



April 2022

ESG Flows and Markets: Q1 2022 Chartbook

We are pleased to share our new quarterly chartbook, designed to monitor sustainable flows (to ESG funds, climate finance flows, and climate finance to emerging markets), ESG market development, and the evolution of voluntary carbon markets. We also include our regular EM ESG Scorecard—a useful indicator of progress in areas including carbon efficiency as well as broader environmental and social issues. We welcome your comments!

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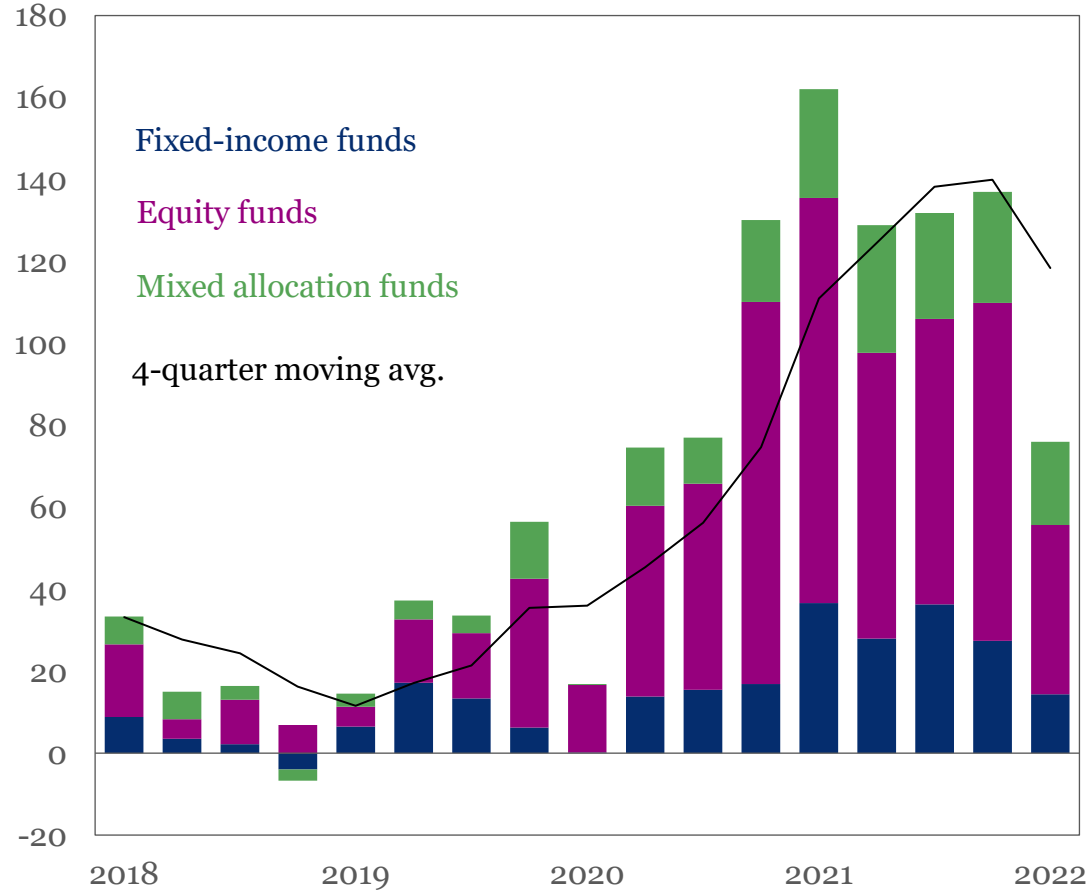
Editor: Sonja Gibbs, Managing Director and Head of Sustainable Finance

1. Sustainable Finance Flows

ESG funds saw inflows halve in Q1 2022 amidst volatility in tech shares, Fed rate hikes and Russia's war in Ukraine

