

Bond Case Briefs

Municipal Finance Law Since 1971

The Next Green Revolution: An Overview of the Rapidly Evolving Green Bond Market.

This article is from the Nonprofit Quarterly's fall 2017 edition, *"The Changing Skyline of U.S. Giving."*

Responsible investment means incorporating environmental, social, and governance (ESG) factors into investment decisions to generate sustainable returns and better manage risk. On a human level, it means incorporating the desire to make a difference in the world into the investment process. Green bonds, fixed income instruments that fund projects with environmental and/or climate benefit, are a type of responsible investment.¹ More broadly, they are an example of leadership from the investment community in addressing the threat of climate change. In the wake of recent catastrophic hurricanes, this article provides an overview of the green bond market for potential investors and issuers seeking to do more to protect the planet.

Market Size and Trajectory

Green bonds have grown rapidly since they were invented by investors in 2007 to fund projects with climate or environmental benefits. Since then, two categories of green bonds (labeled and unlabeled) with four main structures (use of proceeds, revenue, project, and securitized) have emerged from a broadening range of issuers. Global green bond issuance is projected to double in 2017 from \$93.4 billion of issuance in 2016,² after doubling from \$42 billion in 2015.³ With the Paris Climate Agreement and China's clean energy campaign as drivers of continuing growth, this deep dive into the emerging asset class is warranted. By way of background: under the Paris Climate Agreement, investors with an aggregate \$11 trillion of assets under management (AUM) committed to build a green bond market,⁴ and the United States committed to reducing its greenhouse gas emissions 26 to 28 percent below the 2005 level by 2025.⁵

[Continue reading.](#)

NONPROFIT QUARTERLY

By BHAKTI MIRCHANDANI | October 10, 2017

Copyright © 2024 Bond Case Briefs | bondcasebriefs.com