

Who is the Green Investor?

Investor Structure in Bond Issuances

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The Global Green Transformation Is Urgent

- **Science** called for green transformation **decades ago**
- **Public** awareness of such need has evolved only **in recent years**.

Top 10 Global Risks (World Economic Forum):

Likelihood	
1	Extreme weather
2	Climate action failure
3	Natural disasters
4	Biodiversity loss
5	Human-made environmental disasters
6	Data fraud or theft
7	Cyberattacks
8	Water crises
9	Global governance failure
10	Asset bubbles

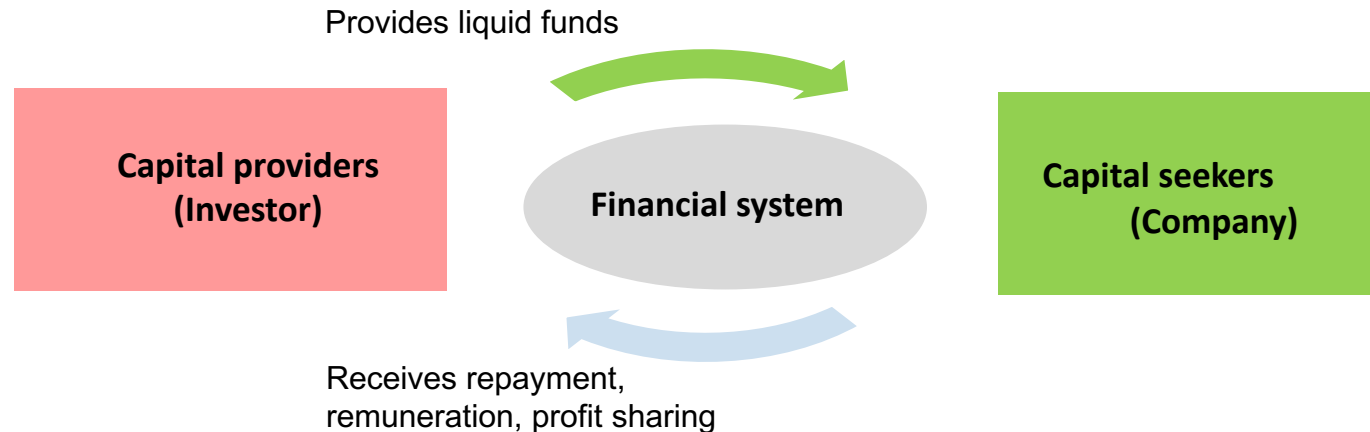
Impact	
1	Climate action failure
2	Weapons of mass destruction
3	Biodiversity loss
4	Extreme weather
5	Water crises
6	Information infrastructure breakdown
7	Natural disasters
8	Cyberattacks
9	Human-made environmental disasters
10	Infectious diseases

Categories	
	Economic
	Geopolitical
	Environmental
	Societal
	Technological

Financial Markets Play a Critical Role in Sustainable Development



- Substantial environmental measures cost money. Financial markets can **mobilize capital**.

