

Sustainable Finance Pulse - ING

Issue 2, 2024

Welcome to ING's Sustainable Finance Pulse, a quarterly glimpse into the world of sustainable finance and ING's take on it.

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Sustainable finance market

Despite seeing a slowdown in ESG issuance last year, 2024 started on a positive note with the return of an average growth in the market, driven largely by the issuance of green bonds.

In the first three months of 2024, global ESG issuance reached US\$409bn. This is up slightly from the quarterly average since 2021 and up from the past two year's quarter 1 figures which both came just shy of US\$400bn.

A large driver of this increase has been on the bond side, rather than the loan issuance side. In the first three months global green bond issuance reached US\$207bn. This is just marginally short of the six-month average of US\$222bn seen since 2018. This is also up significantly from the US\$160bn quarterly average since 2021.

Similarly, global sustainability bond supply has already reached US\$62bn, above the quarterly average of US\$48bn. Lastly, global social bond supply totalled US\$52bn thus far, compared to the USD\$42bn quarterly average.

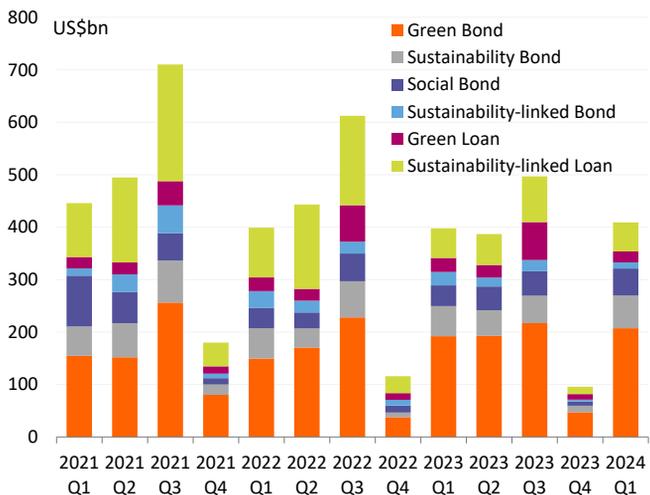
The global sustainability-linked bonds, global green loans and sustainability-linked loans are all still at much lower levels than the quarterly averages seen since 2021.

The main driver of the increase in ESG bond issuance is related to overall bond issuance increase. Very substantial, often record-breaking levels of issuance are observed in most currencies and most products. As the rates and macro environment remains stable, the higher yield in credit keeps demand very high, whilst risks and uncertainty still loom for the second half of the year, for instance around upcoming elections in the US. These circumstances are driving significant front loading of issuance to this first quarter of the year

Despite this positive start to the year, global issuance volumes in 2024 are still expected to continue to be lower than previous years and likely to be similar to the volumes seen in 2023, as a slow second half of the year is expected.

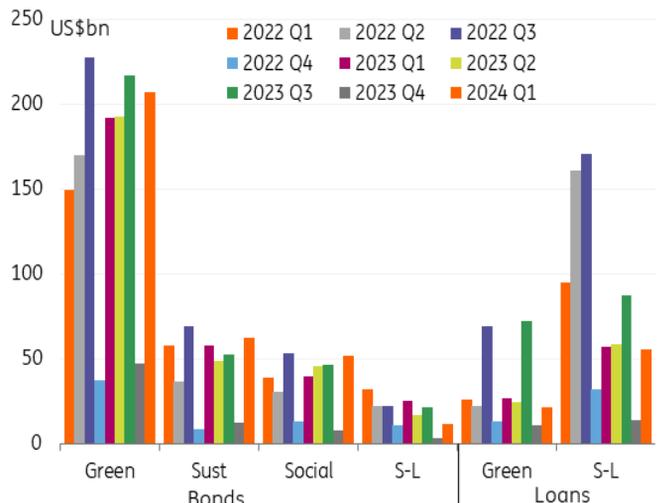
We forecast a global ESG bond supply of around €1tr for 2024. According to our ING estimates which takes a slightly smaller universe (of min €250m size and only self-labelled bonds), we expect sovereigns, supranationals, agencies, financial institutions and corporates issuing ca €325 billion in EUR. We expect the USD market to stay stable at €225 billion (US\$240 billion). For ESG bonds in other currencies, we expect a soft growth from €260 billion to €270 billion. More specifics of our forecasts can be found in our report - [Global ESG Bond Supply Outlook: Slowing down in 2024](#).

Global issuance of sustainable finance per Quarter



Source: ING Research, BNEF

Global issuance of sustainable finance per product



Source: ING Research, BNEF

“ING continued to perform strong in the first quarter across the various sustainable finance products. Similar to markets overall we saw particular strong activity in the bond market and a more subdued volume on the lending activity.” said **Jacomijn Vels**, ING’s global head of sustainable finance

Deal highlight

ING is very proud of its leading role in the financing of five battery gigafactory blocks across France, Germany and Italy, built and owned by Automotive Cell Company (ACC), which is a joint venture between car giants Stellantis (makers of cars including Citroën, Fiat, Chrysler and Alfa Romeo among others), Mercedes Benz and Saft, a wholly owned subsidiary of TotalEnergies. Once operational, these factories will produce the batteries that will go into electric vehicles.