ESG fund flows

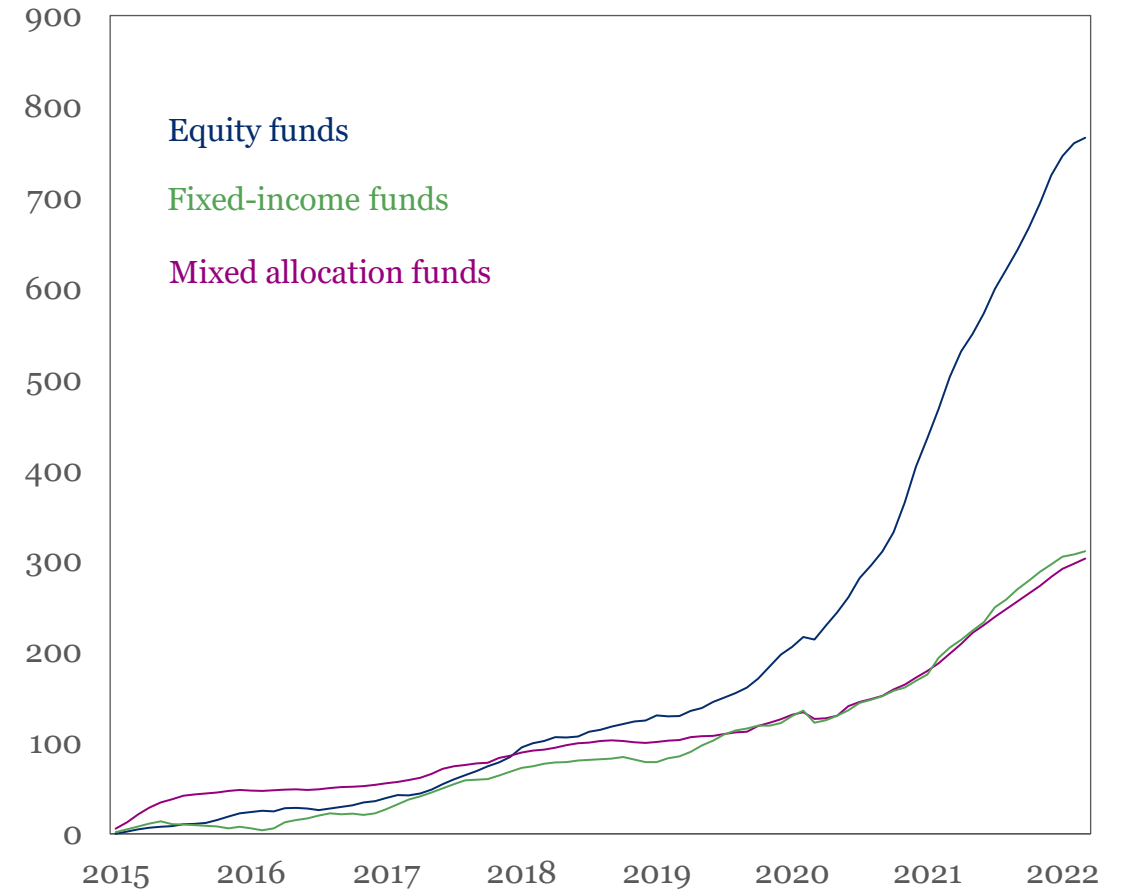
\$ billion



Source: Morningstar, IIF

ESG fund flows have mobilized over \$1.3 trillion since end-2015

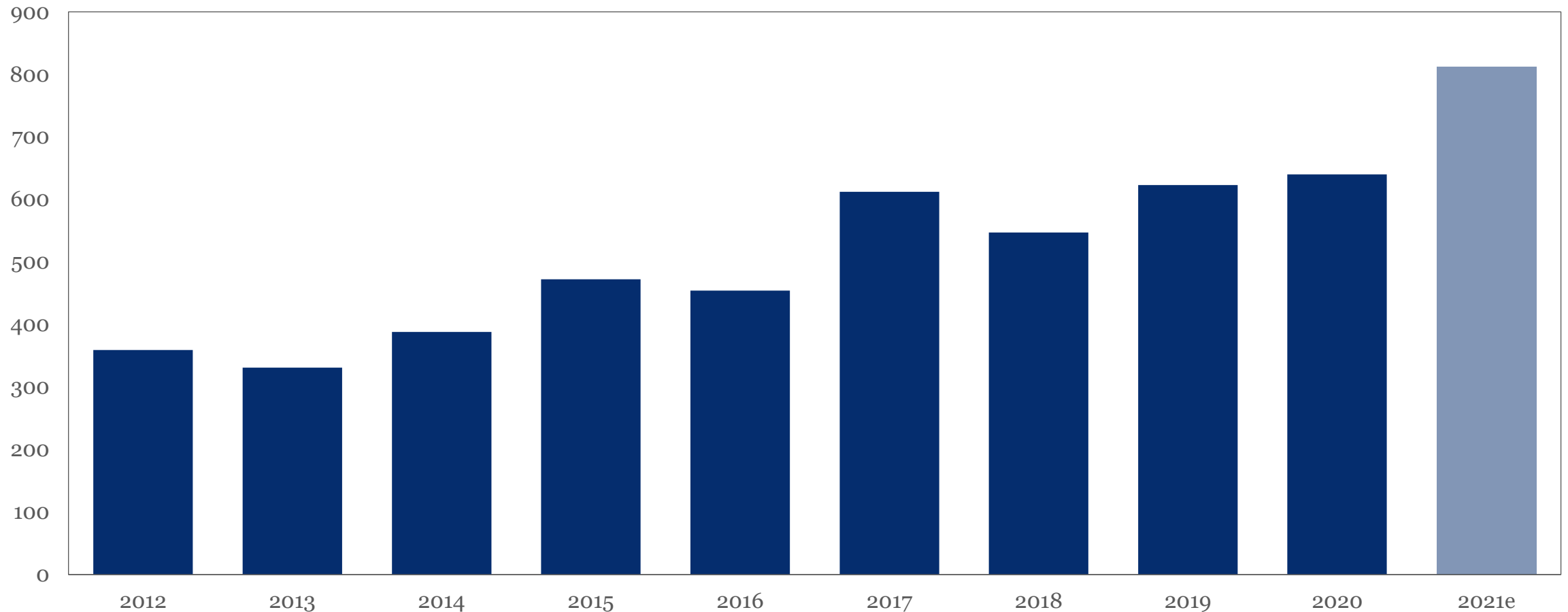
\$ billion, cumulative ESG fund flows since end-2014



Source: Morningstar, IIF

Climate finance flows remain well short of what will be needed to keep global warming to under 1.5C and/or to achieve net-zero emissions

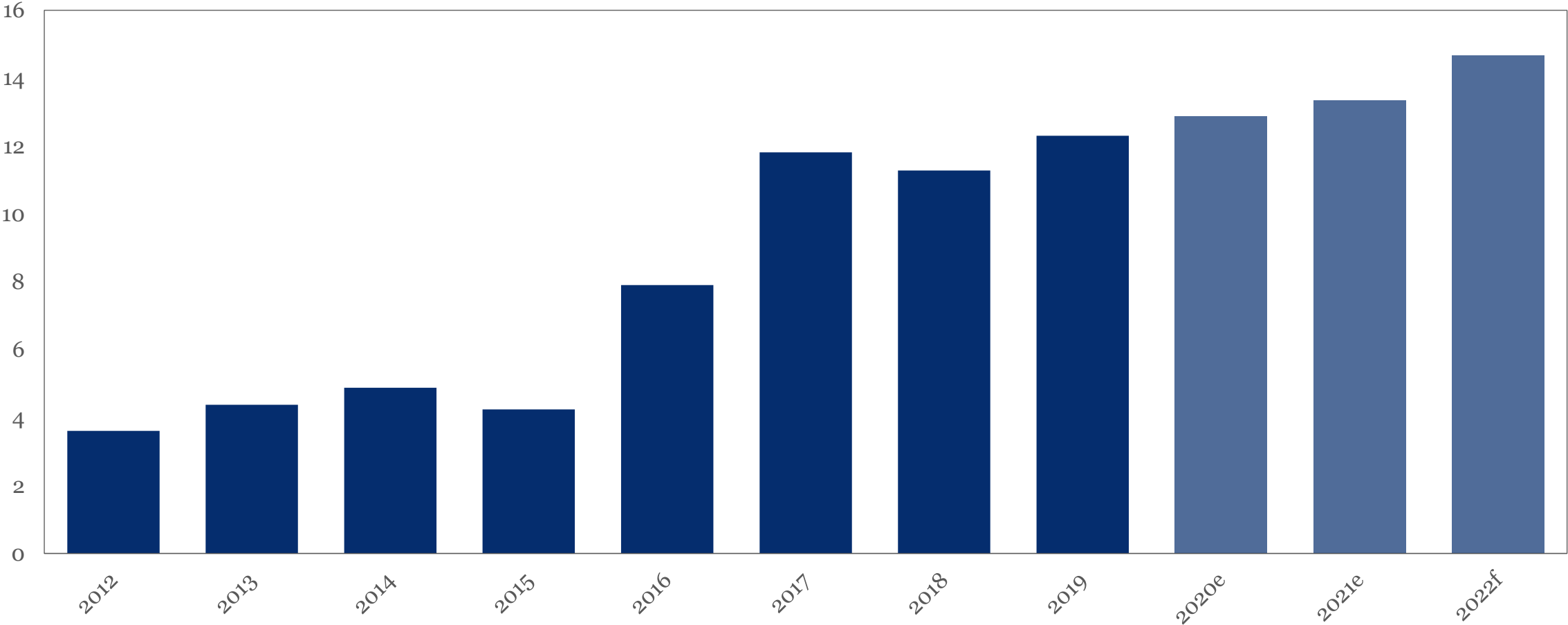
\$ billion, climate finance investment flows



Source: CPI, IIF estimates; *Based on the CPI's definition on climate flows, mainly tracking project level investment that aims to reduce carbon emissions and increase energy

Private climate finance flows to emerging markets are expected to surpass \$14 billion in 2022, still accounting for only 2% of total EM capital flows

\$ billion, private investment flows to EMs for climate action (ex-China)

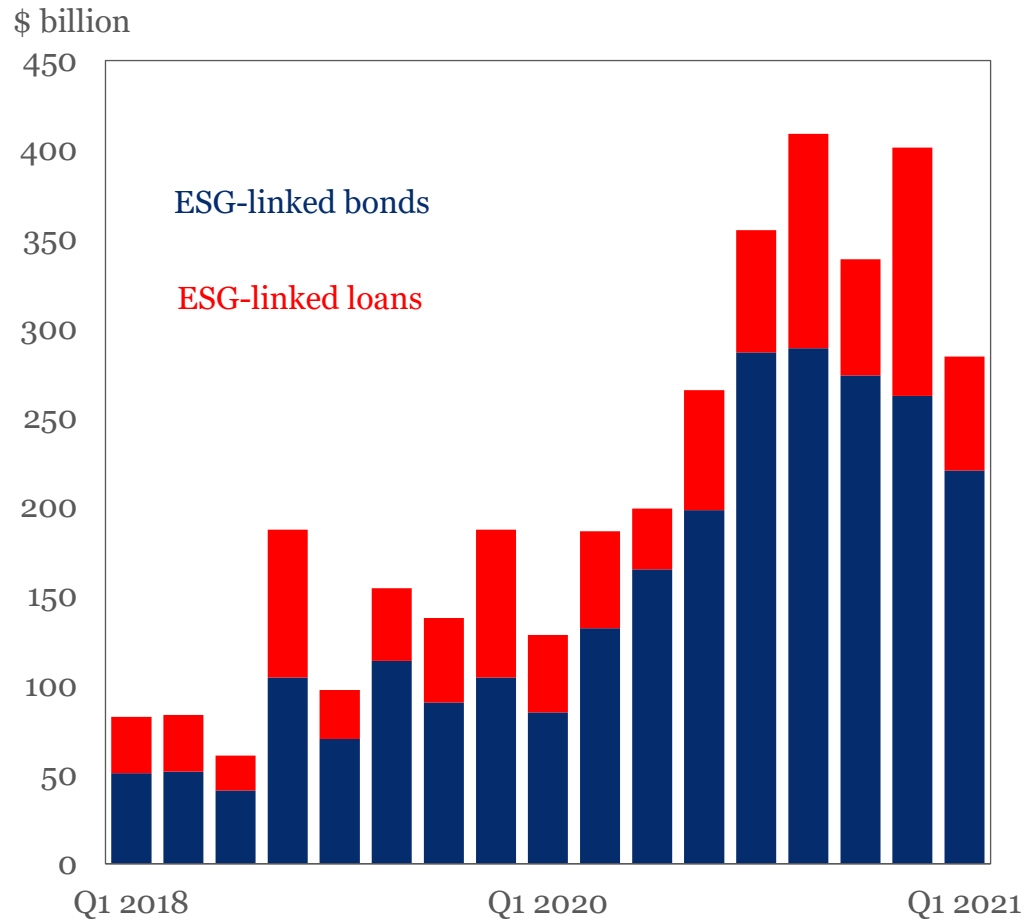


Source: OECD, IIF estimates; see OECD series on the mobilization of private investment for climate change, includes equity and debt investment

