Sustainable Debt Market
Summary Q3 2022

November 2022

Supported by First Abu Dhabi Bank

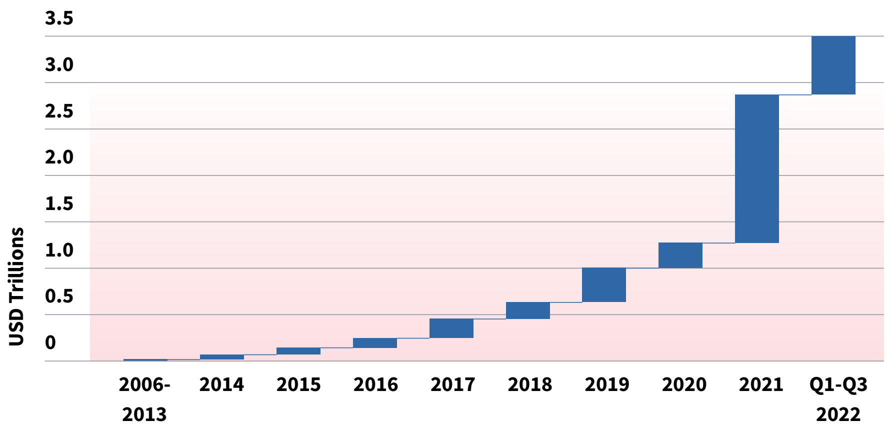
Key figures

- By 30 September 2022, **cumulative green, social, sustainability, sustainability linked (SLB) and transition bonds (GSS+)** captured by the Climate Bonds Initiative (Climate Bonds) had **topped USD3.5tn**
- **Cumulative green bond issuance passed the USD2tn milestone** at the end of September
- Year-to-date Climate Bonds has recorded **USD635.7bn in GSS+ issuance volumes**
- **Q3** was relatively quiet with **USD152.3bn** added to Climate Bonds GSS+ databases

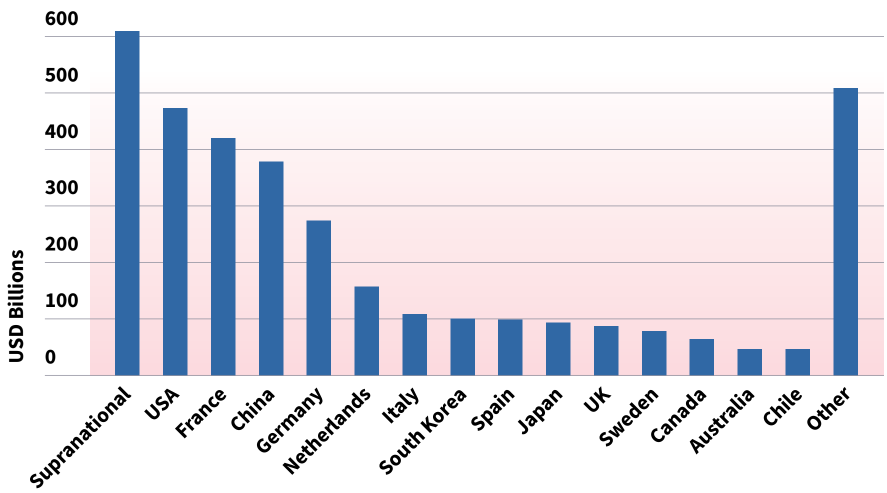
Scorecard USDbn

	Q3 2022		2022 YTD		Cumulative since 2006	
	USDbn	% total	USDbn	% total	USDbn	% total
Green	79.4	52.1	332.5	52.3	2008.1	57.2
Social	23.1	15.2	94.2	14.8	617.0	17.6
Sustainability	34.4	22.6	142.1	22.4	678.9	19.3
SLB	14.7	9.6	63.5	10.0	192.9	5.5
Transition	0.7	0.5	3.4	0.4	12.7	0.4
Total	**152.3**	**100**	**635.7**	**100**	**3509.6**	**100**

Cumulative GSS+ debt topped USD3.5tn at the end of Q3 2022



Supranationals are the largest source of GSS+ debt



Cumulative GSS+ volumes

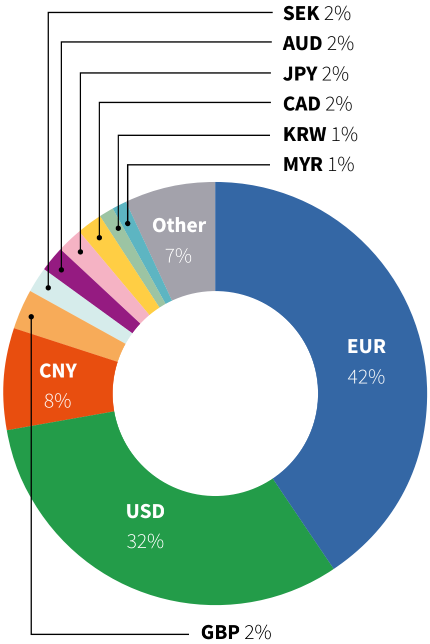
By 30 September 2022, cumulative green, social, sustainability, sustainability-linked, and transition bonds captured by Climate Bonds had topped USD3.5tn. Cumulative green bond issuance passed the USD2tn milestone at the end of September.

The GSS+ market has spread across the globe and now includes debt originating from 99 sources, i.e., 98 countries plus supranational. Supranational remains the largest source with 17% due to its status as the largest component of cumulative sustainability issuance, the second largest contributor to social bonds, and the fifth most prolific source of green bonds. The USA, France, and China are the countries responsible for the largest shares of the GSS+ market.

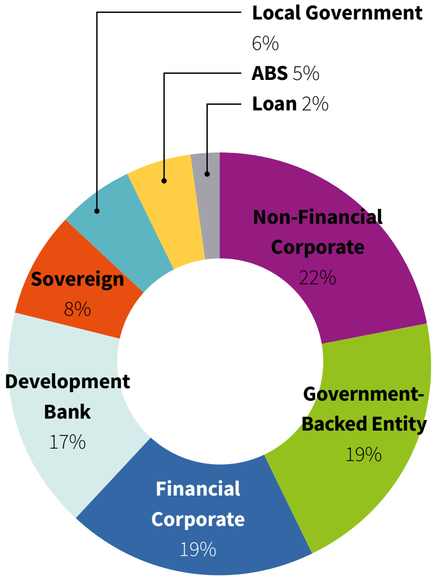
GSS+ debt has been issued in 63 currencies, and the concentration is more acute compared to the country breakdown, with 82% of the market being EUR, USD, or CNY denominated. The prominence of the climate agenda in Europe has contributed to the EUR financing 42% of the market, supported by EU sustainable finance regulation, including the EU Taxonomy which enables issuers to easily identify appropriate assets for inclusion in green finance instruments.

