

Article | 26 February 2025

CREDIT SUSTAINABILITY

## Sustainable Finance: Paint it Green

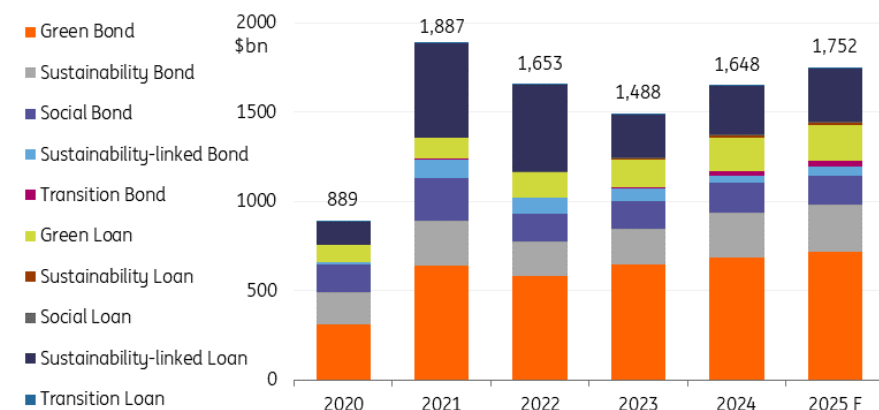
Green is the colour! We expect sustainable finance issuance to grow in 2025, with fast-approaching interim decarbonisation targets and continuous standardisation driving global growth. This is despite headwinds from the changing political landscape



### Growth in 2025 but still lower than 2021 levels

Sustainable finance issuance certainly saw some growth in 2024, with global issuance reaching US\$1.657tr. This matches the volumes of 2022 and is an increase on 2023's US\$1.488tr. This was mostly driven by the record-breaking 1Q issuance and very decent 3Q issuance, despite slightly lower 2Q and 4Q levels. We expect sustainable issuance will continue on this growth path in 2025, likely ending the year above the 2024 levels but below the significant levels seen in 2021.

## Global sustainable finance issuance per year



Source: ING, BNEF

## Lots of paint – but be wary of paint peeler

Multiple drivers will sustain issuance volumes in 2025. Climate mitigation remains a primary focus, and the countdown to 2030 decarbonisation targets will drive investments in clean energy.

That said, companies are broadening their focus from climate mitigation to climate adaptation, as more frequent natural disasters weigh on business resiliency, and this shift could become more popular within sustainable finance. Moreover, sustainable issuance will continue to attract ESG-focused investors, potentially giving issuers access to more capital.

Finally, improved regulation and standardisation, as well as a bit more comfort regarding the ambition of sustainable targets, will also assist in issuance growth. The new European Green Bond Standard will likely act as a catalyst for more issuance.

At the same time, we see some headwinds too, namely the changing political nature in the US and less so in Europe. The policy environment under the current Trump administration is making companies cautious and could put a slight dampener on issuance volumes. Nevertheless, project-based green financing can still maintain positive momentum. Many states, local agencies, corporates, and financial institutions have their own sustainable targets that they will likely stick to, thus the effect is not expected to be too drastic.

In contrast, much of Asia, the UK and many EM segments are still very active and looking to grow their efforts in transition. Already in 2024, we have seen many transition bonds and loans coming out of Asia. Notably, transition debt issuance - not just within Asia but globally - was dominated by Japan because of its Climate Transition Bond Framework, and the country accounted for 86% of the total issuance in 2024. Transition debt can be a growth segment in the coming years in Asia, with issuances observed in China, Thailand, Vietnam, and South Korea last year. Nevertheless, absent a unified definition and framework, we see limited

potential for transition debt issuance outside Asia.

## Forecast breakdown of global sustainable finance issuance (US\$)

	Bonds					Loans					Total
	Green	Sustainable	Social	Sust-Linked	Transition	Green	Sustainable	Social	Sust-Linked	Transition	
2012	4.6	0.7	0.2	0.0	0.0	24.1	0.0	0.0	0.0	0.0	30
2013	14.6	0.0	0.1	0.0	0.0	11.5	0.0	0.0	0.0	0.0	26
2014	41.2	2.3	0.6	0.0	0.0	22.5	0.0	0.0	0.0	0.0	67
2015	49.1	4.4	2.4	0.0	0.0	29.3	0.0	0.0	0.0	0.0	85
2016	104.8	6.9	2.2	0.0	0.0	38.1	0.0	0.0	2.3	0.0	154
2017	175.4	11.2	9.6	0.0	0.5	46.5	0.3	0.0	5.0	0.0	249
2018	180.1	24.6	14.5	0.0	0.0	63.1	0.0	0.0	48.6	0.0	331
2019	277.1	87.5	18.3	5.0	1.5	97.9	2.5	0.1	144.1	0.0	634
2020	312.8	178.3	155.7	10.2	2.9	93.4	0.0	0.2	134.9	0.3	889
2021	642.1	248.7	237.4	108.7	4.6	112.8	4.4	0.1	528.3	0.1	1,887
2022	584.2	192.5	154.2	87.4	3.7	138.8	4.7	5.8	481.2	0.5	1,653
2023	649.5	198.3	155.8	69.7	3.1	155.7	8.8	5.8	241.0	0.6	1,488
2024	687.3	251.8	168.1	38.8	23.6	189.2	8.2	6.1	273.3	1.7	1,648
2025 F	715.0	270.0	160.0	50.0	35.0	200.0	9.0	7.0	300.0	6.0	1,752

Source: ING, BNEF

### 50 shades of green

**Green bonds** remain the largest portion of sustainable finance, with a record-breaking US\$688bn in 2024. We expect this could reach US\$700bn in 2025, for another record-breaking year.

**Sustainability-linked loans** accounted for a significant US\$278bn of total issuance in 2024. This is still much lower than the significant levels seen in 2021 and 2022. While we continue to expect some growth in 2025, it is expected to fall short of those levels. Growth is driven by refinancing many deals closed in 2021/22, more interest across a broader range of geographies, and better ESG data available.

**Sustainability-linked bond** issuance was rather slow in 2024, coming in at only US\$39bn, lower than even 2023. The SLB market could rebound slightly but we expect lower levels than in previous years.

**Sustainability bonds and green loans** both saw record-breaking levels in 2024 at US\$252bn and US\$192bn, respectively. Steady growth in these products is expected in 2025 driven by transition commitments (where products are not labelled transition debt).

## Author

**Timothy Rahill**

Credit Strategist

[timothy.rahill@ing.com](mailto:timothy.rahill@ing.com)

**Coco Zhang**

ESG Research

[coco.zhang@ing.com](mailto:coco.zhang@ing.com)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user’s investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit [www.ing.com](http://www.ing.com).