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THE FUTURE OF SUSTAINABILITY

# Building a Climate Resilient Future with Sustainable Finance

JUNE 2022





# Sustainable Finance Initiatives on the Rise

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The 2021 United Nations [Climate Change Conference \(COP26\)](#), that was held in Glasgow in 2021, highlighted the need to mobilise public and private sector finance to support global net-zero emissions targets and to protect communities and habitats.

Sustainable Finance and Green Bonds present opportunities for lenders, investors, and borrowers. It allows borrowers to obtain funding at decreased and competitive costs. And as investor demands continue to rise, Government institutions have expressed keen interest in issuing green bonds to support ecologically beneficial initiatives.

**Here are some recent global announcements.**



# France

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The French debt and cash management agency, Agence France Trésor (AFT), has announced the issuing of a USD 4 billion green bond sale. [The Green OAT \(Obligations Assimilables Du Trésor\) bond](#) is the first ever inflation-linked sovereign green bond, with the bond's value secured against inflation by harmonisation with the European consumer price index (excluding tobacco).

France is one of the market leaders in sovereign sustainable financing. With its initial USD 7 billion offering in 2017, France was the first country to issue a sovereign benchmark green bond. Following the current sale, Green OAT issuance has reached roughly USD 50 billion to date.

Demand for the bond was extremely high, with a 7 times oversubscription. More than 220 investors took part in the deal, with green investors receiving more than half of the allocation. Barclays, BNP Paribas, Crédit Agricole CIB, Natixis, and Société Générale are the deal's lead managers.





# Germany

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As part of its sustainability policy, [Germany has raised USD 4 billion in green bond](#) proceeds to finance green expenditures and investments. The new issue was facilitated by the reopening of Germany's 30-year Green Federal bond, which matures in August 2050.

Germany's Finance Ministry outlined the country's initiative to develop the sustainable finance market in a recent green bond presentation to investors, with plans to establish a green yield curve later this year following the issuance of a new 5-year green bond, and to continue the "twin bond" concept – where green bonds would have the same maturity and coupon as a conventional bond, but a smaller issue volume. While this promotes Sustainable Finance, it also ensures that there is not negative impact of the overall liquidity in Government bonds.

The Government intends to build a green yield curve for the eurozone in the following phase, with the issuing of its fifth green bond in Q3 2022.



# Singapore

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With the issuance of the **Singapore Green Bond Framework**, Singapore has set a roadmap for its first sovereign green bond. The country is exploring the use of green bonds for climate change adaptation, particularly coastline preservation.

Green Singapore Government Securities (Infrastructure) bonds, or Singa bonds, will be used to fund nationally significant infrastructure that fits the framework's green standards, such as the planned Jurong Region Line and Cross Island Line. The framework's release aligns with the Government's plan in Budget 2022 to issue up to USD 35 billion in public sector green bonds by 2030.

Earlier in the year, the Institute of Banking and Finance (IBF) and the Monetary Authority of Singapore (MAS) set out **12 Sustainable Finance Technical Skills and Competencies** (SF TSCs) required by people in various roles in sustainable finance. This addresses the growing demand for sustainable finance talent in Singapore; and covers knowledge areas such as climate change policy developments, natural capital, green taxonomies, carbon markets and decarbonisation strategies.

The MAS also announced the 7th Global FinTech Hackcelerator, with focus on **"Accelerating A Greener Digital Future"** for FinTechs considering to propel a green and sustainable finance industry.





# Austria

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Austria launched its first green bond in May 2022 which is due to mature in 2049, attracting USD 25 billion in investor demand. The bond is priced with a [“Greenium”](#) of 2.5 basis points. This aims to attract short-term investors including central banks, bank treasuries, and money market funds.

Following the issuance of green bonds, Austria intends to issue short-term green debt to raise an additional USD 1 billion in 2022. The Government has set aside an investment of USD 5 billion to fund the green bond program for 2021 and 2022 – nearly 75% of this is dedicated to clean transportation.

Austria is also the first country to include commercial paper and treasury bills within its green debt program.



# The United Kingdom

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The **Environmental Audit Committee (EAC)** of the UK Parliament has announced the launch of a new inquiry into the role of the financial sector in the UK's net zero transition, including the industry's contributions to the green energy transition and the winding down of financing for fossil fuel extraction.

One of the key focus areas will be to explore the role of the **Glasgow Financial Alliance for Net Zero** (GFANZ) in the transition. The Net Zero Asset Managers Initiative, the Net-Zero Asset Owner Alliance, and the Net Zero Banking Alliance formed GFANZ in April 2021, bringing together various climate-focused financial sector entities. Collectively, the alliance represents nearly 40% of global private financial assets and represents an enormous opportunity to influence meaningful action to cut emissions and support renewable energy generation.

EAC intends to explore how to effectively drive down global emissions, and more initiatives are expected.



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