Financial corporate, non-financial corporate, local government entities, and development banks together account for 80% of cumulative GSS+ volumes. This reflects the dominance of utilities, banks, and real estate companies in the green bond space, and supranationals and development banks in the social and sustainability markets. At the end of Q3 2022, the three largest issuers of GSS+ debt were the World Bank (USD165bn), the European Union (USD141bn), and Caisse d'Amortissement de la Dette Sociale (CADES) (USD120bn). 40 nations have priced sovereign GSS+ bonds with a combined value of USD286bn. However, sovereigns are responsible for just 8% of overall volumes, suggesting huge potential for this issuer type.

42% of GSS+ volume is EUR denominated



80% of GSS+ debt comes from four issuer types



Inclusion in Climate Bonds databases

Climate Bonds maintains three thematic databases which inform this report:

1. Green Bond Database (GBDB)
2. Social and Sustainability Bond Database (SSDB)
3. Transition and Sustainability-Linked Bond Database (TSLBDB).

To qualify for inclusion, debt instruments must have a label. Green, social, sustainability, and transition bonds must finance sustainable projects, activities, or expenditures. SLBs must annunciate clear SPTs for the entity. Not all bonds qualify for inclusion and the databases are a subset of the thematic debt market.

Methodology for the GBDB can be found here https://www.climatebonds.net/market/green-bond-database-methodology

Methodology for the SSDB can be found here https://www.climatebonds.net/market/social-sustainability-bond-database-methodology

Methodology for the TSLBDB will be published shortly.

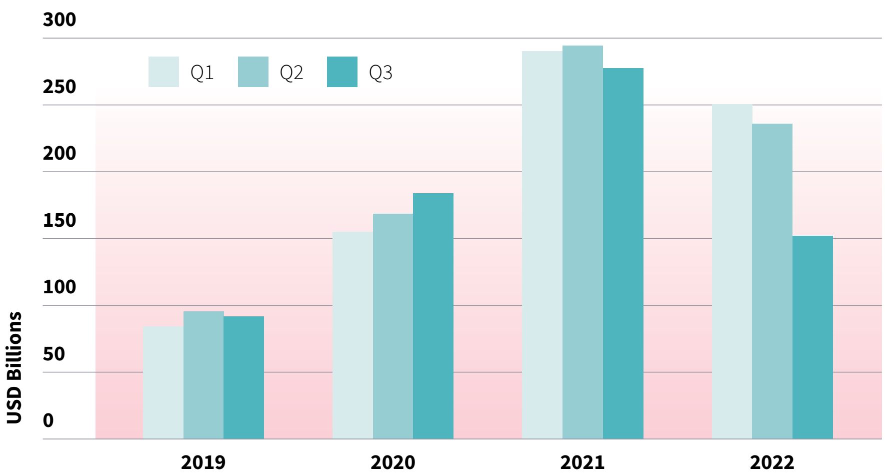
Inclusion in Climate Bonds databases informs the composition of numerous thematic indices. Only bonds that comply with the above methodologies will be added to the relevant database.

Quarterly comparisons

GSS+ volumes reached USD152.3bn in Q3 2022, a decline of 35% compared to Q2 2022, and 45% compared to Q3 2021.

Geopolitical and macroeconomic factors have contributed to a drop in debt issuance across the board. However, GSS+ debt constituted 5% of all debt priced in 2021, and that contribution has endured in 2022.[1]

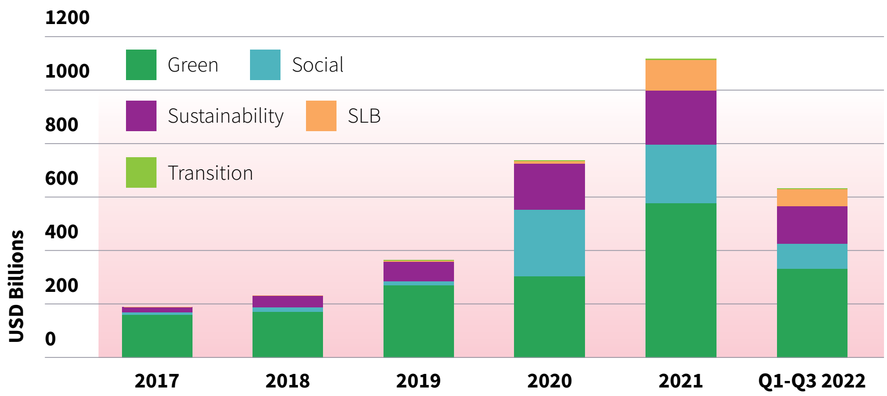
GSS+ volumes reached USD 152.3bn in Q3 2022



Year-to-date GSS+ volumes

Year-to-date (YTD) volumes of GSS+ debt had reached USD635.7bn by the end of Q3. More than half of the total (52%) came from green bonds. Sustainability bonds supplied 22.4%, social 14.8%, SLBs 10%, and transition contributed the smallest share at 0.5%.

52% of 2022 GSS+ volumes were green



GSS+ Sovereigns

At the end of Q3 2022, Climate Bonds had recorded GSS+ bonds from 40 sovereigns with combined volumes of USD286.9bn. Green is the largest component with USD230.9bn from 26 issuers, led by France which as the largest single source of sovereign GSS+ debt had priced volumes of EUR49bn (USD55bn) by the end of September.

In Q3, five sovereign issuers priced GSS+ bonds.

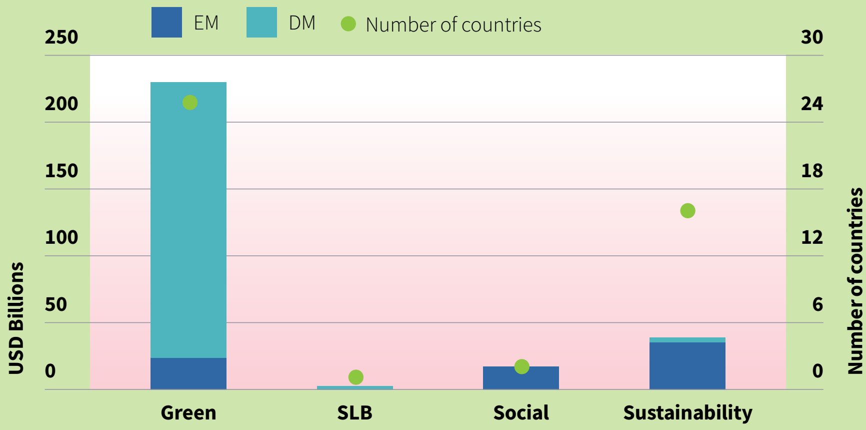
Singapore issued its debut green bond in early August, the first ultra-long sovereign GSS+ bond, maturing in 2072. Proceeds from the SGD1.75bn (USD2.4bn) deal were earmarked for eight categories of eligible expenditures including Adaptation.

