

Best Bank for ESG Issuers Credit Agricole CIB

In a year which has seen the overall market shrink, the one sector to really buck that trend is the market for green and ESG covered bonds. So naturally it has been a focus of attention for covered bond bankers everywhere and the competition to be best bank for ESG issuers was more intense than ever. In the face of stiff opposition, it is Credit Agricole CIB that took the laurels, adding to their already very impressive credentials in the sector.

Although green covered bonds are the flavour of the month now, it hasn't always been that way, Tanguy Claquin, global head of sustainability at Credit Agricole CIB, remembers the early days, going to the VDP (Verband Deutscher Pfandbriefbanken) to explain the concept of green bonds and how the technology might be applied to covered bonds way back in 2013, long before the first green Pfandbrief came to market.

The VDP listened and were persuaded but others took longer, says Laurent Adoult, head of sustainable banking, financial institutions and sovereign, supranational and agency, Europe. "We kept being told 'this will never happen', people didn't believe it would ever work".

It is this long track record of a commitment to the sector that Adoult believes is one of the reasons for their success, in particular it helps explain how "all of the people, DCM, syndicate, sales... everyone...endorse ESG topics". It has been clearly communicated for some time that this is an important sector for Credit Agricole CIB.

A long term commitment to the sector comes with an obligation, Credit Agricole CIB has worked hard to frame the market and, as Claquin puts it "to be not just a passenger". Claquin himself was a member of the European Union's Technical Expert Group on sustainable finance which helped the European Commission develop the Taxonomy and Green Bond Standard which are shaping the future of the green bond market.

Credit Agricole CIB's strength in the green sector might be necessary to win this award, but it isn't sufficient. Green bonds are one thing, green covered bonds are another level of complexity entirely. Regulations are different in every country – despite the best efforts of the Commission to harmonise standards – so green bond technology needs to be adapted to national specificities. The strength of their covered bond franchise, their origination and research strength in that market have helped them develop green covered bonds to those national specificities.

And covered bond issuers like long term relationships,



Tanguy Claquin,
global head of
sustainability

a factor which gels nicely with Credit Agricole CIB's commitment to the market, as Claquin says "we spoke with clients about sustainability very early on". That helps position them as the first bank to call for clients with technical questions or needing advice on the sector.

Sometimes that advice isn't easy, not all issuers are ready to issue green covered bonds, and a deal issued too early risks investor push back. Adoult – breaking the first rule of DCM – recalls telling a client not to issue yet, "we told them, don't come now, work more on your framework before you come to the market". Good advice as it transpired, when the issuer was ready their deal, two years later, was a great success.

Whilst green will always be 'the driver' of the ESG market, as Claquin puts it, with the largest dedicated funds and the greatest pressure from civil society, the sector is increasingly wider than this. Advisory relationships are more important than ever as the market develops from the, now relatively well understood, green sector into broader ESG considerations.

"There is no one unique metric...definitions are less straightforward" as Claquin puts it. Although Europe is moving towards a social taxonomy to parallel the green one, for now there are striking differences in the definitions of the sector, and even larger differences between Europe and the US, for example. Navigating those differences requires a trusted, long term adviser.

The pandemic has accelerated discussions of ESG topics, but it has also demonstrated the fragility of our systems and, according to Claquin, also our resilience. "All of a sudden we changed the way we worked, we have experienced one rapid transition, climate change will involve other transitions".

The rapid growth of the green covered bond market is one of the transitions that we are seeing, but if the growth is rapid, the commitment to make it happen is long term, in a field crowded with houses dedicating resources to the sector that long term commitment is the key determinant to Credit Agricole CIB's position as GlobalCapital's Best Bank for ESG issuers. GC