ING, together with three other banks, acted as underwriter of this €4.4 billion transaction. The Sustainable Value Chains team was able to bring ING specialists together working closely with colleagues in the Netherlands, Germany, France and Italy, working across the energy, transportation, logistics & automotive, financial markets and structured export finance teams.

Want to know more about ING’s Sustainable Value Chains team? Contact Tim.van.Pelt@ing.com

ING sees busy start of the year

Despite the slowdown in the market last year, ING achieved a strong start to the year, also mostly driven by strong activity in green loans and bonds. ING achieved a volume mobilised of €24.7 billion, an increase of 13% compared to the same period last year. We closed in total 156 sustainability transactions.

Most of ING’s sustainable finance activity was in EMEA (ca 70%), with sustainable finance transactions in APAC also still growing. Despite a volatile market in the Americas, we managed to keep volumes relatively stable in the US, primarily fuelled by green bonds, although volumes are still at historical lows.

Sustainability-linked structures are the outlier in terms of volume growth, in EMEA and Americas, whereas in APAC sustainability linked loans still showed growth in line with market growth. Lower activity in general is logically linked to increased regulatory scrutiny and for the Americas in particular by uncertainty in the political environment.

Jacomijn Vels, global head sustainable finance at ING: “ING continued to perform strong in the first quarter across the various sustainable finance products. Similar to markets overall we saw particular strong activity in the bond market and a more subdued volume on the lending activity. Outlook for the remainder of the year remains hard to predict. Not only because of general economic or geopolitical uncertainties but because the deal structuring process often has become more time consuming and complex because of increased scrutiny from regulators” also



ING SF transactions

	Q1 23	Q2 23	Q3 23	Q4 23	FY 23	Q1 24
SLL	33	40	37	76	186	25
SLB	4	2	3	2	11	4
Green loans	18	27	29	58	132	30
Green bonds	15	22	11	18	66	24
total	70	91	80	154	395	83

Paving the road to electric mobility

Across Europe, we’re seeing the construction of more and more gigafactories to supply batteries for electric vehicles (EVs). This is a trend driven by both the need to build the infrastructure that the transition to electric mobility demands, and the desire to localise production against a backdrop of geopolitical instability.

Despite the recent slowdown in sales of EVs, confidence in them remains. Car manufacturers have committed to making their future car platforms electric, there are hard targets to phase out internal combustion engines, and there’s a lack of alternative technologies to decarbonising road transport.

It’s in this confidence of an EV future that car manufacturers are buying into new European gigafactories, thereby future proofing parts of their business and ensuring a local battery supply. In fact, it’s their commitment that gets these projects off the ground, though this is only one piece of the puzzle. It’s also important to have a credible player to construct and operate an advanced production facility, as well as ready access to materials.

Paving the road to electric mobility

New ways of working

As more and more manufacturers buy strategic shares further up the value chain, we see companies like Northvolt undergo rapid expansion. It's why ING took an innovative approach to financing it: without a long balance sheet to point to, we had to scrutinise the project's viability on its own merits, as well as its potential to generate cash.

The involvement of sovereign and multilateral institutions in transactions is also critical. Export credit agencies are one of the biggest catalysts to bringing in commercial money, as they provide a sort of financial safety net. Over time, this support can be dialled down and the market can take over.

As for next steps, the challenge for ING will be to replicate the template used for batteries for other materials and clean technologies.



ING Research highlight: Taxonomy Disclosures

For the first time, financial institutions disclosed their EU Taxonomy (EUT) including both eligibility and alignment to the Taxonomy for the year 2023. Banks' annual reports and Pillar III disclosures now also include the new and widely discussed Green Asset Ratio (GAR), designed to become a snapshot of banks' environmental sustainability.

While some expected this first year's GAR average to be lower than 10%, banks reported, on average, only 3% GAR. Looking at the EUT eligibility rate however, financial institutions still reported around 35% Taxonomy eligible assets, a 5-percentage point (pp) increase since 2022. These results are derived from a sample of 33 European banks from 13 jurisdictions, and while we note some national variations, results are still strikingly low.

One could stress that these very low results show the overall lack of green activities in the European economy or the financial sector's inaction against climate change. However, according to ING Research other factors are at play that influence both the Taxonomy and GAR results. In this piece, ING Research looks into variables considered in the EUT and Green Asset Ratio calculations, dives into the different methodologies used by banks and their effect on the reported results and summarises this year's disclosures. Finally, the three main points that could negatively affect results are discussed. Read more [here](#).

Comments? Questions? Please contact us at...



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ING & Climate

Society is transitioning to a low-carbon economy. So are our clients, and so is ING. We finance a lot of sustainable activities, but we still finance more that's not. See how we're progressing on [ing.com/climate](https://www.ing.com/climate).

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