Germany priced its fifth green bond at the end of August, a EUR5bn (USD4.9bn) 5-year.

Italy added a second green bond a EUR6bn (USD6.1bn), 2035 maturity.

Mexico returned to the market twice in Q3. In early August, it priced a USD2bn deal maturing in 2033, and later that month priced a JPY75.6bn (USD540m) deal spread over five tranches with maturities between three and 20-years. Mexico priced two sustainability deals in May 2022 with combined volumes of MXN20bn (USD980m), and previously issued EUR2.2bn (USD2.64bn) of sustainability bonds in 2020 and 2021. By the end of Q3, Mexico had priced a total of USD6.3bn and was the third largest issuer of EM sovereign GSS+ debt, after Chile (USD32.0bn) and Thailand (USD7.7bn). The sustainability bonds, which Mexico issues under the SDG label, finance projects covering the full range of Climate Bonds social and green UoP categories, contributing to most of the SDGs. Mexico was the third EM sovereign to price GSS+ samurai bonds following Hungary and the Philippines.

40 countries have priced GSS+ debt worth USD286bn



Q3 Sovereign GSS+ bonds

Sovereign Issuers	Maturity date	Currency	Amount issued in original currency	USD added to relevant database in Q3
GREEN				
Republic of Italy	2035	EUR	11.80bn	6.1bn
Federal Republic of Germany	2027	EUR	8.13bn	4.9bn
Singapore Government	2072	SGD	7.83bn	1.8bn
SUSTAINABILITY				
United Mexican States	2033	USD	7.47bn	2.2bn
United Mexican States	2025	JPY	5.57bn	0.2bn
United Mexican States	2027	JPY	5.23bn	0.2bn
United Mexican States	2032	JPY	4.26bn	0.1bn
United Mexican States	2037	JPY	4.17bn	0.03bn
United Mexican States	2042	JPY	4.06bn	0.02bn
Thailand Government Bond	2037	THB	3.68bn	0.9bn

Thailand also returned to the market, pricing its second sustainability bond in mid-September. The UoP of the THB35bn (USD987m) 2037 maturity deal will contribute to supporting post-COVID recovery measures.

Q3 2022 market highlights

Green

- Cumulative green bond issuance reached **USD2tn in Q3**
- **2022 issuance stood at USD332.5bn at the end of Q3**. This compares to USD427.7bn at the same point in 2021, representing a year-on-year (YOY) decline of 22%.
- **Q3 issuance reached USD79.4bn** against USD147.5bn in Q3 2021, a drop of 46%
- Green bonds were issued in **19 currencies** in Q3 2022. More than half of the volumes (53%) were issued in **EUR**, followed by **USD** (20%) and **CNY** (14%).
- **Germany** was the largest source of green bonds (which includes the country's fifth sovereign green bond), responsible for 18% of the total. **USA** and **China** took the next two spots, with around 11% each.

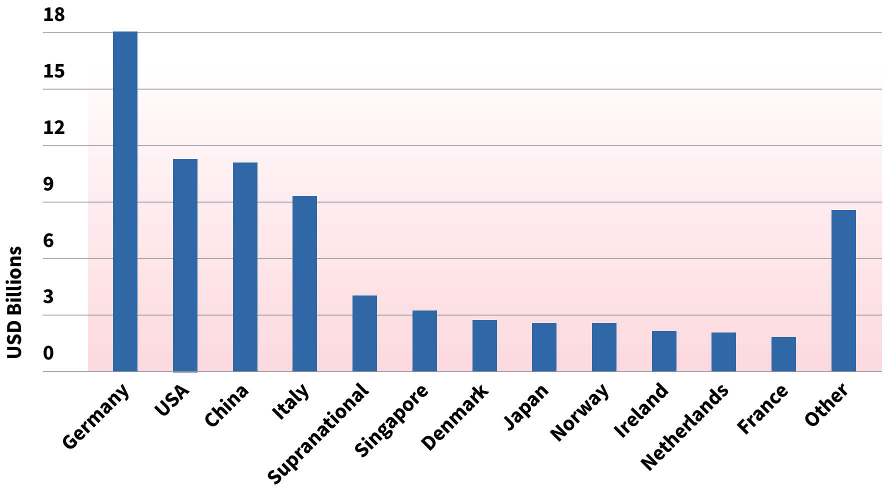
Social

- Cumulative social bond issuance was **USD617.0bn** by the end of Q3
- **Social bond issuance YTD** halved compared to last year, at **USD94.1bn** against USD187.9bn.
- **Q3 issuance reached USD23.1bn** against USD35.7bn in Q3 2021, a 35% decrease on the year.
- Social bonds hailed from **12 countries**. **France**, the **USA**, and **South Korea** were the three largest sources with 35%, 25%, and 16% of the volumes respectively. Reflecting this, **EUR** (56%), **USD** (29%) and **KRW** (9%) contributed the largest share of the ten currencies.

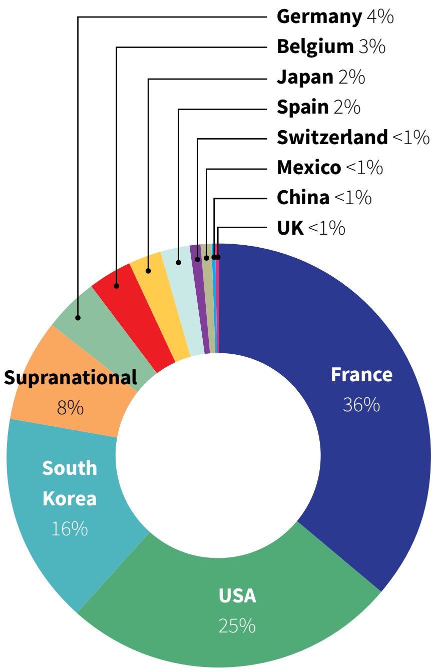
Sustainability

- Cumulative sustainability bond issuance was **USD678.9bn by the end of Q3**.
- Sustainability bonds exhibited the smallest decline (13%) among the themes YTD with **USD142.1bn** having been priced by the end of Q3 2022 compared to USD163.9bn at the end of Q3 2021.
- **Q3 issuance** declined by 44% from USD60.1bn in 2021 to **USD34.4bn** in 2022.
- Sustainability bonds originated from **16 countries** plus supranational which was the largest source of sustainability bonds in Q3 supplying 38% of the volume. The **USA** followed with 13% and then **France**, with 12%.
- **USD** was the most popular currency for sustainability bonds, taking 59%. The remaining 15 currencies were as diverse as RON, and MYR.

