

Covid-19 Indicators: Sustainability

November edition

BNEF Sustainability team

November 4, 2020



BloombergNEF

Covid-19 Indicators: Sustainability

Snapshot: October 2020

BloombergNEF is tracking key indicators of the impact of the Covid-19 outbreak on sustainability efforts. As companies respond to the business decline and disruption caused by Covid-19, one risk is that sustainability commitments and related decarbonization activities could fall victim to a reshuffling of priorities. This concern appears to be largely in the past. Through October, sustainability practice remained resilient, tracking 2019's progress, with only a few minor setbacks – though this has to be compared to a previous 'normal' of most metrics accelerating year-on-year. Long-term, companies expect sustainability to benefit from the pandemic: see our report *Sustainability Outlook: Covid-19 Scenarios* for more on the long-term impacts ([web](#) | [terminal](#)).

Metric	Frequency	Snapshot: October
Decarbonization activities		
Corporate PPA volumes	Monthly	Companies announced 1.1GW of deals in October, the lowest since June.
European PPA fair value prices	Monthly	Prices dropped as much as 10% in some markets, partially due to newly-imposed lockdowns.
Voluntary carbon offsets	Monthly	Retirements rebounded to 5.4 million in October. Activity up 28% over 2019 year-to-date.
ESG fund performance, ETF flows	Monthly	Europe ESG Leaders Index outperformance over non-ESG equivalents drops to 7.1%. ESG ETFs experience a record \$8.4 billion in net inflows.
Green bonds, green loans	Monthly	Green bonds continued riding the wave of impressive issuance from September, with more than \$22 billion issued in October. Green loans, on the other hand, stagnated.
Sustainability bonds, sustainability-linked loans	Monthly	Sustainability bonds and sustainability-linked loans outpaced 2019's year-to-date volumes.
Social bonds and pandemic bonds	Monthly	Issuance of social bonds in October set another record, comprising more than 80% of pandemic-themed bonds.
Corporate commitments		
Science-based targets commitments	Monthly	October was a record month, with 77 new commitments. Activity is up 54% over 2019 YTD.
RE100 commitments	Monthly	Just two new signatories joined in October. Activity trails 2019 YTD by three companies.
Task Force on Climate-related Financial Disclosures (TCFD) supporters	Monthly	Campaign adds just 22 new supporters in October. Activity still up 40% year-on-year.

Source: BloombergNEF Note: Table is subject to change over time as more data is made available.