2. ESG Debt Issuance

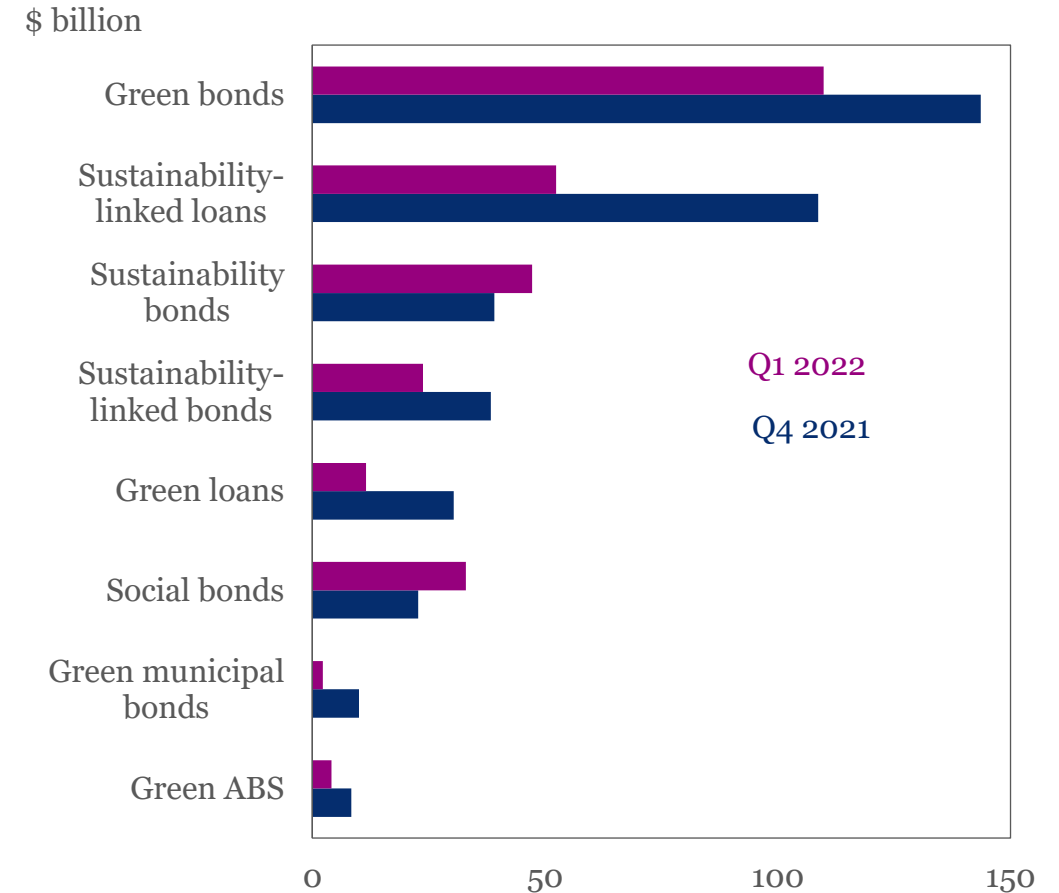
Q1 2022 saw a sharp slowdown in ESG debt issuance, largely driven by sustainability-linked loans and green bonds