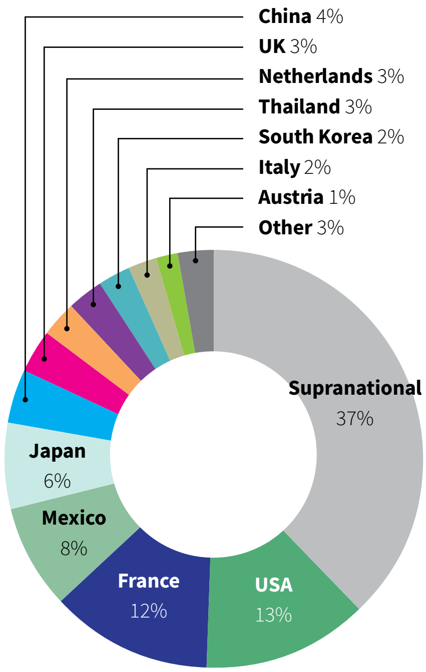
USD18bn of green bonds originated from Germany in Q3



36% of the Q3 social volumes originated in France



Supranationals supplied 37% of the sustainability volumes in Q3



Largest non-sovereign issuers in Q3 2022

Green

German development bank **KfW** was the largest of the non-sovereign Green Bond issuers in Q3 2022, raising a total of USD4.3bn. The majority of that came from a EUR4bn (USD4.1bn) 7-year deal, and smaller amounts were issued in HUF and HKD, while a CNY bond was reopened. By the end of September, Climate Bonds had recorded 2022 green volumes of USD8.3bn from KfW, making it the third largest green bond issuer of 2022 after the **European Union** (USD17.3bn) and the **European Investment Bank (EIB)** (USD9.6bn).

In July 2022, US auto company **General Motors** (GM) priced its debut green deal of USD2.25bn split between a 2029 maturity (USD1bn) and a 2032 (USD1.25bn). General Motors 2022 Sustainable Finance Framework highlights Clean Transportation as the single green UoP category with investments and expenditures contributing to the design, development, or manufacture of clean transportation technology and enabling solutions.[2]

Climate Bonds has repeatedly noted that there is a lack of large US corporates bringing green deals to the USD market. GM is a relatable name, and a frequent visitor to the bond market with USD67bn outstanding as of October 2022.[3] Large, high-profile issuers such as this contribute to green market creation by increasing the visibility of the green label and offering benchmark deals to investors with dedicated mandates.

Social

French state agency **Caisse d'Amortissement de la Dette Sociale (CADES)** is the largest social bond issuer of 2022 having issued cumulative volumes of USD35.9bn in EUR, USD, and SEK, and dwarfing the second largest issuer of the year, **Asian Development Bank (ADB)** which had priced a total of USD4.0bn by the end of September. In Q3 alone, CADES priced two bonds, an EUR3bn (USD2.9bn) 5-year, and a EUR5bn (USD4.9bn) 10-year with proceeds earmarked for expenditures in healthcare, employment, and equality. The UoP are aligned with sustainable development goals (SDG) SDG1 (End Poverty), SDG3 (Good Health and Wellbeing), SDG10 (Reduce Inequality within the countries), and SDG11 (Sustainable Cities and Communities).

Sustainability

Wells Fargo priced its debut sustainability bond in mid-August. The USD2bn 4-year deal constituted over half of the Q3 USD3.9bn volumes of sustainability bonds from the 16 issuers that came from the financial corporate sector. Others included **Berkshire Hills Bancorp** (USD100m), **Gunma Bank** (JPY10bn/USD70m), and **Raiffeisen Bank Romania** (RON500m/USD104m).

Sustainability-linked bonds

At the end of August 2022, Brazilian meat processor **JBS** priced its fifth SLB worth USD968.5m. The deal was tied to a 19.1% emission reduction target in Scope 1 and 2 by 2026 from a 2019 baseline, with a 25bp step-up if this is not achieved and reported by 15 January 2027. Climate Bonds notes that this deal is callable, and the first call date is also 15 January 2027. This target is not benchmarked against any pathway or international targets, and only represents a 3.2% annual reduction vs. SBTi's ACA guidance of 4.2% to meet a 1.5-degree pathway.[4]

Furthermore, JBS has disclosed that Scope 3 emissions represent 92.8% of its global GHG emissions. Most of its Scope 3 emissions derive from waste generated in operations, as well as transport and distribution both upstream and downstream.

JBS has detailed some strategies to help decarbonise its direct emissions, mainly focussing on use of renewables, biogas recovery and vehicle emission reductions. JBS has also committed to USD1bn of Capex over the next ten years to help finance this decarbonisation. This in turn is governed by a committee of executives, academics, and external experts.

Climate Bonds encourages JBS to continue to utilise the SLB format to demonstrate its commitment to its transition strategy and incentivise change. However, Climate Bonds also calls on JBS to increase the scope and level of its ambition, to reach its long-term 2040 net zero target: include Scope 3 targets, raise the direct emission reduction targets to be in line with a 1.5-degree pathway, and demonstrate this commitment through the SLB format rather than continued parallel vanilla issuance.

Q3 non-sovereign issuers

Largest green bond issuers Q3	Country	USD added to relevant database in Q3
KfW	Germany	4.3bn
EIB (European Investment Bank)	Supranational	4.0bn
General Motors	USA	2.3bn
Orsted AS	Denmark	2.0bn
Amprion GmbH	Germany	1.8bn
Largest social bond issuers Q3		
Caisse d'Amortissement de la Dette Sociale (CADES)	France	7.9bn
The Commonwealth of Massachusetts	USA	2.7bn
Korea Housing Finance Corp	Korea	1.5bn
African Development Bank	Supranational	1.4bn
NRW Bank	Germany	1.0bn
Largest sustainability bond issuers Q3		
Intl. Bank for Reconstruction & Development	Supranational	4.9bn
European Investment Bank	Supranational	4.4bn
Wells Fargo & Co	USA	2.0bn
Intl. Development Association	Supranational	2.0bn
Development Bank of Japan Inc	Japan	1.9bn
Largest SLB issuers Q3		
Eaton Corp	USA	1.3bn
Enel Finance International NV	Italy	1.0bn
JBS	USA	0.9bn
TELUS Corp	Canada	0.8bn
NEC Corp	Japan	0.8bn

