CRÉDIT AGRICOLE
CORPORATE & INVESTMENT BANK

Montrouge, 11 Janvier 2024

Press release

Sustainable bond market: 2023 overview and outlook for 2024

The **green transition is still on** with sustainable bond issuance expected to reach **c.EUR820bn -eq in 2024** according to Crédit Agricole CIB ESG Fixed Income Research, as integration of ESG components at product and issuer level is undoubtedly under way.

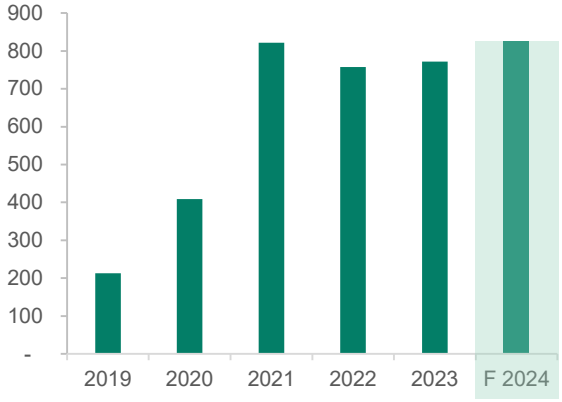
A challenging macro environment in 2023 that could still impact 2024

Even though a growing number of corporates are committing to a NetZero pathway, slowdown in economic growth, strong inflation and the erosion of purchasing power have created a more complex backdrop for sustainable investments. High interest rates, cost of components and supply chain disruptions have penalised green projects, renewable energy in particular.
In 2024, the environment should remain challenging for green investments amid still high interest rates.
Against this macro backdrop, differentiating corporates' strategies reflected through divergent capital allocation priorities in the most exposed sectors should be again at play and be further reflected in companies' valuation as well as funding costs.
Moreover, potential geopolitical tensions with China could further complicate the equation as (cheap) imports of green technologies are important to accelerate the EU green transition which requires an effort from now to 2030 not comparable with past trends.

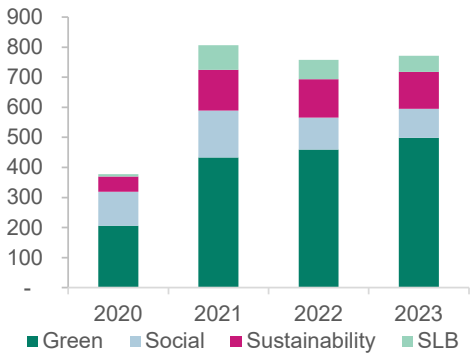
Resilient sustainable bond market in 2023

According to Crédit Agricole CIB ESG Fixed Income Research, global sustainable bond issuance ended the year in the region of 2022 level slightly under EUR800bn debt with green bonds remaining the favourite product in green finance. Indeed, green bonds accounted for more than 60% of ESG-labelled issues in 2023, recording a slight increase compared to 2022.

Global bond sustainable issuance evolution and 2024 forecasts (all currencies, EURbn-eq)



Sustainable bond issuance evolution by product (all currencies, EURbn-eq)



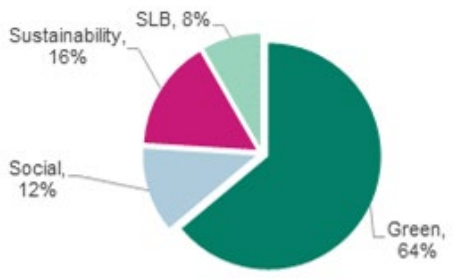
Sources: Bloomberg, Crédit Agricole CIB
** Excluding US Municipals and US Mortgages*
***Cumulated issuances as of 22 December 2023 and forecasts as per Crédit Agricole CIB Sustainable Outlook 2024 published on 5 December 2023*

Key drivers of 2024 sustainable bond supply are overall positive

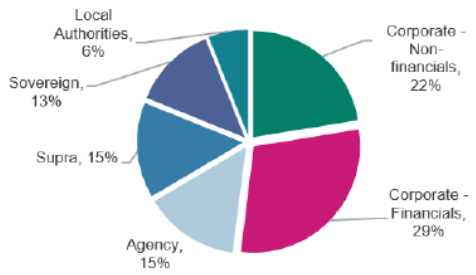
Sustainable bond issuance should continue to be supported by climate policies, demand from investors and ESG disclosure regulation.

We expect sustainable bond issuance to reach c.EUR820bn -eq, primarily driven by financials and supranationals. No big change is expected in terms of ESG product mix where green bonds should keep the lion's share (c.60% of the total) and SLBs should record a modest progression to 10% in 2024.
Taxonomy-alignment disclosures coming up for asset managers, banks increasing their sustainable investments as well as corporate reporting on eligibility to the other Taxonomy criteria could bring diversification in the green bond market.

2024 global sustainable forecasts by product



2024 global sustainable forecasts by issuer type (%)



According to Damien de Saint Germain, Head of Credit Research & Strategy at Crédit Agricole CIB: "While macro themes (macro outlook, inflation, rates) have been driving the fixed income markets over 2023, ESG risk premium has remained broadly on the sidelines, even in the credit space, as reflected by a lower greenium. Looking ahead, we expect upcoming taxonomy-alignment disclosures to offer better transparency and comparability between issuers and, hence, trigger some valuation gaps. Elections, especially in the US and in Europe, as well as actions from central banks to remain compliant with Paris agreement could also act as potential catalysts."

***

Press contacts:

UK – Cornelia Schnepf +44 7387 108 998 / cornelia.schnepf@finelk.eu
Paris – Eric Pons +33 (0)6 08 63 03 20 / eric.pons@ca-cib.com
Paris – Cécile Di Palma +33 (0)6 15 71 59 83 / cecile.dipalma@ca-cib.com

About Crédit Agricole Corporate and Investment Bank (Crédit Agricole CIB)

Crédit Agricole CIB is the corporate and investment banking arm of Credit Agricole Group, the 10th largest banking group worldwide in terms of balance sheet size (The Banker, July 2023). More than 9,400 employees across Europe, the Americas, Asia-Pacific, the Middle East and Africa support the Bank's clients, meeting their financial needs throughout the world. Crédit Agricole CIB offers its large corporate and institutional clients a range of products and services in capital markets activities, investment banking, structured finance, commercial banking and international trade. The Bank is a pioneer in the area of climate finance, and is currently a market leader in this segment with a complete offer for all its clients.
For many years Crédit Agricole CIB has been committed to sustainable development. The Bank was the first French bank to sign the Equator Principles in 2003. It has also been a pioneer in the green bond market with the arrangement of public transactions from 2012 for a wide array of issuers (supranational banks, corporates, local authorities, banks) and was one of the co-drafter of Green Bond Principles and of the Social Bond Guidance. Relying on the expertise of a dedicated sustainable banking team and on the strong support of all bankers, Crédit Agricole CIB is one of the most active banks in the green bond market.
For more information, please visit www.ca-cib.com

In 2023, Crédit Agricole CIB is one of the leaders in Green, Social, Sustainability and Sustainability-Linked Bonds (#2) in EUR, with 6,85% market share. (Source Bloomberg)

Crédit Agricole CIB is one of the leaders in Green, Social, Sustainability and Sustainability-Linked Bonds all around the world with 4.89% market share since 2017. (Source Dealogic)

Since market inception, Crédit Agricole CIB has lead-managed 560 benchmark Green, Social and Sustainability bonds, incl. a large number of the inaugural transactions and innovations in the market.