ESG-labelled Debt Issuance



Source: Bloomberg, IIF

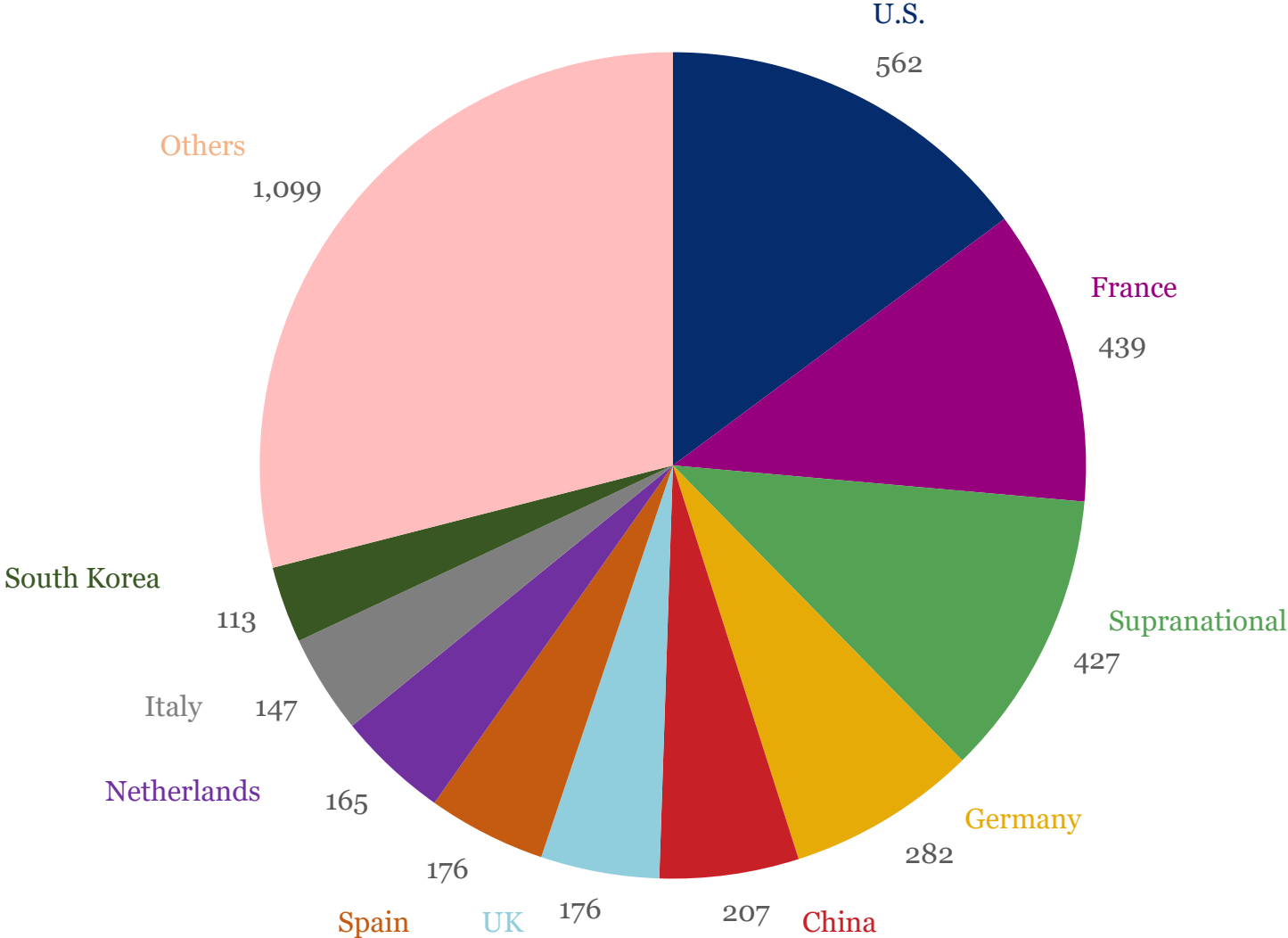
Issuance in Q1 2022 vs. Q4 2021



Source: Bloomberg, IIF

The U.S. has the world's largest ESG debt market, followed by France

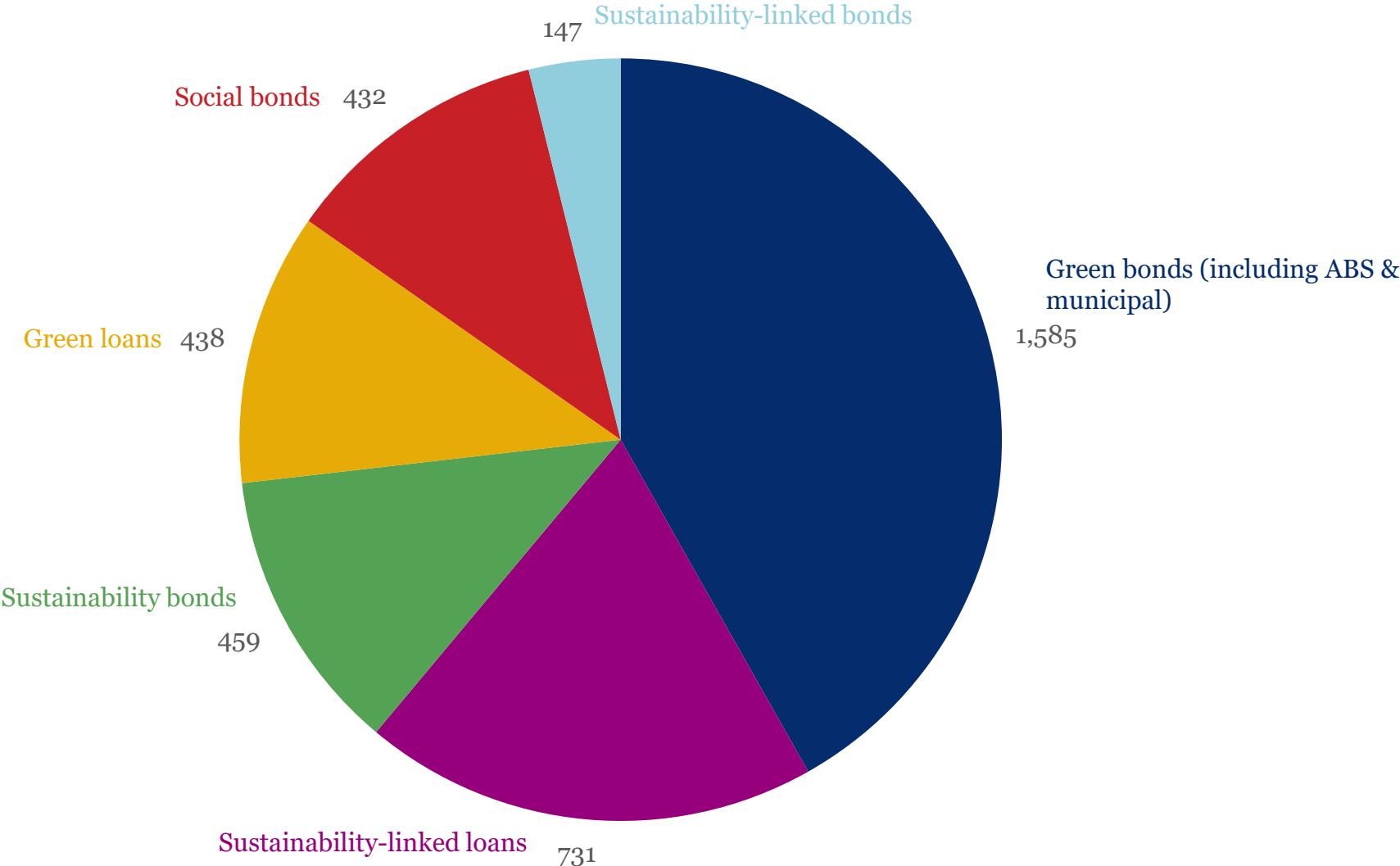
\$ billion, Q1 2022



Source: Bloomberg, IIF

ESG-labelled bonds make up 70% of the sustainable debt universe

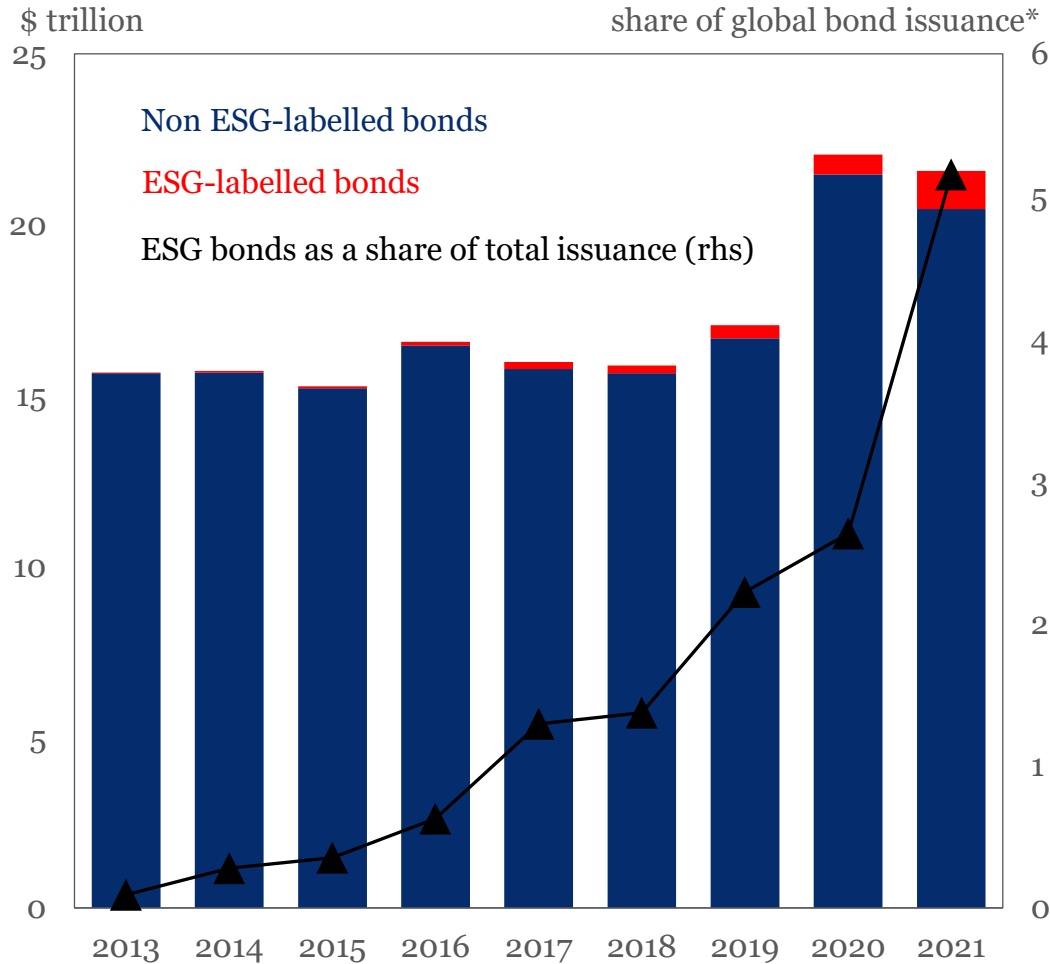
\$ billion, Q1 2022



Source: Bloomberg, IIF

ESG integration in global bond markets continue at a rapid pace, with ESG issuance topping over 5% of global issuance in 2021

