdom	
			Zimbabwe		

Appendix A: Definitions of Sustainable Debt Instruments

- *Green Bond/Loan*: proceeds from this fixed income security are applied for climate and environmental projects
- *Green Asset-Backed Securities*: instrument's cash flows relate to low-carbon assets or where the proceeds are used in low-carbon asset investments
- *Sustainability Bond*: bond proceeds are applied to environmentally sustainable outcome, a combination of both green and social projects
- *Social Bond*: bond proceeds are applied towards social projects, like promoting social welfare and creating a positive impact within communities
- *Green municipal bond*: bond proceeds enable local government to finance infrastructure projects that help the environment
- *Sustainability-linked bond/loan*: the terms of these fixed income security are aligned with the issuer/borrower's sustainability performance targets with the aim of improving the sustainability profile

Appendix B: Country coverage

Mature markets cover 35 countries, emerging and frontier markets cover 141 countries and offshore centers include 24 countries. See Table 2 for the complete list.