SPOTLIGHT – The Middle East and Africa Sustainable Debt Market Snapshot Q3 2022

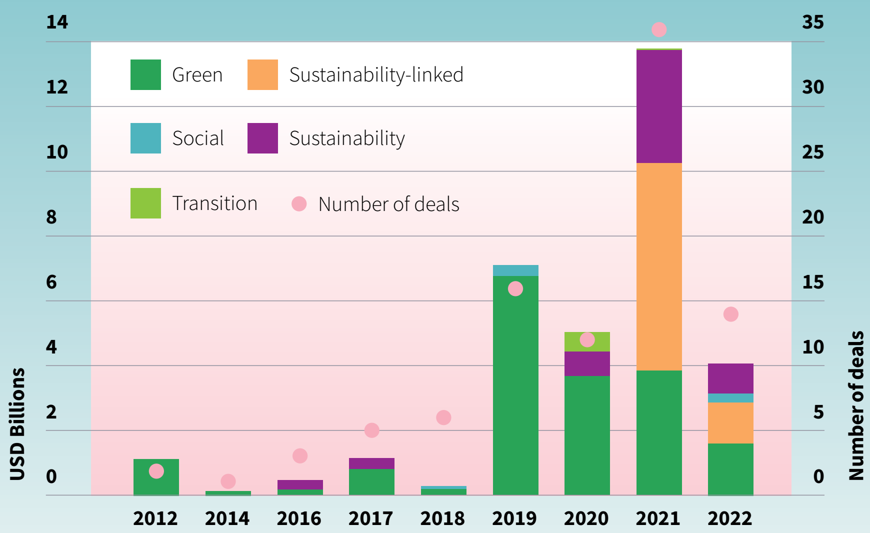
Introduction

The upcoming COP-27 will spotlight the massive investment required to tackle climate change in emerging markets (EM) including those in the Middle East and Africa (MEA). The location of host country Egypt in the Northeast corner of Africa will bring renewed focus to the region which , having been hit particularly hard by the ramifications of COVID-19, is suffering the economic impacts of the Russian invasion of Ukraine.

MEA faces a unique combination of climate issues with 12 out of the 13 Organisation of the Petroleum Exporting Countries (OPEC) members based in the region. The Middle East must cut its economic dependency on fossil fuels, while access to energy in the rest of Africa must increase through the development of resilient infrastructure. The GSS+ market in MEA is under development and has huge potential for growth, particularly given the vast assets under management in sovereign wealth funds (SWFs) and pension funds in the region. With the correct support, the market could channel the investment necessary to address some of the most pressing challenges facing the region.

This report describes the shape and size of the GSS+ market in MEA as of 30 September 2022.

Cumulative MEA volumes were USD33.2bn at the end of Q3 2022



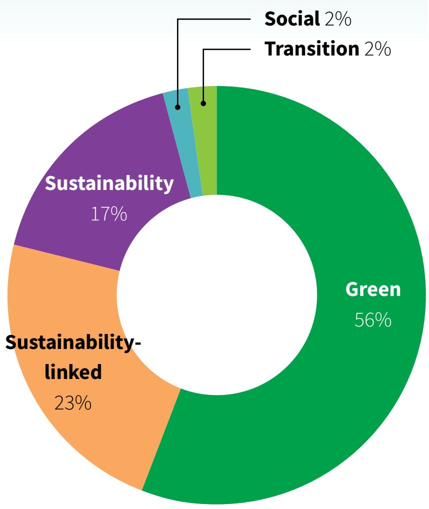
Market Analysis

Issuance gained momentum from 2019

MEA's thematic debt market was anointed in 2012 when South African development institution Industrial Development Corporation priced a ZAR5.2bn (USD640m) green bond. The market remained relatively quiet until 2019, when USD7.1bn in mainly green bonds were priced. Since then, issuance has remained buoyant, and by the end of Q3 2022, Climate Bonds had recorded USD33.2bn of thematic debt originating from the region. While growth over the last four years has been steady, cumulative volumes are less than 1% of the global GSS+ market.

Green is the dominant theme taking 56% of the cumulative volumes. SLBs are responsible for the second largest share at 23%. This is different from the global GSS+ market, where SLBs constitute just 5.5% of overall volumes, and is the fourth largest theme following social and sustainability. However, given the natural resources of the region, it is perhaps unsurprising that there is an abundance of entities operating in hard-to-abate sectors, for whom SLBs offer the only conduit through which to access the sustainable debt market. As definitions for hard-to-abate sectors are developed, Climate Bonds expects the MEA SLB market to grow rapidly.

56% of MEA's thematic debt volumes are green



Middle East and Africa sustainable debt scorecard as of 30 September 2022

	GSS+ total	Green	Social	Sustainability	SLB	Transition
Cumulative volumes	USD33.2bn	USD18.4bn	USD734m	USD5.7bn	USD7.6bn	USD622m
Number of instruments	97	60	8	14	13	2
Average instrument size	USD349m	USD318m	USD91m	USD410m	USD587m	USD311m
Number of currencies	14	11	3	4	4	2
Number of country sources	17	15	4	5	4	2
Number of sovereign issuers	4	3	0	1	0	0