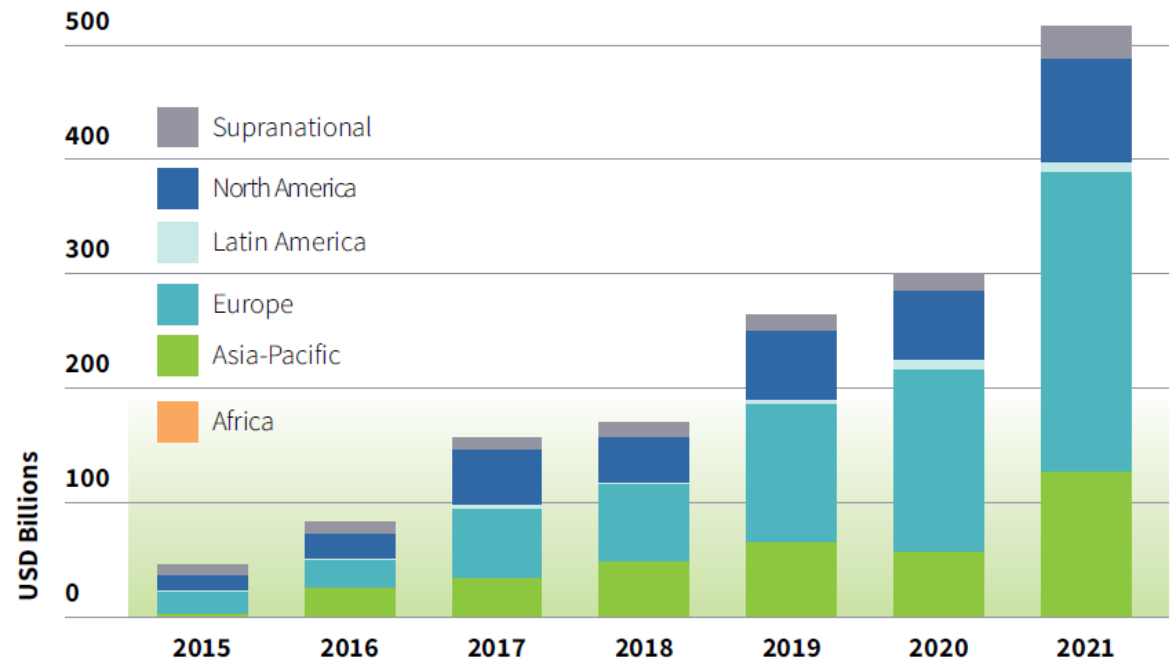


→ **How can** large amounts of **capital be allocated to green projects?**



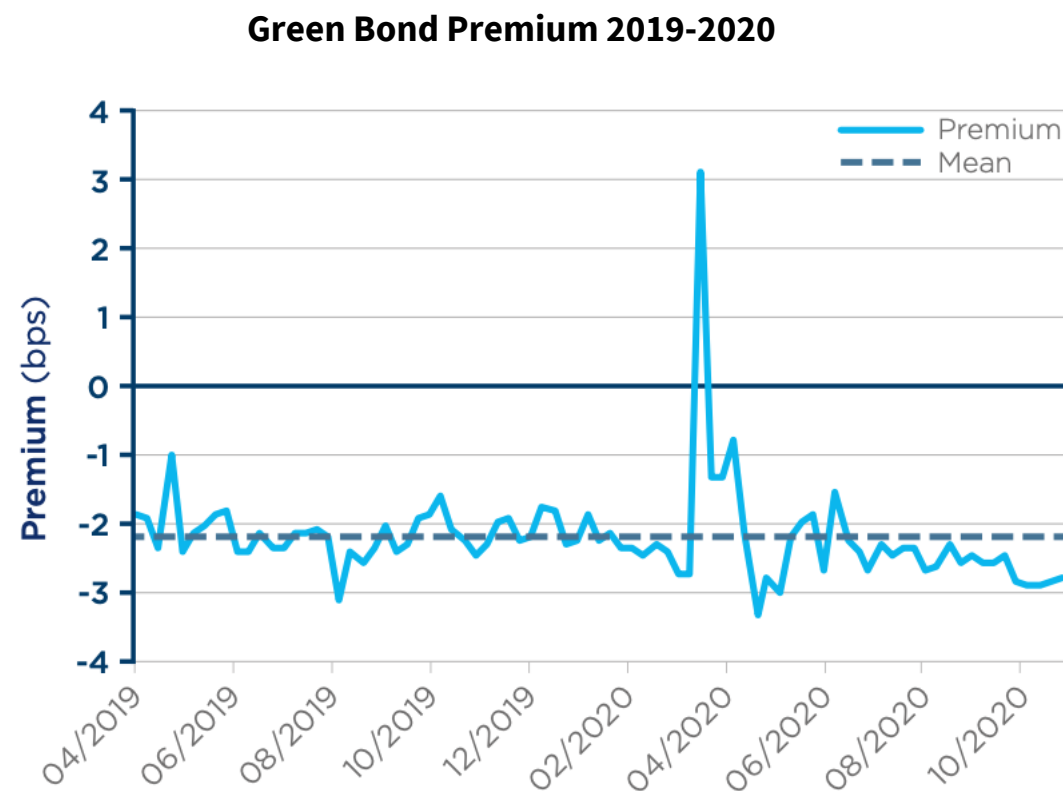
Are Green Bonds Doing the Job?