ESG bond issuance topped over 5% of global bond issuance in 2021



Source: Bloomberg, IIF**includes all bonds

ESG-labelled bond issuance, by sector

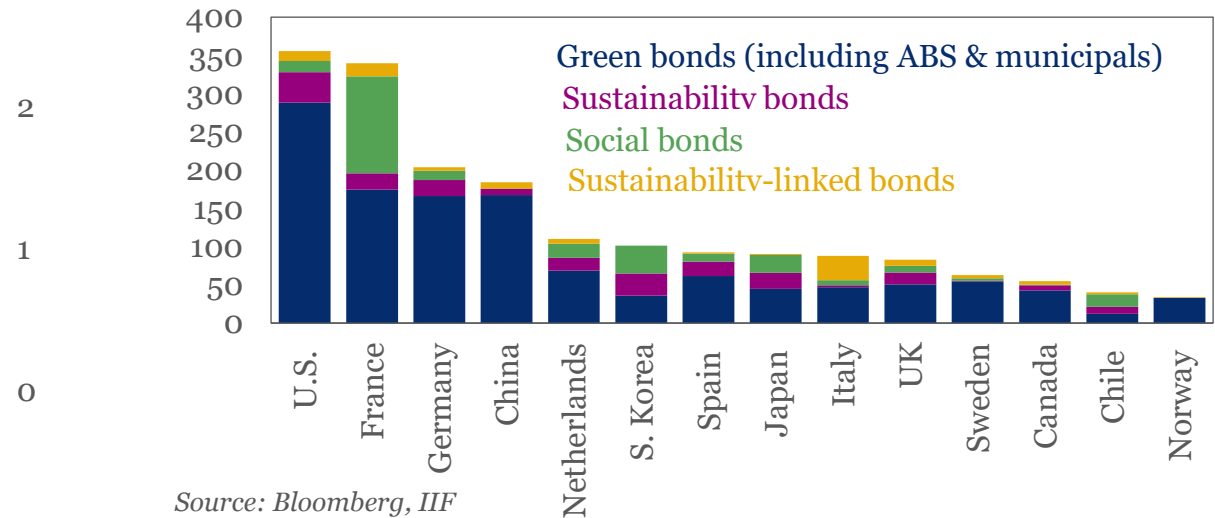
\$ billion



Source: Bloomberg, IIF

ESG-labelled bond market size, by country

\$ billion, Q1 2022

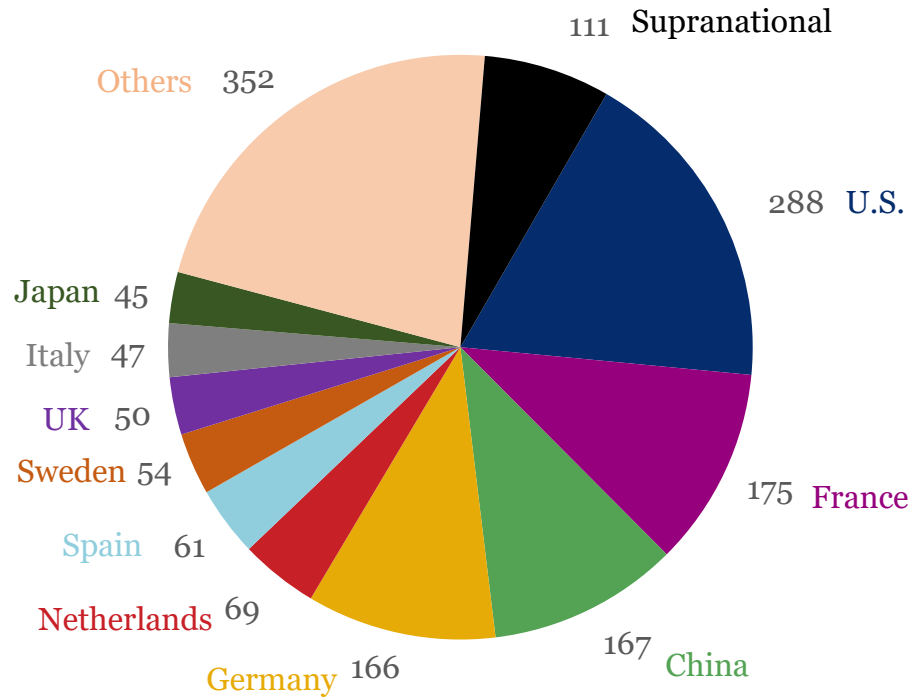


Source: Bloomberg, IIF

The U.S. has the largest green and sustainability bond markets

Green bond market size, by country

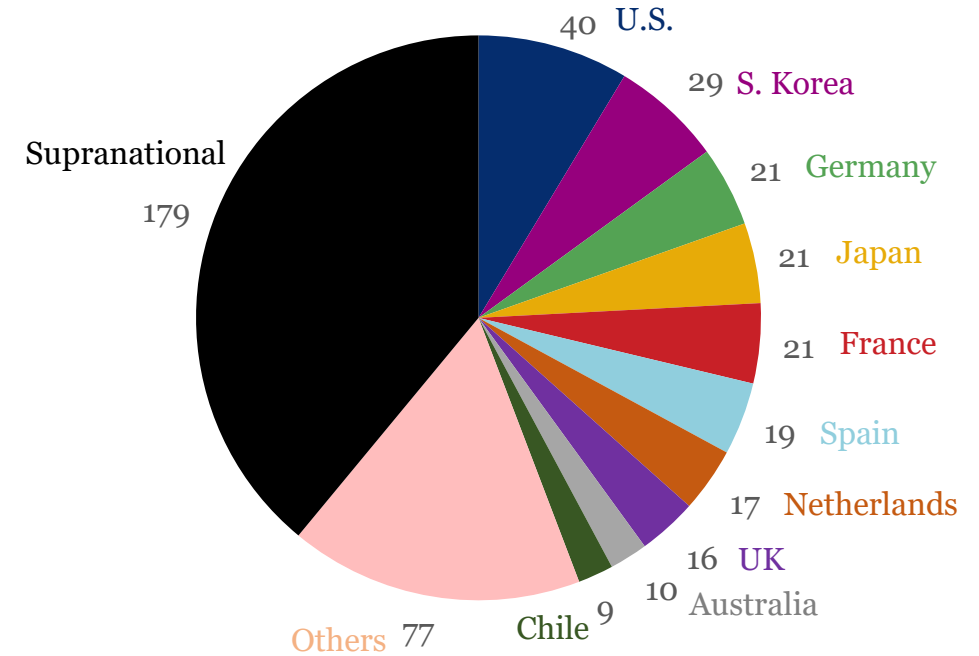
\$ billion, Q1 2022



Source: Bloomberg, IIF

Sustainability bond market size, by country

\$ billion, Q1 2022

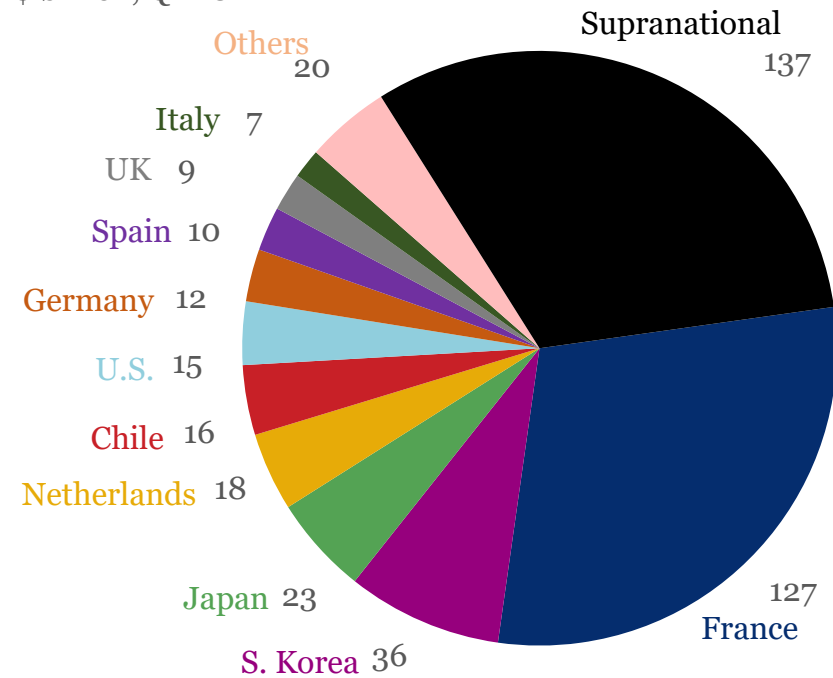


Source: Bloomberg, IIF

France and Italy have the largest social and sustainability-linked bond markets, respectively

