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S&P 2021 Sustainable Finance Outlook: Large Growth In Green, Social, Sustainable Labels As Municipal Market Embraces ESG

Key Takeaways

- We expect the municipal sustainable debt market to grow in 2021, building on momentum and substantial growth in social and sustainability labeled bonds. We estimate municipal green-labeled debt issuance of about $18 billion and total municipal sustainable debt issuance potentially surpassing $30 billion.
- Low interest rates, increasing market embrace of ESG concepts, and the coronavirus pandemic drove robust sustainable debt issuance growth in the municipal markets during 2020.
- More municipal market issuers are adding green, social, and sustainability labels to bonds, but concentration remains: The 10 largest sustainable debt issuers accounted for more than 50% of total issuances in 2020.
- With an average par amount of $103.6 million in 2020, 2.8x the average U.S. municipal issuance, sustainable debt issuances are larger and more heavily focused on new money (75%) than the overall municipal market.
- Investor appetite for use of proceeds verification is increasing, and 2020 was the first year that most sustainable debt issuances carried some form of external review.

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