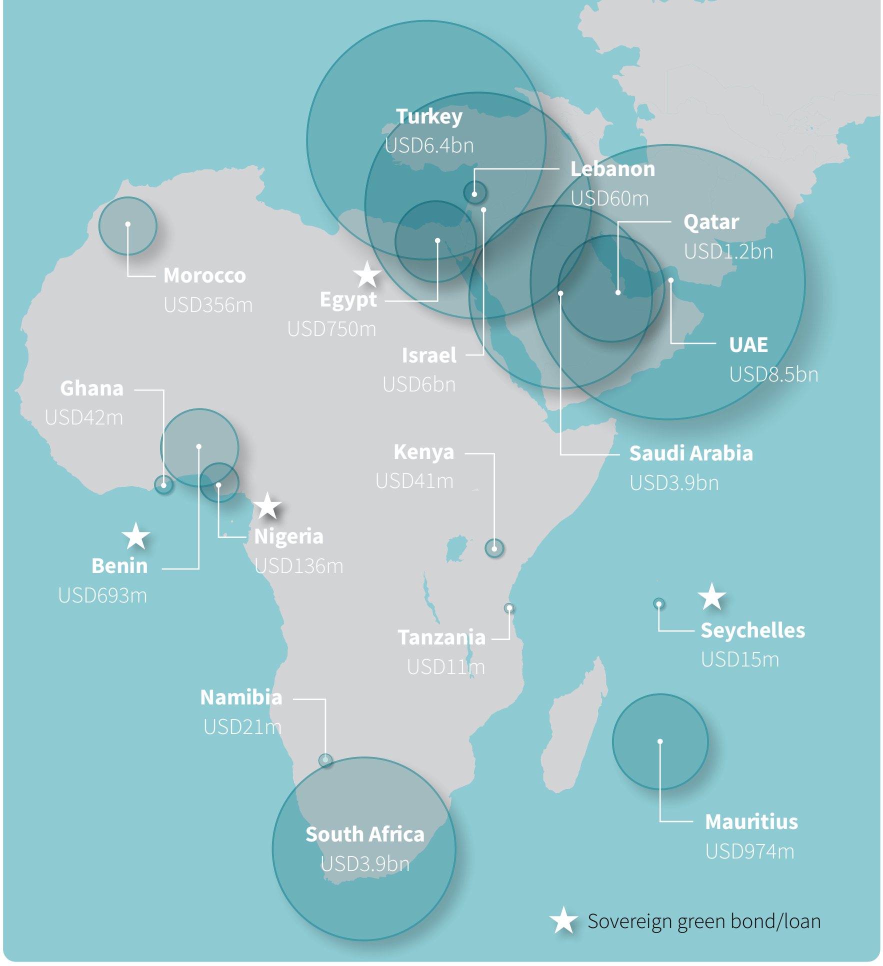
Anglo American

Towards the end of September 2022, Anglo American issued a EUR745m (USD741.6m) SLB tied to targets in GHG emissions, freshwater abstraction, and job creation, with a 40bp step-up applied to the final two coupon payments for each of the targets that are not met. Anglo American has a detailed decarbonisation strategy and absolute emission targets for its direct emissions (Scope 1 & 2), which are in line with TPI's 1.5 Degree pathway for the Diversified Mining sector.[5]

While Anglo American has not set a Scope 3 target nor included it in this SLB, it has stated its ambition to reduce its Scope 3 emissions 50% by 2050. Climate Bonds understands that Scope 3 emissions represent 88.2% of the entity's total emissions; and Anglo American itself recognises that its ability to reduce Scope 3 emissions is reliant on the steelmakers who purchase its iron ore and coal (processing and use of sold products are 44.6% and 21.6% of total emissions respectively).

Climate Bonds lauds Anglo American's initial SLB deal, which targets substantial and ambitious Scope 1 & 2 GHG reductions, a significant reduction in water extraction in scarce areas, and commitments to increase off-site employment in line with onsite jobs. Climate Bonds also celebrates the material financial incentive committed to. Climate Bonds however encourages Anglo American to continue collaborating with its downstream stakeholders, in particular steelmakers, to contribute meaningful Scope 3 reductions.

Middle East and Africa regional issuance



Countries

GSS+ debt originates from 17 countries across the region, six of which have each generated cumulative volumes of at least USD1bn. The UAE makes the largest country contribution with USD7.9bn and 26% of total volumes. All the GSS+ debt originating from the UAE is under the green theme, among which the largest single deal was a USD2.7bn green loan from Noor Energy and First Abu Dhabi Bank was the most frequent issuer with 13 deals. South Africa was the source of 24 deals, the largest number of any country. The cumulative volume was USD3.9bn, with an average deal size of USD163m.

Top 10 issuers

Issuer Name	Country	Theme	Total GSS+ issued USDbn	Number of instruments
Teva Pharmaceutical	Israel	SLB	5.0	4
Noor Energy 1 (ACWA Power, Silk Road Fund)	UAE	Green	2.7	1
First Abu Dhabi Bank (National Bank of Abu Dhabi)	UAE	Green	2.1	13
Turkiye Vakiflar Bankasi TAO	Turkey	Sustainability	1.8	3
Saudi Electricity	Saudi Arabia	Green	1.3	2
Majiid Al Futtaim Properties LLC	UAE	Green	1.2	2
IDB Trust Services (Islamic Development Bank)	Saudi Arabia	Green	1.1	1
Bank Hapoalim	Israel	Green	1.0	1
Riyad Bank SJSC	Saudi Arabia	SLB	0.8	1
Taweelah IWP	UAE	Green	0.8	1

Noor Energy 1

In 2019, Noor Energy 1 priced a USD2.7bn loan which was certified under the Climate Bonds Standard against the Solar criteria.

Proceeds from the deal were earmarked for the Noor Energy 1 Solar Project, a 950mw hybrid concentrated solar power (CSP) and photovoltaic (PV) solar power station developed and managed by Dubai Electricity and Water Authority (DEWA). The project was part of the fourth phase of the Mohammed Bin Rashid Al Maktoum Solar Park, one of Dubai's key initiatives to achieve the goals set in the Dubai Clean Energy Strategy (DCES) 2050, i.e., to produce 75% of the city's energy requirements from clean sources by 2050.[6,7] When completed, the Mohammed Bin Rashid Al Maktoum Solar Park will prevent over 6.5 million tons of carbon emissions annually.[8]

First Abu Dhabi Bank

The First Abu Dhabi Bank (FAB Bank) is the largest bank in the UAE, and by the end of Q3 2022, Climate Bonds had recorded green bonds and loans of USD2.1bn spread over 13 deals, the largest number from a single issuer in the region. The instruments range from USD20m to USD587m across CHF, CNY, EUR, HKD, and USD with proceeds earmarked to finance eligible projects, or corporate loans to pure players.

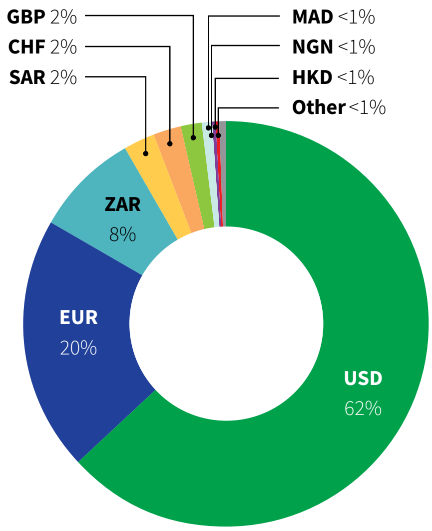
UoP have been mobilised to support Energy Efficiency, Renewable Energy, and Sustainable Water Management. In 2022 FAB Bank published an updated *Sustainable Finance Framework* which specified ten eligible project categories for green UoP, and six for social.[9]

Currencies

GSS+ deals from MEA have been priced in 14 currencies with the top three together taking 92% of the volumes. USD is the most popular currency by a wide margin, with 45 deals and 63% of the amount issued. EUR takes the second largest share, but with a much smaller 20% of the volume spread over nine deals. The 24 deals priced in ZAR amount to just over 8% of the total. The remaining 8% of the MEA volumes is spread among 11 currencies including the NAD (Namibian Dollar), and TZS (Tanzanian Shilling).

