

Montrouge, January 9th 2025

Press release

Sustainable: 2024 overview and outlook for 2025

As the integration of environmental and social challenges continues, the volume of sustainable bond issuance is expected **to reach c.EUR 900bn-eq in 2025, resulting in a c.10% growth vs 2024**, according to Crédit Agricole CIB ESG Fixed Income Research team.

Given the current macroeconomic and geopolitical landscape, the momentum for ESG investments in 2025 may not be as strong as required for the transition to a low-carbon economy to stay within the 1.5°C scenario. However, over the longer term, ESG investments and sustainable finance will continue to have a disruptive impact on capital markets.

The challenging 2024 macro environment will continue to impact in 2025

Europe, a key engine in recent years in promoting the green transition, is now facing the dilemma between further decarbonization to meet its mid-term ambitions and reviving its industry competitiveness.

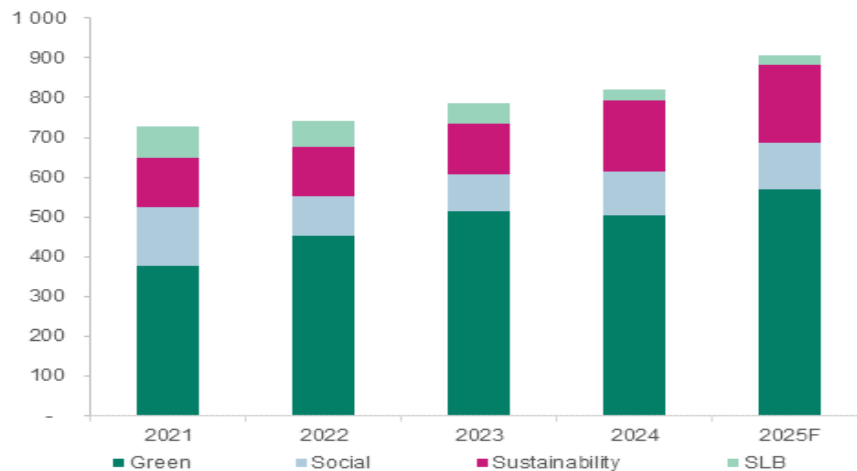
Such a difficult reconciliation comes amid political instability in several EU countries and expected rising protectionism pressures globally, which could have adverse impacts on the speed of the region's transition. For (European) Banks, growing prudential requirements under Basel III and Pillar 3 will increase further integration of climate and ESG risks in bank governance and risk appetite frameworks.

In the US, the recent outcome of the presidential election might be negative for the country's transition, with side-effects on Europe and other regions. In addition, intensifying trade tensions between the US and China can lead to higher levies towards Chinese clean technologies and products, creating supply chain disruptions and higher pressure for domestic industries to remain competitive internationally.

Soft ESG momentum led to a modest growth in the global sustainable bond market in 2024

In spite of a soft momentum around ESG investment in 2024, the sustainable bond market has slowly grown with around **EUR 820bn-eq** of sustainable bonds issued by mid-November, compared to EUR 790bn-eq in 2023. Green bonds have kept the lion's share, representing 82.61% in 2024. The issuance has been mainly driven by supranationals and non-financials, which have issued 50% and respectively 20% more vs 2023.

Global sustainable issuance evolution by product (all currencies, EURbn-eq)



Sources: Bloomberg, Crédit Agricole CIB - Excluding US Mortgages and US Municipals.
 2024 figures as of mid-November 2024

Key drivers for a slow increase in the sustainable bond supply in 2025

Sustainable bond issuance should be marginally higher in 2025, driven by non-financials and supranationals.

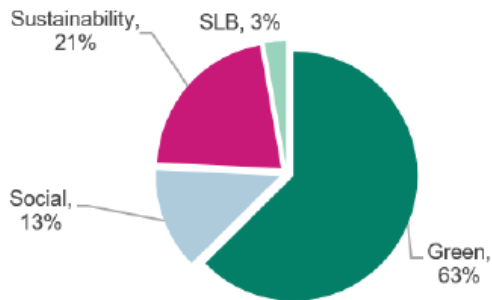
We expect the market to pursue its growth slowly but surely in 2025 to reach c.EUR 900bn-eq. with green bonds remaining the favourite product (c. 63% of the total) and SLBs should remain shy (only 3% of the expected volume ESG-labeled bond supply). The refinancing of upcoming maturing SLBs will be a key test for the segment, as pre-funding for SLBs maturing in 2026 and 2027 will start in 2025.