Covid-19 effect on decarbonization activities

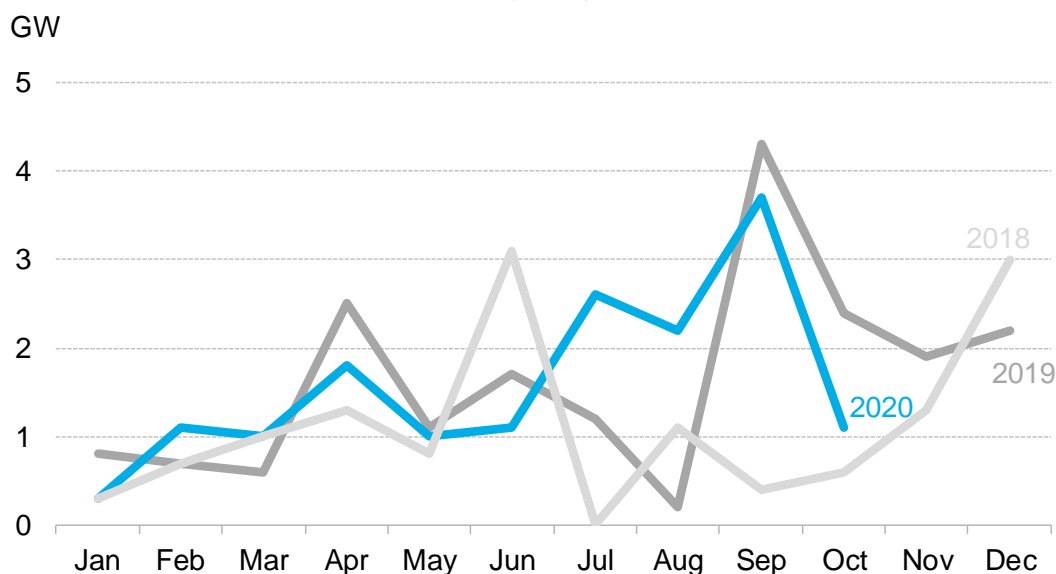
Corporate PPAs

Holding a lead by the skin of its teeth

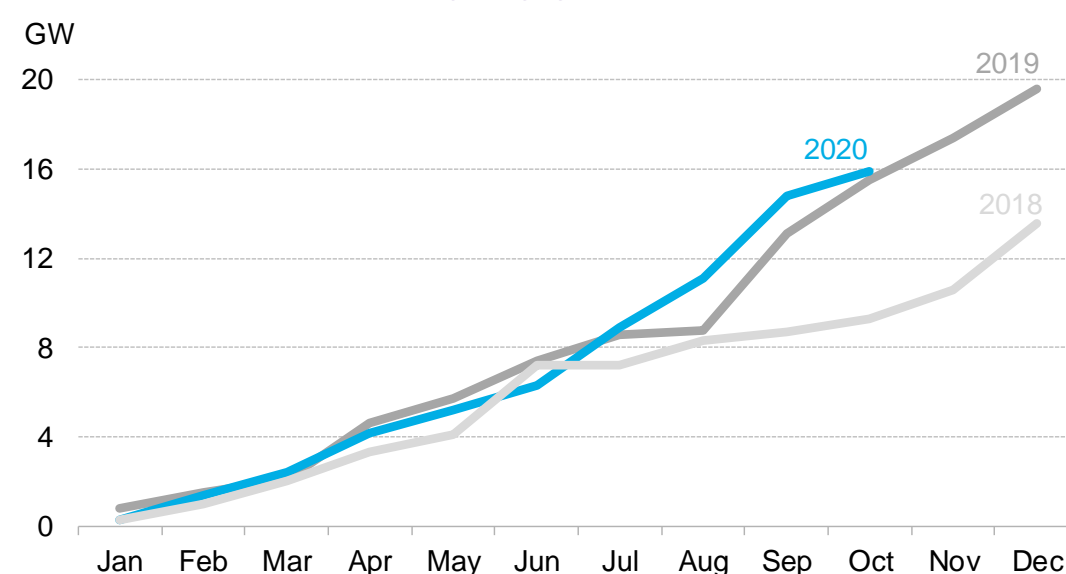
Companies announced long-term clean energy power purchase agreements (PPAs) totaling over 1.1GW in October, down from nearly 3.8GW in September. The drop was to be expected, as there is normally a surge in activity in September around Climate Week.¹ Corporate PPA activity totaled 15.9GW in 2020 through October, just ahead of the 15.5GW in the same period of 2019. Notable deals included an offshore wind PPA in Belgium with chemicals company Borealis and a 100MW PPA signed by Facebook in Singapore. Facebook aggregated dozens of rooftop systems for its newest deal. For more on corporate PPA activity in October, see our *Corporate PPA Deal Tracker: October 2020* ([web](#) | [terminal](#)).

Despite the drop in deals in October, the global corporate PPA market appears to be largely decoupled from the pandemic, though a second wave of cases could yet slow momentum. Decarbonization activities, like clean energy PPAs, are among the most capital- and effort-intensive actions a company can take on sustainability – and growth in PPA volumes may be harbinger of other areas returning to full form.

Corporate PPA activity, by month



Corporate PPA activity, by year



Source: BloombergNEF Note: ¹See our report *Climate Week No Longer Has Monopoly on Killer Carbon Goals* for more on Climate Week ([web](#) | [terminal](#)).