- **Bonds** are the most common financial instrument to **borrow large amounts of capital** from investors (e.g. to finance countries)
- In recent years, the **green bond market has quickly evolved**, yet is still small compared to the conventional bond market.



Are Green Bonds Really Doing the Job?

- The idea: sourcing **cheaper money** for green projects
- Analysts estimate a **green premium** of ca. **0.02%**
- In recent years, **money was cheap** for everyone.
- The real game has not started yet

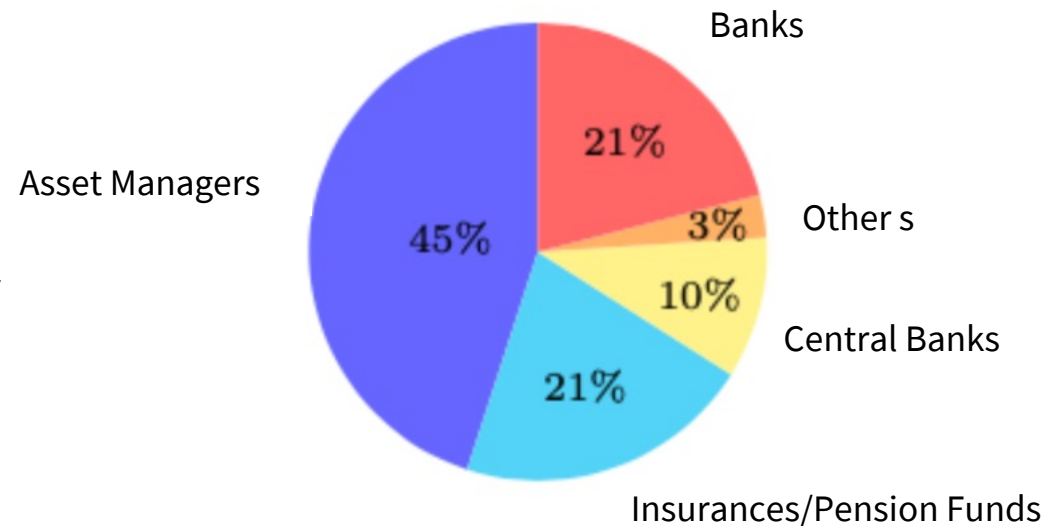


Source: Amundi

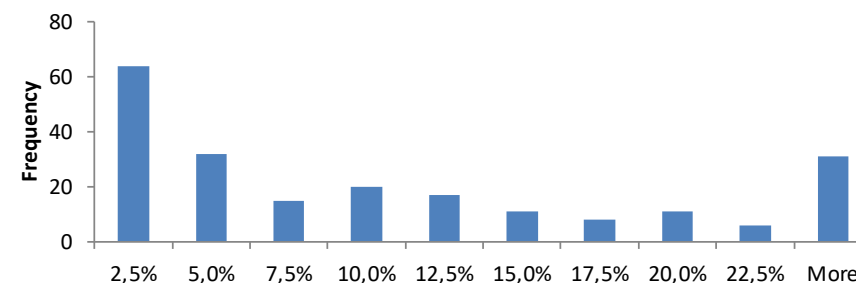
Will Green Bonds Do the Job?

- Are investors **making a difference** between green and non-green? Which ones?
- Can we conclude on **motivations** to buy green bonds?
- Any conclusions for **future development**?
- Looking at **investor allocations** of ca. 200 bond issuances in €
- **Joint Research** with Christian Thier, UAS Frankfurt

