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S&P Sustainability Insights: U.S. Municipal Sustainable Bond Outlook 2026: As Labeled Debt Volume Dwindles, Other Trends Emerge

This research report explores evolving topics relating to sustainability. It reflects research conducted by and contributions from S&P Global Ratings' sustainability research and sustainable finance teams as well as our credit rating analysts (where listed).

This report does not constitute a rating action.

Key Takeaways

- In 2025, sustainable bond issuance fell 13% while the broader municipal market grew, marking the first divergence since the initial municipal sustainable bond was issued in 2013. S&P Global Ratings anticipates this slowdown will continue in 2026, with a further potential decrease of 7%-12%.
- Issuance remains concentrated in California, New York, and Massachusetts issuers (accounting for 62% of the market), anchored by large, repeat borrowers–predominately in affordable housing, sustainable infrastructure, and green energy.
- Green bonds demonstrate stronger alignment with external frameworks relative to other labeled structures, with over 79% undergoing third-party reviews (compared with 57% of all labeled bonds). (For purposes of this report, "labeled" refers to bonds designated by issuers as green, social, sustainability, or sustainability-linked.)

Continue reading.

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