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Sustainable Debt Markets Surge As Social And Transition Financing Take Root, Report Says

NEW YORK, Jan. 27, 2021 /PRNewswire/ -- (S&P Global Ratings) -- Issuance in sustainable debt, including green, social, sustainability, and sustainability-linked bonds, rose more than 60% in 2020. We expect total issuance to surpass $700 billion by year-end 2021.

Social bonds emerged as the fastest-growing segment of the market, catapulted by the COVID-19 pandemic and growing concern about social inequities. We expect innovation within the market will continue as new types of instruments, including sustainability-linked and transition bonds, diversify how issuers and investors contribute to sustainability objectives.

We detail these findings and our forward-looking opinion in our report "Sustainable Debt Markets Surge As Social And Transition Financing Take Root," published today. In our view, issuer and investor appetite for financing climate response and other environmental objectives is strong. Issuance in the green-labeled bond market could grow close to $400 billion in 2021, after achieving a record $270 billion in 2020, according to Environmental Finance. Large economies' commitments of net-zero emissions will require significant investment, indicating dominance of green debt will continue. We believe the green use-of-proceeds model will expand to include transition finance, aiding high-carbon-emitting sectors to finance their transition into net-zero emissions business activities.

At the same time, we expect that even in a post-pandemic world, the calls for equitable, sustainable growth will continue, leading to further growth in social and sustainability bond issuance. In our view, improved transparency and reporting practices remain key to fostering credibility in the sustainable debt market.

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