

## **NEWSLETTER GME – New issue now online**

Rome 17 June 2019 – The new issue of the newsletter of Gestore dei Mercati Energetici (Gme) is online and can be downloaded from the website [www.mercatoelettrico.org](http://www.mercatoelettrico.org).

The newsletter opens with an intervention by Chiara Proietti Silvestri from the RIE on green finance and the expansion of the certified bond market. *"With almost 168 billion dollars of certified green bonds issued, 2018 closes with a new record confirming the growing trend recorded in this market from its beginnings to today - the RIE analyst explained -. Since 2007, the year in which the first green bond in the world was launched by the European Investment Bank, and even more since 2013, when new players with green corporate, municipal and city bonds became active players, the market has experienced exponential growth, bringing the cumulative total of issues to 521 billion dollars".* However, 2018 also reveals a slowing growth rate, recording an increase of only 3.4% compared to 2017, compared to the double-digit percentages we were used to see in past years. *"This is a sign proving the stabilization of the market in relation to the initial boom, which was also influenced by the global financial context characterized by a general slowdown in the bond market, rising interest rates, greater market volatility - said Proietti Silvestri - . However, the reasons seem to be more. The slowdown in the growth of green bonds also reveals a growing interest in other certified debt instruments".*

In particular, these are “sustainable” bonds and new “labels” that indicate the alignment of financing to climate objectives and of transition towards a low-carbon economy, even though they do not belong to the green bond classification.

“In particular, these are the so-called sustainability bonds, social bonds and SDG bonds (namely those in line with the UN Sustainable Development Goal) to which are added other types that are gaining importance in recent years (blue bonds, forest bonds, climate action bonds)”, explained the RIE researcher, adding that, unlike green bonds, *“these mechanisms embrace the broader field of society and sustainability and are not exclusively the prerogative of climate change mitigation and adaptation projects. Considering these instruments, the total amount of certified bonds linked to 'green' projects*



reaches nearly 230 billion dollars, up 13% compared to 2017". The 2019 trend is stronger than last year. In the first three months there were total green bond issues of \$48 billion, up 42% compared to the first quarter of 2018. *"The increase is mainly driven by the business world (especially energy companies) which accounted for one third of the investments, followed by the financial institutions and the government support bodies, each at 17% - said Proietti Silvestri -. At national level, the absence of China in the top positions was unexpected: the developed countries dominate with the United States ranking first, followed by France and Canada, which cover almost half (48%) of global green bond issues. Italy is also more dynamic thanks to a series of deals reached at the beginning of the year that allowed it to access the CBI Top 10".* 2019 also confirms the growing interest in new debt instruments such as sustainability bonds and social bonds, which stand at around 12 billion dollars and therefore bring the cumulative total to almost 60 billion dollars during the quarter. *"However, it is important to bear in mind that greenhouse gas emissions continue to increase and the objectives requested by the financial sector within the 'Mission 2020 Milestone' are still far from being achieved. A greater effort is therefore needed to direct global investments towards the fight against climate change. Taking actions on transparency in the allocation of funds, through greater harmonization of certification standards and criteria, is still a priority. In 2018, there was an increase in green bonds without external review, especially among newcomers from China and the United States. In particular, Chinese issuers operating in the onshore interbank market are increasingly less likely to require an external assessment of the environmental aspects of their obligations, both in the pre- and post-issuing phase. By reducing the possibility of correctly assessing the real impacts of each loan, this trend represents an important challenge to the credibility and transparency in the green bond market that cannot be ignored",* concluded Proietti Silvestri.



The new issue also includes the usual technical commentaries on the markets and the national and European electricity and environment exchanges, the section devoted to the analysis of the trends of the Italian gas market and the section with an analysis on European trends, which delves into trends in key European commodities markets.

The GME's new publication also reports, as customary, the summary data of the electricity market for May 2019.

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