



DZ BANK Sustainable Bond Market Forecast 2019: Midyear review

In the first half of 2019 the success story of the Green Bond market continued. According to statistics from the Climate Bonds Initiative (CBI) total volume increased by 48% yoy to USD 117.6bn.

Green Bond issuance surpassed the USD 100bn mark for the third time. This is the first time that this happened in the first half of the year (2017: November; 2018: September). May was the strongest months so far. According to the CBI, issuance volume reached USD 23.8bn. This was the biggest May volume to date and the second highest months ever. Overall, the USD 20bn monthly volume mark has only been surpassed three times in the past 2.5 years: in September 2017, November 2018 (highest volume ever), and in May 2019.

Our forecasted trend “green goes rainbow” continued, meaning that more and more issuers are going beyond the pure environmental perspective when issuing sustainable bonds. Both Social Bonds as well as Sustainability / ESG / SDG Bonds are on the rise. One of the biggest transactions was the fifth Sustainability Bond of the State of NRW in March (USD 2.5bn).

As expected sovereign issuance continues to flourish. France, Indonesia, Nigeria and Poland were repeat issuers. Chile, Hong Kong and the Netherlands (the first AAA-rated

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Dear Reader,

Welcome to the first edition of our Sustainable Finance Bulletin.

The role of the financial sector in transforming our economy and society towards sustainability had been overlooked for too long. Fortunately, capital markets have started to take the right path to support this transformation. Some years ago, sustainable finance used to be a small niche. But today it is becoming a transformational force.

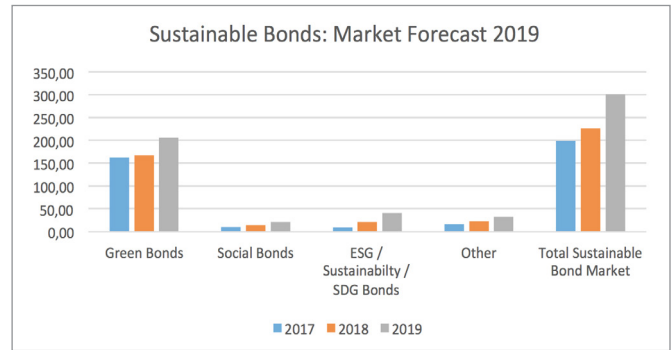
Enjoy reading!

Marcus Pratsch

Head of Sustainable Bonds & Finance

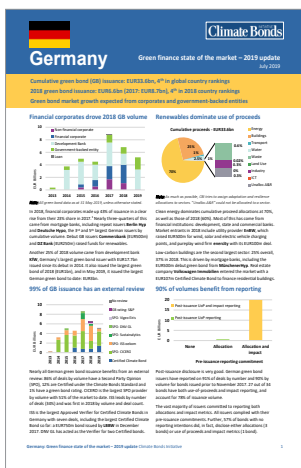
nation to issue a Green Bond) threw its hats in the ring with a sovereign green debut.

Reviewing the market activity of the first six months, we stick to our forecast from January 2019. We continue to forecast new issuance in the global Sustainable Bond market to grow by around one third, hence exceeding the USD 300bn mark. The Green Bond market is expected to grow at least by 20% exceeding the USD 200bn mark by the end of this year. New issuance of ESG, Sustainability and SDG Bonds as well as Social Bonds will remain the growth driver of the market and is forecasted to increase by around 75%.



Source: CBI, DZ BANK (2019)

CBI Germany Green Finance Report: In 2018, Germany was the 4th largest Green Bond market globally



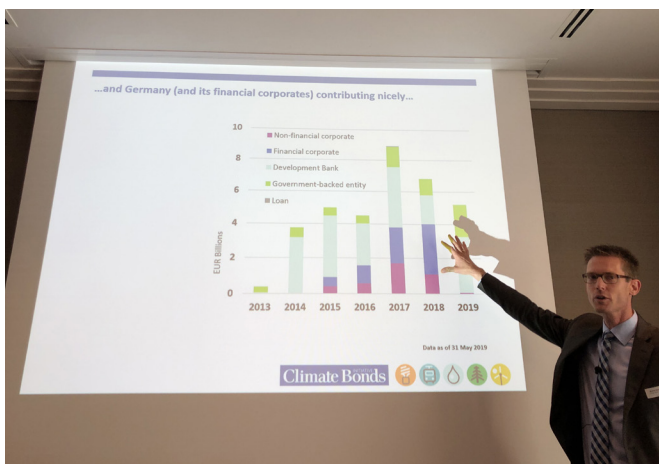
On 9 July 2019, DZ BANK and DekaBank have hosted a Climate Bonds Initiative (CBI) market and taxonomy briefing in Munich. During the event, the “Germany Green Finance State of the Market Report 2019” was launched. The report produced with the support of DZ BANK and DekaBank is focussing on green bond issuance, policy developments and market growth in the world’s fourth largest national green bond market in 2018.