Social bond market size, by country

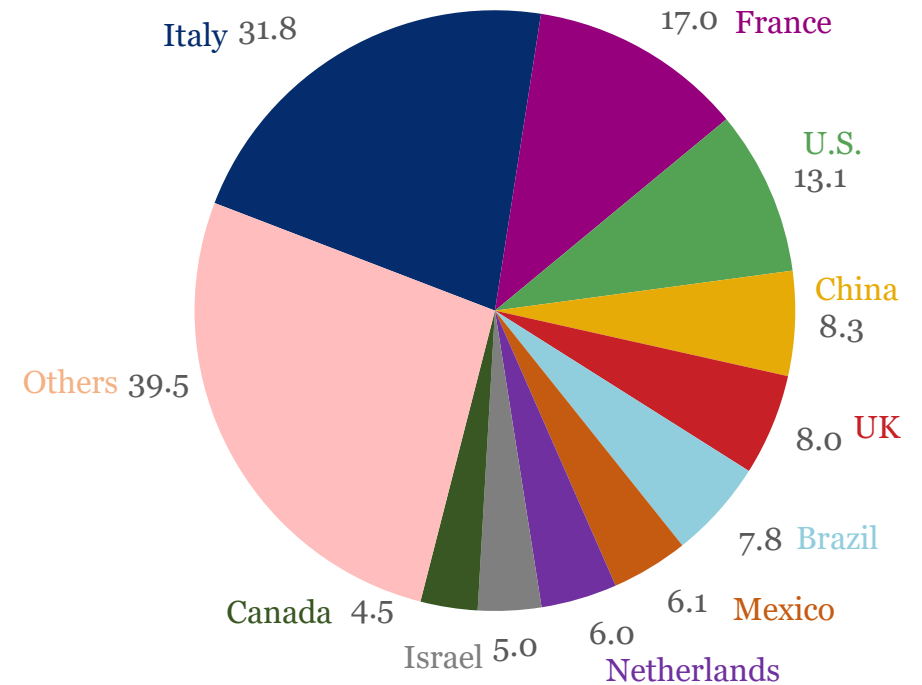
\$ billion, Q1 2022



Source: Bloomberg, IIF

Sustainability-linked bond market size, by country

\$ billion, Q1 2022

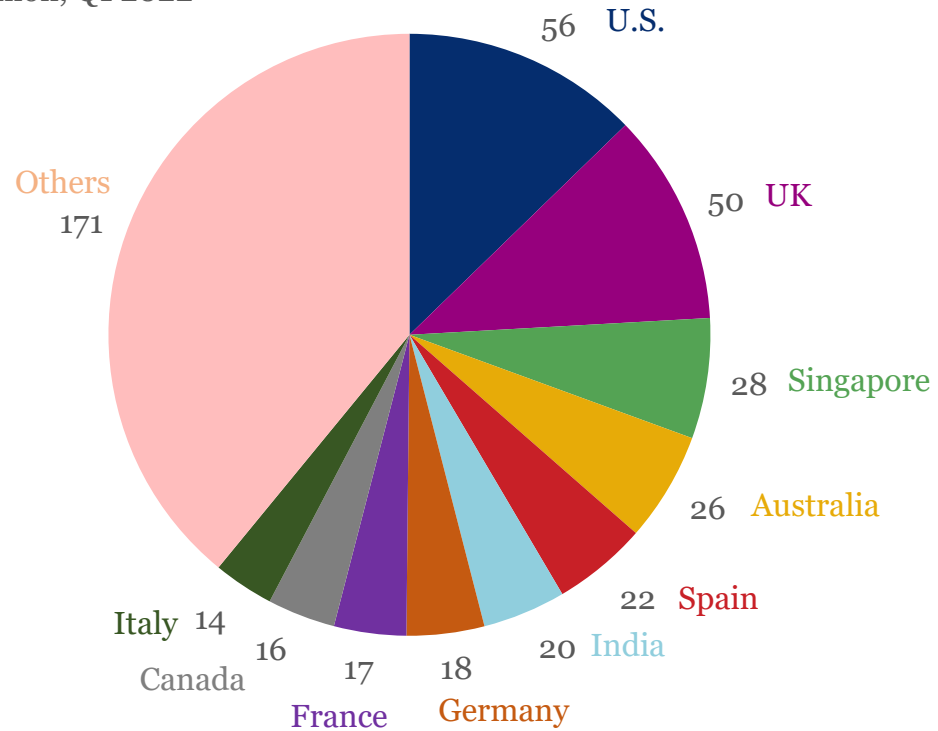


Source: Bloomberg, IIF

The U.S., the UK and France dominate the ESG-linked loan markets

Green loan market size, by country

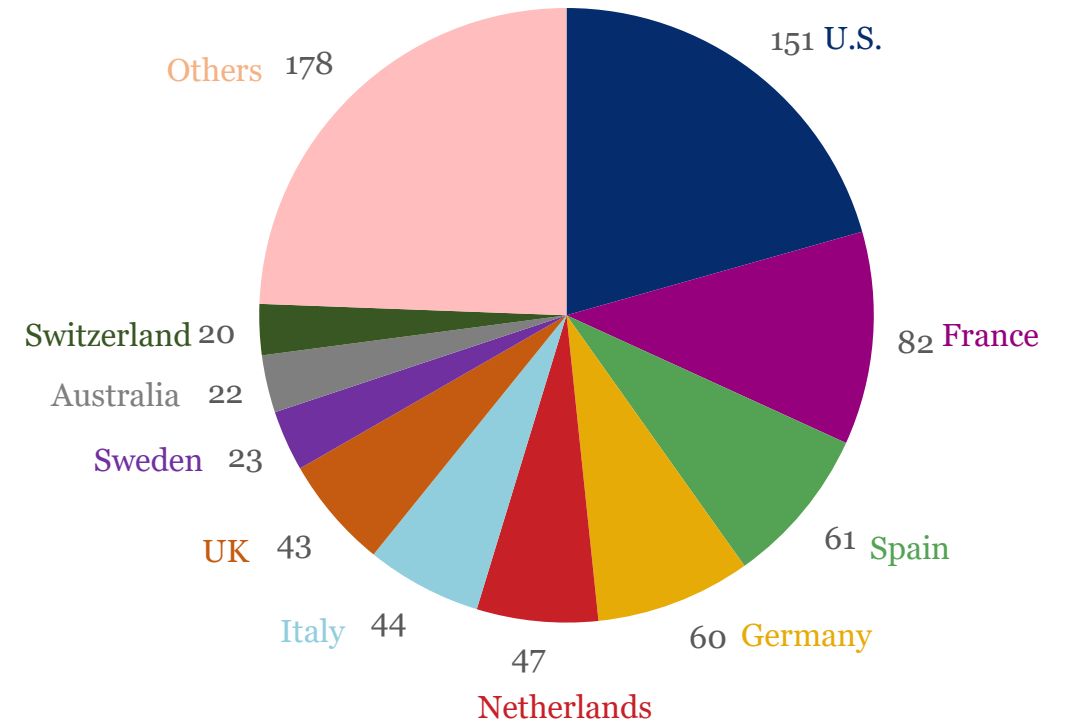
\$ billion, Q1 2022



Source: Bloomberg, IIF

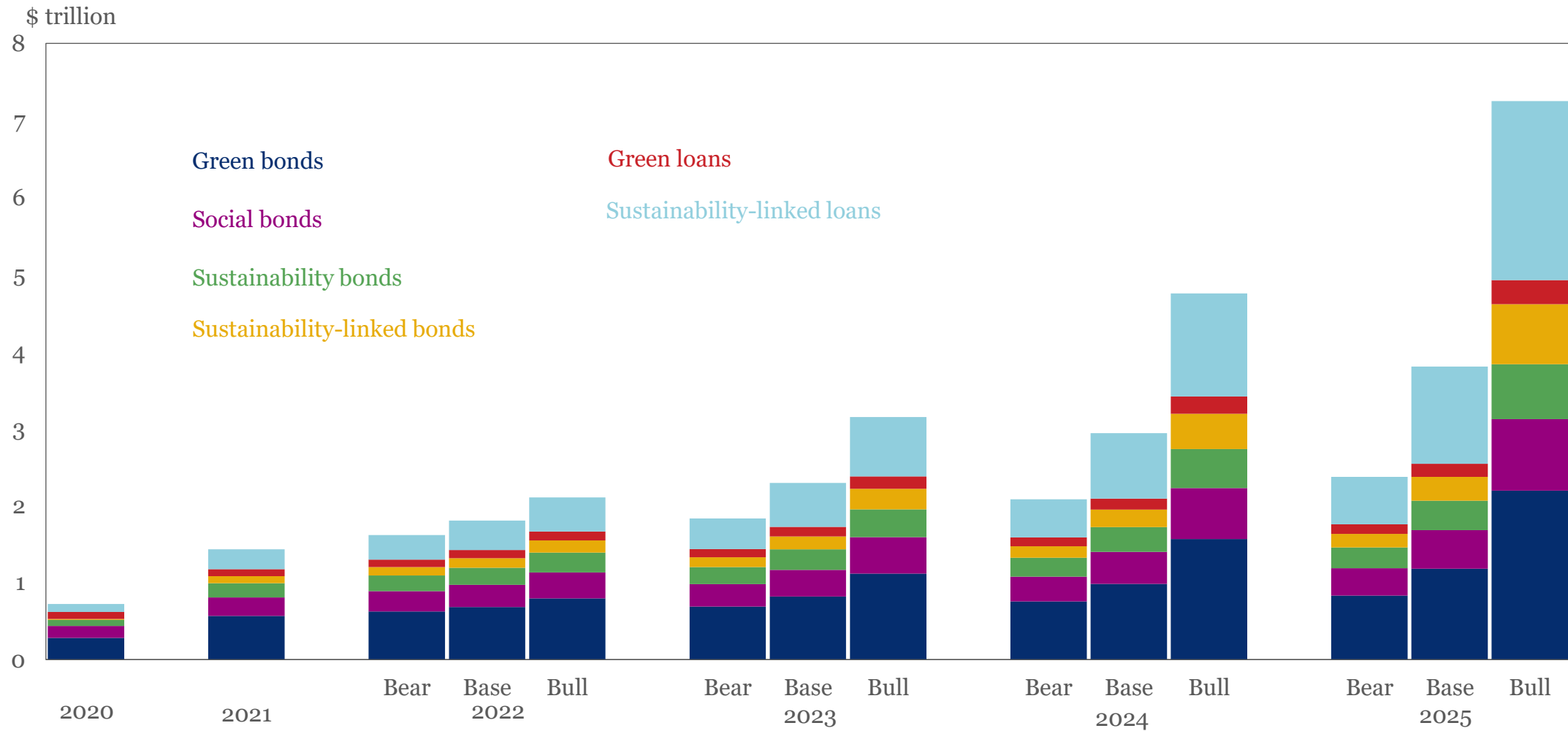
Sustainability-linked loan market size, by country