A typical Allocation Split



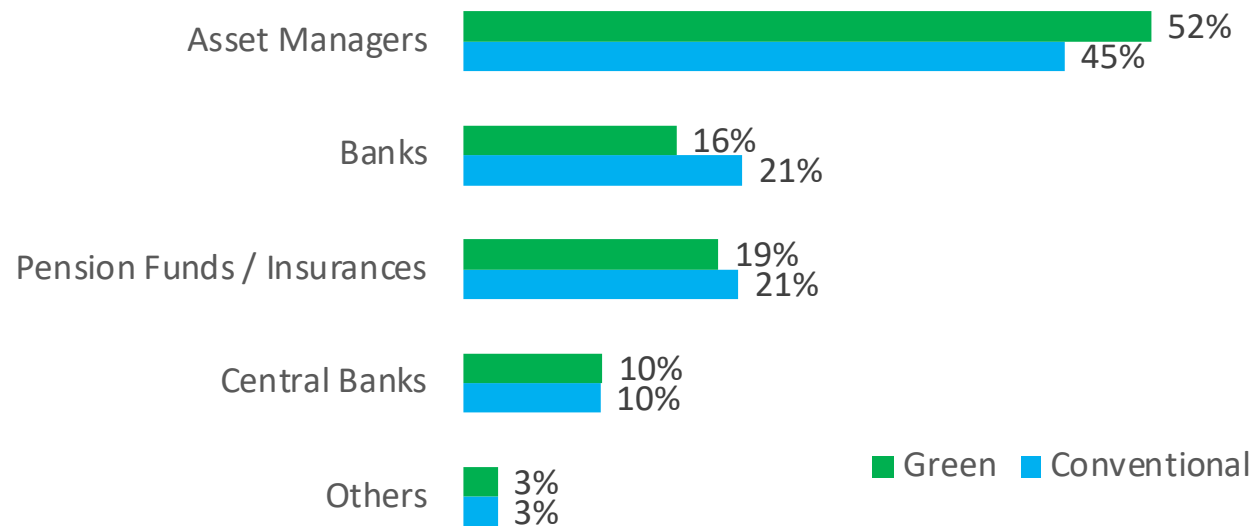
Allocation Share of Central Banks



Asset Managers Show Strongest Green Enagagement



Allocation Shares - Bond Issuances



- **Asset Managers** are significantly **over-engaged in green bonds.**
- This pattern holds **across** different **issuer types** and **ratings.**
- This pattern is **more pronounced** for bonds issued **after 2017**

How Can We Interpret These Results?

- In recent years, a low yield environment, most investors seem to have seen **green bonds as a substitute** for conventional bonds.
- Only **Asset Managers** have shown an **over-engagement** in green bonds.

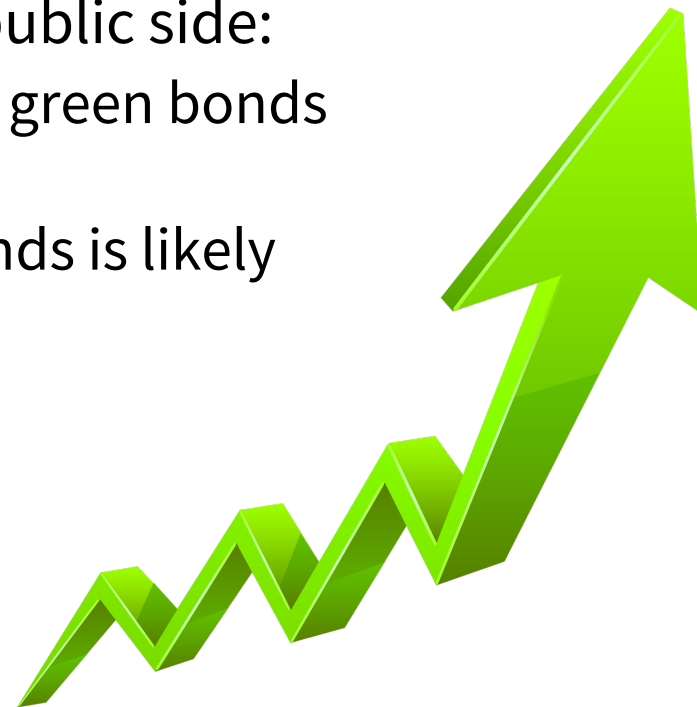
Financial
motives?

Ethical
Motives?

Business
Motives!

The Green Premium Has Potential to Grow

- A **general increase in interest rate levels** will give more room for increased green premium
 - leading to a further increase of green bond share of asset managers
- Two possible green premium boosters from the public side:
 - A **public mandate of central banks** to invest in green bonds would increase their share.
 - A **preferred regulatory treatment** of green bonds is likely to increase the order book share of banks.



Outlook: How Green Are The Investors?

- How much green premium are investors willing to pay?
 - (Big) Secondary Market Data can be used for **sensitivity analysis**
- Who is the green investor behind the green investor?
 - Are Asset Managers following „**delegated ethical motives**“?
 - Investor base on retail and small institutional clients needs to be investigated.

