

# ACATIS FAIR VALUE SPECIAL

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## Green, Social and Sustainability Bonds - focus on sustainable financing instruments

With their earmarked use of funds, ESG bonds (which include Green, Social and Sustainability Bonds and linked variants) play a major role in financing the sustainable transformation. What was the status of these financing instruments in 2023, and what developments can be discerned for the near future?

After years of strong growth, global volumes of sustainable bond issues declined slightly in 2023; with a value of USD 950 billion, volumes have dropped 20 percent since the record year of 2021. Europe was the biggest market for new issues, followed by Asia-Pacific. By comparison: The total volume of bonds grew by seven percent in the same time period, for a total volume of USD 1,300 billion in the year 2022.

Market observers believe that the difficult macroeconomic environment, together with the critical attitude towards ESG by some US states and a decline in company-related new issues, were behind the significant reduction in the year 2023. Similarly, the premiums for ESG bonds compared to conventional bonds (e.g. Greenium) were virtually zero, which was too low to create incentives for market participants.

Green Bonds are by far the largest ESG bond segment, not just globally but also in several markets in Europe, North America and Asia. Against the background of the necessary fight against climate change and the investments that will be required for this purpose, this excess weight seems plausible.

For the year 2024, market observers forecast issue volumes at the level of the previous year. With regard to the German market, experts anticipate a continued recovery, which already started in Q4 2023. Experts predict that the popularity of Green Bonds as a sustainable financing instrument will continue in the German market as well.

Particularly public issuers or development banks could take a leading role and follow pioneers such as North Rhine-Westphalia, Baden-Württemberg, Hesse, Saxony-Anhalt or the city of Hannover with the issuance of sustainable bonds. After all, the implementation of sustainability measures cannot just be addressed to (or by) companies. Climate protection and sustainability targets on the political agenda also play a major role in this regard; they should be accompanied by the corresponding sustainable finance products.

(Sources: DZ Bank (2023): <https://www.dzbank.de/content/dzbank/de/home/institutionelle-kunden/nachhaltige-finanzierung.html>; Portfolio Institutionell (2023): <https://www.portfolio-institutionell.de/emissionsvolumen-am-markt-fuer-nachhaltige-anleihen-geht-zurueck/>; Scope Ratings (2024): [https://www.scopegroup.com/dam/jcr:945b88fc-aa1f-48a2-86f8-47a20b2f9ab0/Scope%20Ratings\\_ESG-linked%20corporate%20bond%20review.pdf](https://www.scopegroup.com/dam/jcr:945b88fc-aa1f-48a2-86f8-47a20b2f9ab0/Scope%20Ratings_ESG-linked%20corporate%20bond%20review.pdf))

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