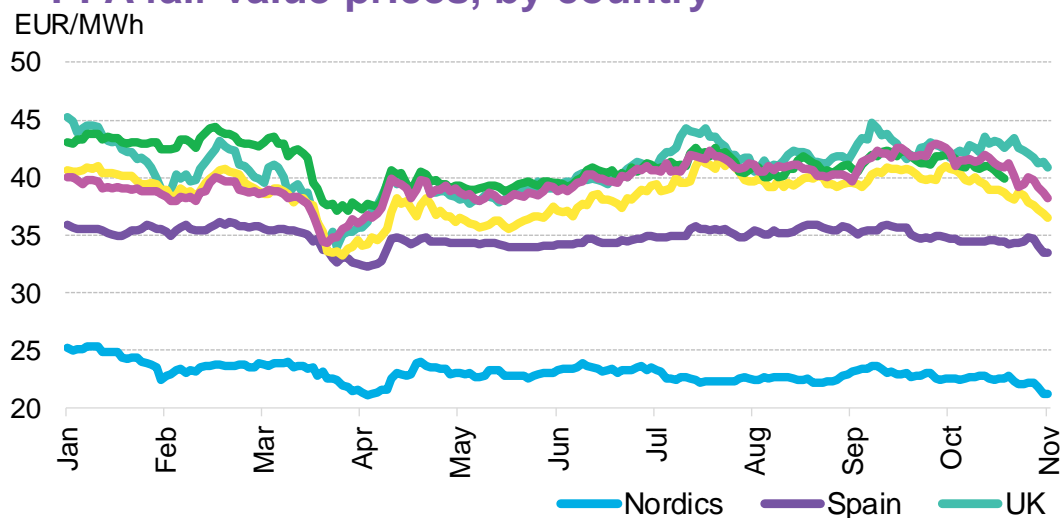
European PPA fair value prices

Prices looking wobbly again

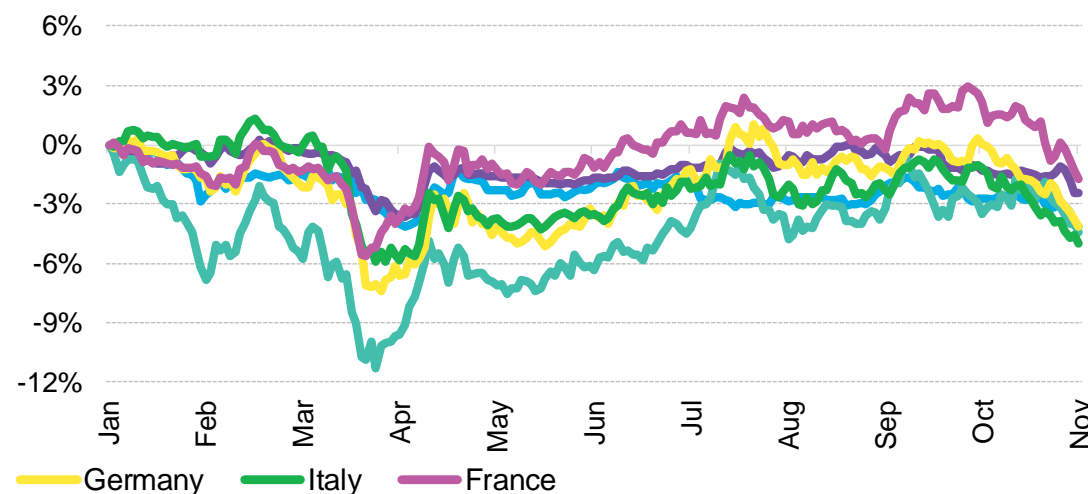
Pexapark's market-based 'fair value' PPA prices, or what a customer would pay if it purchased PPA-equivalent power wholesale, closely reflect price changes in the spot market. Beginning in March, following the introduction of Covid-19 lockdowns and the oil price war between Russia and Saudi Arabia, fair value prices fell sharply in most European markets. Since prices started to rebound in May and June – prompted by countries relaxing lockdowns and power demand increasing – there has been a sustained (albeit volatile) recovery.

Between July and September, prices mostly decoupled from the pandemic, linking more to regular commodity market influences such as gas prices, the weather and renewable power generation. However, as an increasing number of countries across Europe have announced their second wave of lockdown measures, power demand, and therefore prices, are expected to drop. New restrictions of varying severity in all markets tracked, except the Nordics, were introduced over the course of October. The effects have already partially fed through into PPA fair value prices, with all markets below pre-pandemic price levels once again. Germany and Poland both saw prices drop by 10% over the course of October.

PPA fair value prices, by country



Normalized PPA fair value prices, by country¹



Source: BloombergNEF, Pexapark Note: Prices are as of 30 October 2020. All PPA prices reported by Pexapark are nominal. These 'fair value' prices are based on an adjustment of the power market baseload price, taking into account a number of structural, risk and cost-based factors. See our 1H 2020 European Corporate PPA Price Survey for more on corporate PPA pricing and contract structures in Europe ([web](#) | [terminal](#)). ¹Chart shows percentage change in price since January 2020.