\$ billion, Q1 2022



Source: Bloomberg, IIF

Under favorable market conditions, total ESG debt issuance could reach an annual pace of over \$7 trillion by 2025

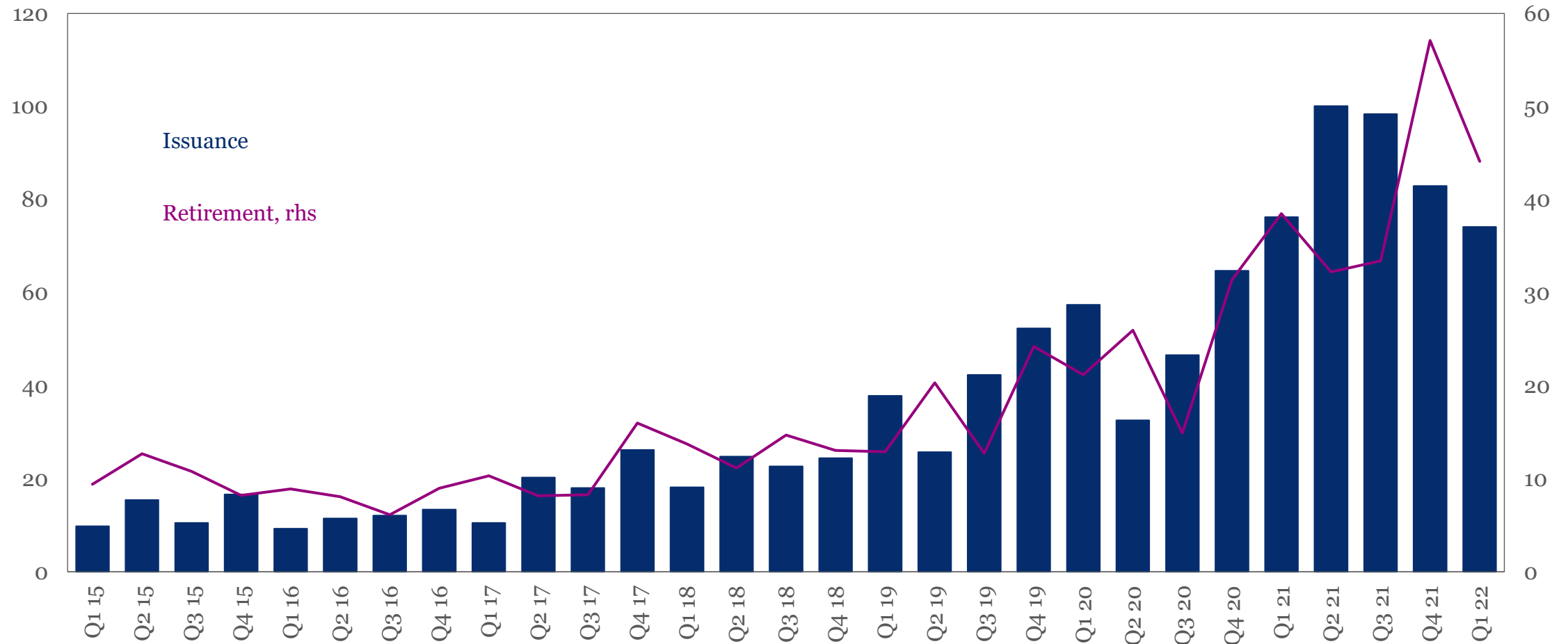


Source: Bloomberg, IIF estimates

3. Voluntary Carbon Markets

Voluntary carbon offset issuance soft in Q1 2022, but rising demand for carbon credits will underpin supply and support market development

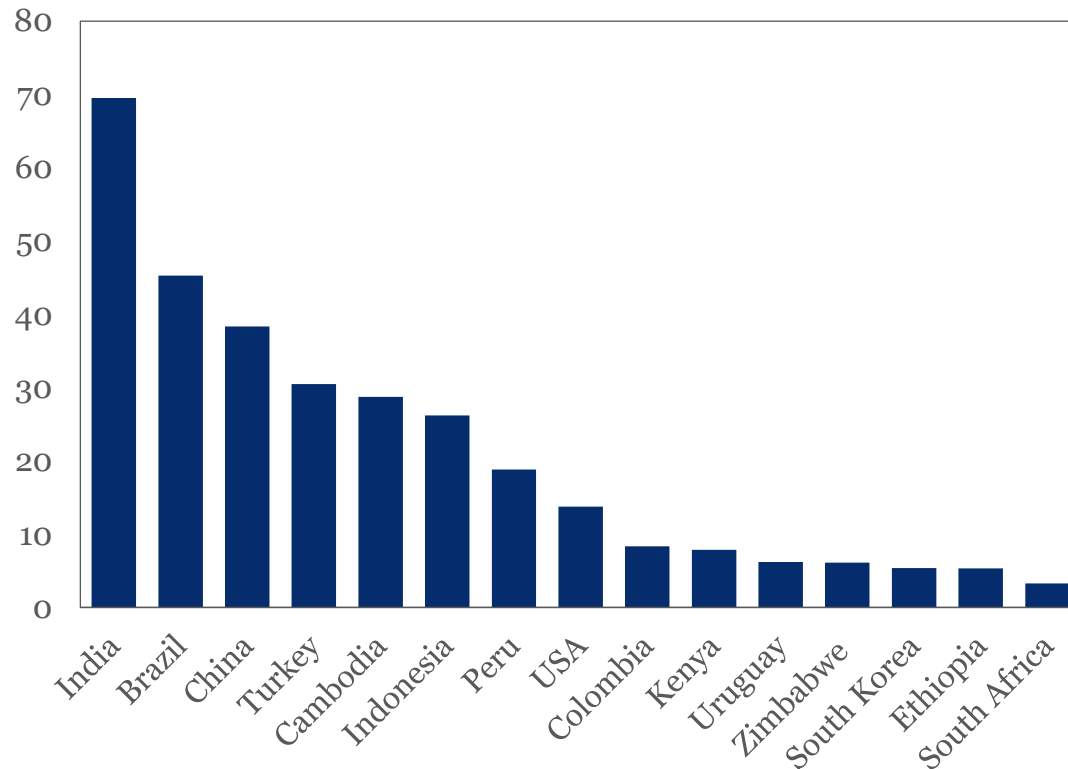
MtCO₂e (million tonnes of carbon dioxide equivalent, both scales)