Foreign investors are often unable to combine emerging market (EM) risk with currency risk. However, many local investors are locked out of hard currency assets because they cannot afford to take foreign exchange risk. The MEA region is home to numerous large investors, including SWFs and pension funds with the latter a major source of private capital across the continent. According to FSD Africa, while 20-30% of African pension fund money can be invested in private capital, only 1% is. Most of the local currency investment is in government bonds, and non-sovereign sustainable debt in local currencies could contribute to diversification opportunities. In countries where the local markets are too shallow to support borrowing in domestic currencies, DFI's can boost opportunities by lending in local currencies.

USD dominates with 62% of the volumes



Since 2000, local currency pension funds in Sub-Saharan Africa have grown including those of Nigeria, Botswana, Kenya, Namibia, and Mauritius with total assets in the region estimated at around USD350bn.[10] This alone is more than ten times the size of the cumulative sustainable debt volumes originating from MEA.

Sovereign Wealth Funds

The three largest SWFs in the Middle East are the Abu Dhabi Investment Authority, the Kuwait Investment Authority, and SAMA Foreign Holdings (Saudi Arabia), with combined AUM of close to USD2.0tn. The biggest African SWF is the Libyan Investment Authority (LIA) with assets of around USD70bn, while Botswana's Pula Fund (USD4.1bn) established in 1994 with income from diamond exports, is the continent's oldest SWF. Altogether, Africa has 30 SWFs or sub-funds, most of which are relatively small with combined wealth of around USD100 billion.[17]

Issuer Types

All issuer types are represented in the MEA GSS+ space. The private sector is responsible for the largest share of GSS+ volumes with financial corporate and non-financial corporate issuers together taking 60% of the cumulative amount. MEA issuers from all seven categories have brought green deals.

Sovereign GSS+ bonds can spur market development in multiple ways. The high-profile activity of issuing a sovereign GSS+ deal sends a signal of commitment to the market helping to attract private sector investment. It can also increase the infrastructure required to get the market going such as local expertise in project selection, dedicated segments on local stock exchanges, and a community of local verifiers. A large, liquid, sovereign deal may also help to establish more dedicated investment mandates.

Four countries in the region have priced sovereign GSS+ bonds cumulatively raising USD1.49bn. Nigeria was the first country in the region to issue a sovereign green bond in 2017, with a 5-year NGN10.7bn (USD27.9m) deal, followed by a 6-year tenor in 2019 (NGN15bn/ USD41.6m).

Climate Bonds *Sovereign Green, Social, and Sustainability Bond Survey* described the challenges and rewards experienced by 23 issuers of sovereign GSS debt from a broad range of both developed and emerging markets.[11] The report summarises five steps to issuing a sovereign GSS+ bond:

1. Get government approval – the mandate must be supported from the top!

2. Establish a GSS+ bond working group – assign tasks to members which should include relevant ministries and can extend to industry experts

3. Select the eligible expenditures – align categories with national priorities

4. Identify suitable projects – a green tagging exercise will audit available projects, which must have measurable impacts

5. Anticipate reporting – nature, frequency, and responsibility for post issuance reporting should be established up front.

Sovereign GSS+ deals originating from Middle East and Africa

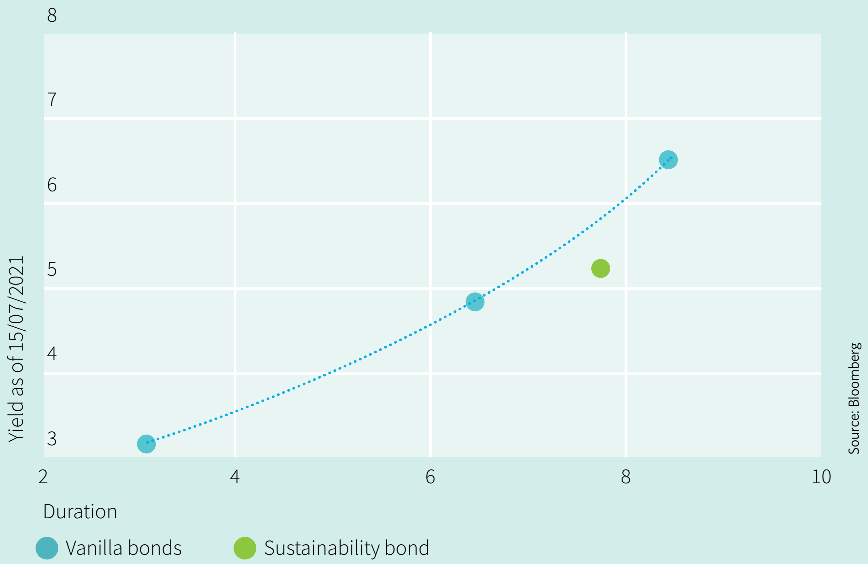
Sovereign	USD	Number of deals	Original currency	Theme	Year of first GSS+ bond
Federal Government of Nigeria	0.07bn	2	NGN25.69bn	Green	2017
The Republic of Seychelles	0.02bn	1	USD15m	Green	2018
Arab Republic of Egypt	0.75bn	1	USD0.75bn	Green	2020
Benin Government International Bond	0.59bn	1	EUR500m	Sustainability	2021

Benin achieves greenium with MEA's first sovereign sustainability bond

In July 2021, the Republic of Benin issued a 2035 maturity EUR500m Sustainably Development Goals (SDG) bond which Climate Bonds classifies as a sustainability bond. The bond was the first sovereign sustainability bond from MEA, and priced well inside its own yield curve, recording a greenium. Almost all (91%) of the deal was placed with investors describing themselves as having a sustainable investment focus. The eligible expenditures were classified according to the four pillars of Benin's national development plans:

- **Population** or Social (includes developing agriculture, access to drinking water, housing for the poor).
- **Prosperity** or Economy (includes access to low-carbon, reliable and affordable energy).
- **Planet** or Environment (sustainable infrastructure, conservation of biodiversity, restoration of forest).

Benin 2035 Sustainability bond - greenium



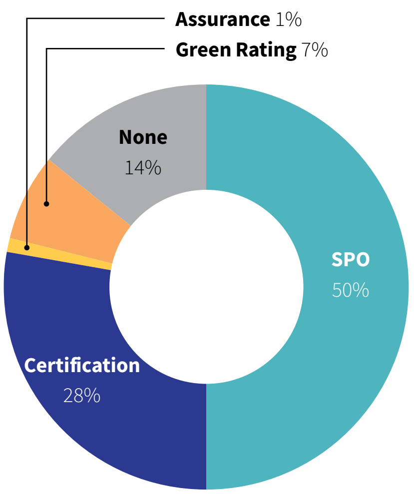
- **Peace/Partnership** or Governance (promoting heritage sites, educational sites).

Benin's SDG Bond Framework 2030 Agenda includes a comprehensive list of theme-based and sectoral exclusions with a particular focus on conservation of biodiversity.