Green bonds will continue as the dominant product in 2025, although there will be some regional and product diversification. The coming into effect of the EU Green Bonds Standard (EU GBS) will be one of the main developments to follow in 2025, although Crédit Agricole CIB ESG Fixed Income Research team does not foresee a strong adoption at the beginning. The first impact on volumes will be clearer by 2026-2030.

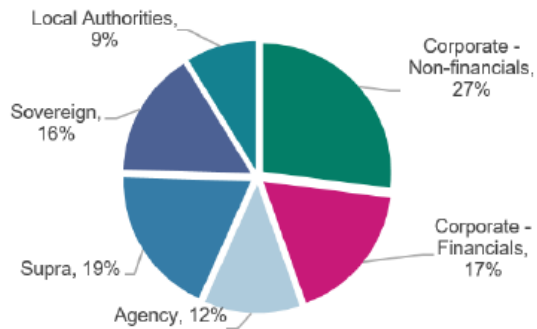
Similar to 2024, we expect non-financials to have the highest share of sustainable bond issuance in 2025, with a slight year-on-year increase on an absolute basis. To generate a more robust supply, corporates will overall need clear regulatory and funding frameworks to support low-carbon technology scale-up.

ESG disclosures in Europe are expected continue to improve in 2025 both on the issuer and on the investor side, and this is likely to lead to better ESG data comparability and transparency around how ESG risks affect capital markets in the long run.

2025 global Sustainable forecast by products (%)



2025 global sustainable forecast by issuer type (%)



Sources: Bloomberg, Crédit Agricole CIB - Excluding US Mortgages and US Municipals.
 2024 figures as of mid-November 2024

According to Damien de Saint Germain, Head of Credit Research & Strategy at Crédit Agricole CIB: “Amid geopolitical uncertainties and despite growing concerns on public deficits in many regions, energy transition should remain on top of the agenda for many investors and corporates, hence still supporting growth in the sustainable bond market. However, finding the balance between competitiveness and sustainable targets has become a growing topic across sectors and geographies. Regulation, particularly in Europe, will continue to play a key role especially as the carbon border levy (CBAM) will take place in 2026. In turn, we expect green capex to accelerate in hard-to-abate sectors. In the credit market, as greenium has continued to reduce with investors’ focus skewed onto yield, more disclosures (CSRD) should pave the way for more differentiation between leaders and laggards. In that respect, 2025 is set to be a key milestone in assessing the credibility of the green trajectories embedded in 2030 sustainable targets.”

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About Crédit Agricole Corporate and Investment Bank (Crédit Agricole CIB)

Crédit Agricole CIB is the corporate and investment banking arm of Crédit Agricole Group, the 9th largest banking group worldwide by total assets 2023 (The Banker, July 2024). With over 9,500 employees across Europe, the Americas, Asia-Pacific, the Middle East and Africa, the Bank supports large and mid-cap corporates and institutional clients, helping them meet both local and international financial needs. Crédit Agricole CIB offers a comprehensive range of products and services in capital markets, investment banking, structured finance, commercial banking and international trade. The Bank is committed to supporting its clients in their transition to a low-carbon economy and to aligning its own activities toward

net zero. In line with its ambitions, Crédit Agricole CIB is a pioneer and a global leader in sustainable finance (co-founded the Equator Principles, co-authored the Green Bond Principles and Sustainability-Linked Bond Principles).

For more information, please visit www.ca-cib.com



In 2024, Crédit Agricole CIB is one of the leaders in Green, Social, Sustainability and Sustainability-Linked Bonds (#2) in EUR, with 6.63% market share. (Source Bloomberg)

Crédit Agricole CIB is one of the leaders in Green Bonds (#3) all around the world with 4.3% market share and of the Green, Social, Sustainability and Sustainability-Linked Bond market worldwide with 3.75% market share. (Source Bloomberg)

Since market inception, Crédit Agricole CIB has lead-managed +570 benchmark Green, Social and Sustainability bonds, incl. a large number of the inaugural transactions and innovations in the market.