Source: IIF, VCS, GS, CAR, ACR; excludes ARB eligible issuance

India accounts for a substantial share of carbon offset originations; in Q1 2022, issuance from China, the Democratic Republic of Congo and Indonesia was strong, with higher volumes from the U.S. as well

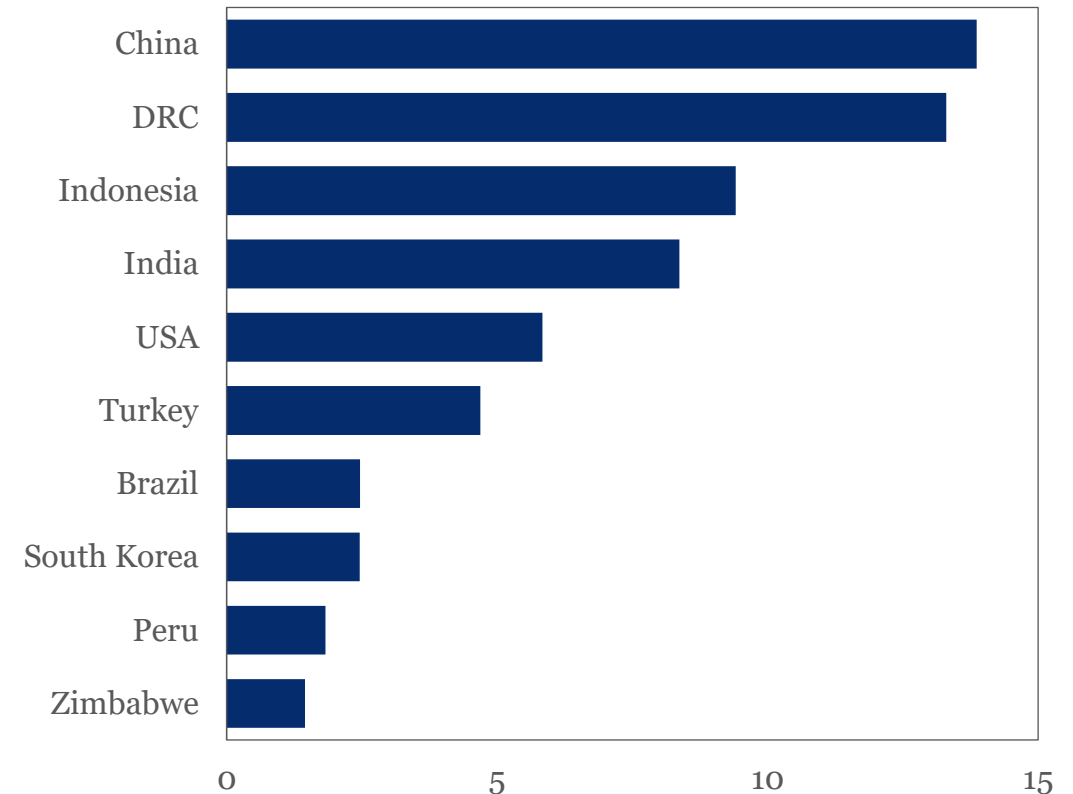
A high percentage of carbon offset projects originates from India
MtCO_{2e}, issuance since end-2020



Source: IIF, VCS, GS, CAR, ACR; MtCO_{2e} = million tonnes of carbon dioxide equivalent

Projects from China and the Democratic Republic of Congo (DRC) dominated offset issuance in Q1 2022

MtCO_{2e}, Q1 2022 issuance



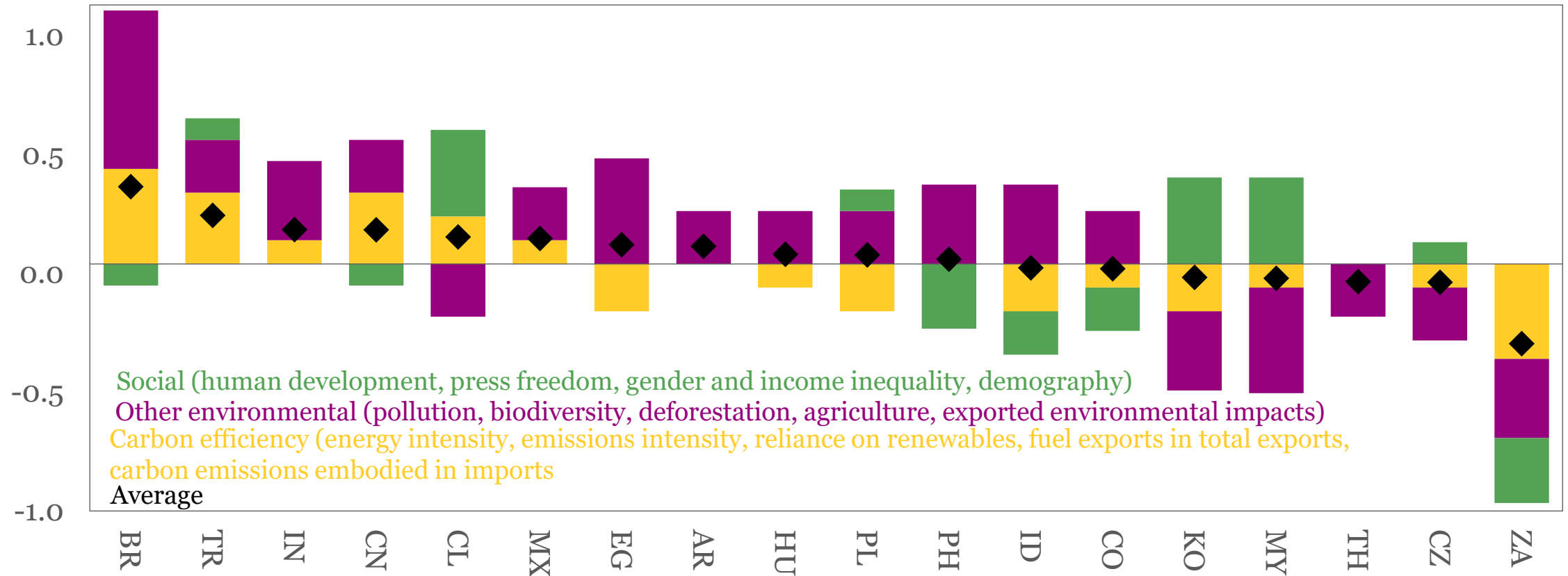
Source: IIF, VCS, GS, CAR, ACR; MtCO_{2e} = million tonnes of carbon dioxide equivalent

4. EM ESG Scorecard

Many emerging markets have substantial room for improvement on carbon efficiency: South Africa, Indonesia, Egypt could benefit most from the clean energy transition

EM ESG Scorecard

index, from higher ESG score (1) to lowest ESG score (-1)



The EM ESG Scorecard examines how countries rank relative to peers on 1) carbon efficiency, 2) environmental protection and 3) social factors; see the appendix.

Appendix

Related research notes and links:

- [Taskforce on Scaling Voluntary Carbon Markets Phase I report and recommendations](#) (January 2021)
- [Bonds that build back better: the pivotal role of fixed-income markets in the ESG revolution](#) (January 2022)
- [The Integrity Council for the Voluntary Carbon Markets \(IC-VCM\)](#)

Sustainable Debt Monitor series

- [A record-breaking year](#) (July 2021)
- [COP26 puts an ESG lens on EM investing](#) (October 2021)
- [Boom time!](#) (January 2022)
- [Market turmoil weighs on ESG debt markets](#) (April 2022)

Related Green Weekly Insight series

- [Voluntary carbon offsets—A primer](#)
- [Carbon markets: Can't trade what you can't price](#)
- [Carbon efficiency 101](#)
- [Carbon efficiency 101 – emerging markets](#)
- [Beyond climate change](#)
- [S in the spotlight](#)
- [EM vulnerabilities: gauging Russia/Ukraine impact](#)
- [Tough Q1 for ESG markets, better times ahead](#)