In 2018, EUR 6.6bn Green Bonds were issued in Germany, which was the 4th largest amount globally and the second largest amount in Europe (1st US; 2nd China, 3rd France). The three biggest green bond issuers (cumulative issuance) were KfW EUR 1.6bn, Berlin Hyp EUR 1.0bn and Deutsche Hypo EUR 0.6bn.

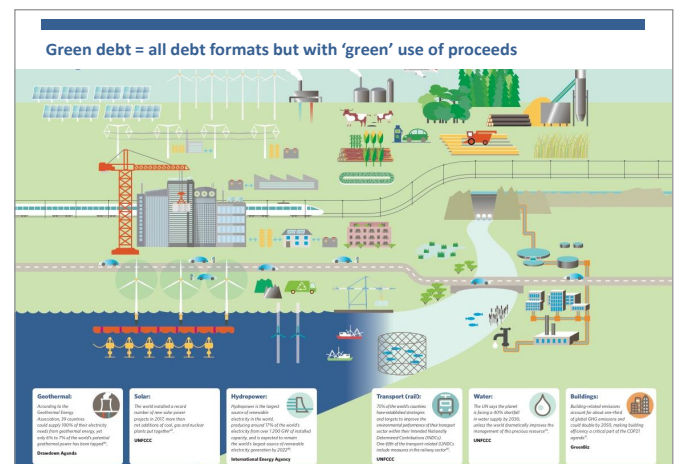
Financial corporates made up 43% of total issuance in Germany (2017: 23%) as more banks including Commerzbank and DZ BANK entered the market with green instruments financing renewable energy. Another 25% of 2018 volume came from KfW, Germany’s largest green bond issuer with EUR 17.7bn issued since its debut in 2014.

Renewable energy (60%) tops use of proceeds followed by low carbon buildings (37%) and low carbon transport (2.6%).

Link: <https://www.climatebonds.net/resources/reports/germany-green-finance-state-market-2019>



Source: CBI, DZ BANK (2019)



Invitation: Sustainable Finance – A Transformational Force 28 August 2019, Frankfurt am Main

On 28 August 2019, DZ BANK, the Green and Sustainable Finance Cluster Germany and OMFIF will host an international Sustainable Finance event.

During our conference experts from the global finance industry, politics, business and science will discuss inter alia the following topics:

- » Sustainable Finance in Germany
- » The European and Global Sustainable Finance Agenda
- » Regulation on Sustainable Finance: A curse or a blessing?
- » The Role of the Global Fixed Income Market with regard to the Sustainable Transformation of our Economy and Society
- » Sovereign Green Bonds
- » The Role of International Financial Centres with regards to the Global Sustainable Finance Agenda

Please use the following link to register:

<https://www.events.dzbank.de/sustainable-finance/home>



Save the Date

Sustainable Finance – A Transformational Force

28 August 2019, 8 am – 1 pm

Frankfurt School of Finance & Management, Frankfurt am Main, Germany



The role of the financial sector in transforming our economy and society towards sustainability had been overlooked for too long. Nowadays, more and more people are realising that finance is one of the missing links in the fight against climate change and in achieving the Sustainable Development Goals. The road towards a sustainable economy is unthinkable without the participation of the capital markets. Public investment alone is not nearly enough. The sustainable funding gap can only be filled by significantly increasing private sector participation with the help of the capital markets.

Fortunately, capital markets have taken the right path to support the sustainable transformation of our economy. Some years ago, sustainable finance used to be a small niche. But today it is becoming a transformational force.

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As in previous years, we are confident that the range of topics will stimulate discussion and generate a fascinating exchange of views between the key speakers, experts and conference participants.

DZ BANK, the Green and Sustainable Finance Cluster Germany and OMFIF are looking forward to welcoming you in Frankfurt. A detailed agenda will be distributed shortly.

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LEGAL REFERENCES

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