Market integrity

84% of the MEA green deals by volume obtained an independent review which is just 2% lower than the global market (86%).[12] Half of the deals by volume received an SPO (Second Party Opinion) and 30% had been Climate Bonds Certified. More transparency around use and management of proceeds through standardised documentation, second party opinions, and certification can increase investor confidence, particularly when buying bonds from EM.

86% of green bonds from MEA obtained an independent review



The Climate Bonds Certification Scheme is the first and only international science based Certified labelling scheme for green bonds and loans. It sets market best practice in terms of ambitious climate action, reporting and disclosure. Developed together with stakeholders across the market, it incorporates independent verification and assurance against an open standard, and evidence-based eligibility criteria which screens for the types of infrastructure investments aligned with the Paris Agreement. The Scheme has provided Certification to hundreds of debt instruments, which amount to over USD250bn as of September 2022.

A proposal to extend the Climate Bonds Standard and Certification Scheme to certify whole non-financial corporate entities is open for feedback.[13] Corporates that are aligned with 1.5-degree pathways or will be by 2030 will be eligible for certification and this will in turn extend to SLBs and short-term debt originating from those corporates. This will encourage a more inclusive market, which will help to attract more dedicated investment.

Certified Climate Bonds from Middle East and Africa

Country	Issuer name (issue year)	Criteria
Kenya	**Acorn Holding (2019)**	Low carbon buildings (residential)
Mauritius	**ACME Solar Holdings (2021)**	Solar
Morocco	**MASEN (2016)**	Solar
Nigeria	**Government of Nigeria (2017)**	Water Infrastructure
	Access Bank (2019)	Solar, Forestry
South Africa	**Nedbank (2019 x 2)**	Solar, Wind
	Redstone Solar Plant (2019)	Solar
	City of Cape Town (2017)	Solar, Wind
UAE	**Abu Dhabi National Energy Company (2022)**	Solar
	Shuaa Energy 3 (2020)	Solar
	Noor Energy 1 (2019)	Solar

Africa Development Bank

In addition to the debt outlined in this spotlight, the GSS+ debt of supranational issuers active in MEA is recorded in the Climate Bond Databases. This includes USD10.2bn of cumulative issuance in 12 currencies, from the Africa Development Bank (AfDB).[14]

The AfDBs mission is to help reduce poverty, improve living conditions for Africans, and mobilise resources for the continent's economic and social development.

The Bank is responding to the challenge of supporting inclusive growth and the transition to green growth by scaling up investment to support the implementation of its ten-year strategy referred to as the High 5s: 1. Light up and power Africa, 2. Feed Africa, 3. Industrialise Africa, 4. Integrate Africa, and 5. Improve the quality of life for the people of Africa.

Climate Bonds record 24 AfDB deals with UoP earmarked for social projects, and 21 with green UoP. The social bonds had a cumulative volume of USD7.3bn, with a broad range of eligible project categories including affordable basic infrastructure (e.g., clean drinking water, sanitation, transportation); access to essential services (e.g. education, health and healthcare); access to financing and financial services, affordable housing; employment generation; food security (agriculture value chain, employment in agri-business); and socio-economic advancement and empowerment.[15]

The 21 green bonds amount to USD2.9bn, and eligible UoP categories include Energy, Buildings, Transport, Water, and Land Use.

Outlook

The GSS+ market is developing in the MEA lead by a diverse set of issuers from across the region and includes debt from all the themes. Rapid growth is required to urgently address the ramifications of climate change and accelerate the region's development through the addition of resilient infrastructure.

Climate Bonds is pushing for at least USD5tn in green bonds alone to be issued annually from 2025 onwards. Its recently published 5 steps to 5 trillion suggests five actions that we must take collectively to achieve this ambitious target. The fifth action is to boost EM highlighting the need to channel available capital to the right places to address climate change. Mechanisms to get capital flowing from richer to poorer such as blended finance to absorb junior capital tranches, de-risking guarantees, and larger sized deals, must all be multiplied. Economic development must build in mitigation from the start, and large projects should be financed through the capital markets to encourage dedicated investment.[16]

Endnotes

1. Based on Bloomberg data. Bonds priced between 01/01/2021 and 12/31/2021, and 01/01/2022 and 09/30/2022 with a minimum tenor of 1 year at issuance.
2. GM 2022 Sustainable Finance Framework, https://investor.gm.com/static-files/81150b7e-cd57-4f91-87e4-5fb308868031
3. Based on Bloomberg ticker = GM
4. The Science Based Targets Initiative, https://sciencebasedtargets.org/companies-taking-action
5. Carbon Performance Assessment in the Diversified Mining Sector: Discussion paper, May 2020, https://www.transitionpathwayinitiative.org/publications/57.pdf?type=Publication
6. https://www.c40.org/case-studies/dubai-s-mohammed-bin-rashid-al-maktoum-5-000mw-solar-park-aims-to-save-6-5-million-tco2e-annually/
7. Dubai Clean Energy Strategy - The Official Portal of the UAE Government
8. Mohammad Bin Rashid Al Maktoum Solar Park https://www.mbrsic.ae/en/about/mohammed-bin-rashid-al-maktoum-solar-park/
9. FAB Sustainable Finance Framework 2022, https://www.bankfab.com/-/media/fabgroup/home/about-fab/sustainability/reports/fab-sustainable-finance-framework-2022.pdf?view=1
10. Why Pension Funds Matter in Africa, Padili Mikomangwa, November 2021. https://theexchange.africa/premium/pension-funds-in-africa
11. Harrison, C., and Muething, L., *Sovereign Green, Social, and Sustainability Bond Survey*, Climate Bonds Initiative, January 2021 https://www.climatebonds.net/files/reports/cbi-sovereign-green-social-sustainability-bond-survey-jan2021.pdf
12. Harrison C., MacGeoch M., Michetti C., *Sustainable Debt Global State of the Market 2021*, Climate Bonds Initiative 2022 https://www.climatebonds.net/files/reports/cbi_global_sotm_2021_02h_0.pdf
13. Expansion of the Climate Bonds Standard Scheme to corporate SLBs and their entities https://www.climatebonds.net/climate-bonds-standard-v4
14. 30 September 2022
15. African Development Bank, *Social Bond Framework*, September 2017 https://www.afdb.org/fileadmin/uploads/afdb/Documents/Generic-Documents/AfDB_Social_Bond_Framework.pdf
16. *Five Steps to Five Trillion*, Climate Bonds Initiavitve, October 2022 https://www.climatebonds.net/resources/reports/5-steps-5trillion-2025
17. African SWFs: The Art of Patience, August 2022, https://globalswf.com

Lead author: Caroline Harrison
Contributing author: Matthew MacGeoch

Design: Godfrey Design

www.climatebonds.net

Supported by First Abu Dhabi Bank