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Green-Bond Sales Surge Toward Record as Borrowers Burnish Brands.

- **New issues by U.S. companies reach \$6.7 billion through July**
- **American businesses still lagging the rest of the world**

If the bond market is any guide, Corporate America is hugging a lot more trees than last year.

Sales of green bonds by U.S. companies in 2018 have already topped last year and are on pace for a record, according to data from the Climate Bonds Initiative. The pickup hasn't been fueled so much by a desire to fatten the bottom line — there's no clear and consistent evidence of a pricing benefit — rather many companies want to burnish their brands and satisfy investor demand.

"The main thing that we find that makes corporates want to issue is they already have a fairly robust sustainability program with a focus on the environment," said Suzanne Buchta, global head of environmental, social and governance debt capital markets at Bank of America Merrill Lynch. "Green bonds give them an opportunity to share that same story with another audience, which is the fixed-income investors who have green bond money."

Governments, companies and institutions issue green bonds to fund projects that are supposed to help the environment or climate, though the exact definition is open to interpretation — leading some to criticize the nascent asset class. The first time a U.S. corporation sold a green bond was in 2013. Since then, issuers have included Tesla Inc., Apple Inc., Toyota Motor Corp. and BofA.

The European Investment Bank and World Bank started issuing green bonds in 2007. The global market has grown exponentially, of which the U.S. market remains a small fraction. Last year, global issuance soared to an all-time high of \$173 billion and estimates for 2018 are around \$200 billion, data compiled by Bloomberg New Energy Finance show.

In the U.S. green bonds usually need third-party verification and ongoing reporting, which adds extra costs. Typically, they are priced in line with similar assets and there is no evidence borrowers get a discount. This may be keeping some would-be players on the sidelines.

"I think what we're seeing is corporates are very sensitive about the pricing benefit that they may or may not get from the green bond market," said Matthew Kuchtyak, an analyst at Moody's Investors Service. "And the general evidence research to date has shown that there is not necessarily a pricing benefit in the primary market for green-bond issuers."

But advocates for green bonds argue benefits like investor diversification and a positive marketing story are worth it.

"It's so easy for U.S. corporates to raise money lately, it might take a correction before people realize the benefits of an investor marketing edge," said Sean Kidney, chief executive officer of the Climate Bonds Initiative, an organization that promotes green bonds.

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By Shelly Hagan

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