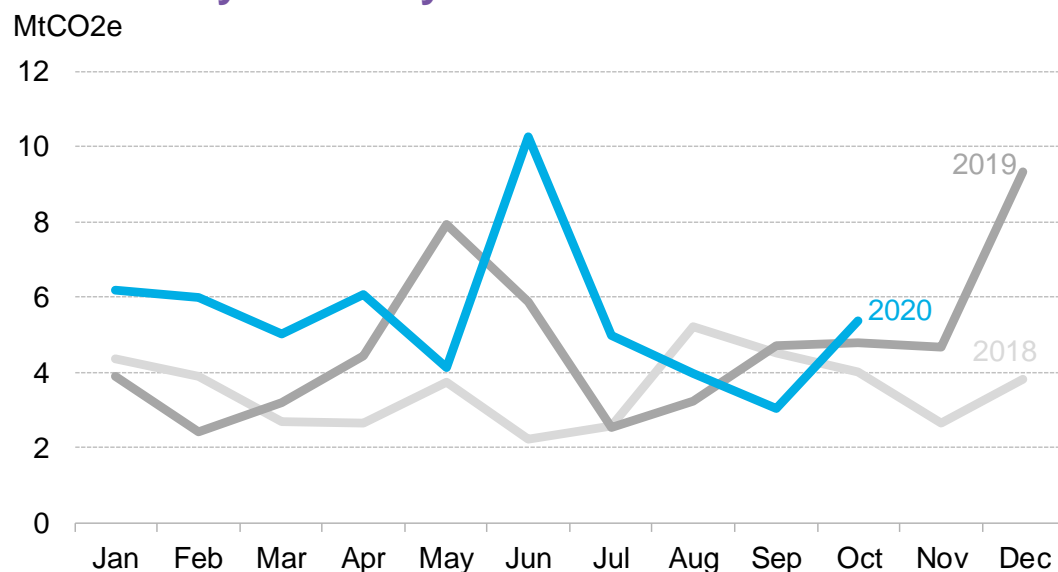
Voluntary carbon offsets

A bounce-back month for retirements

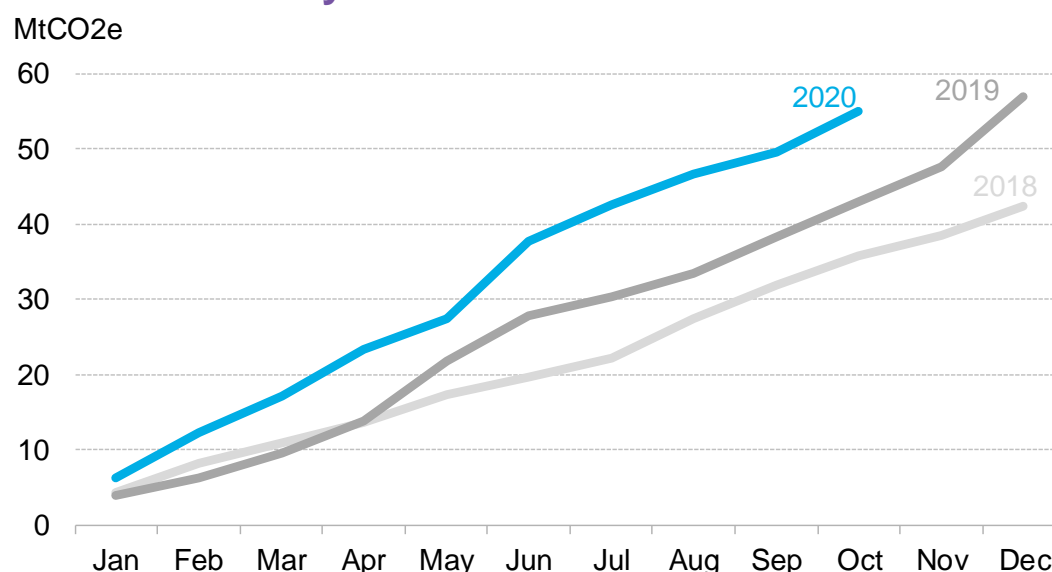
Nearly 5.4 million voluntary carbon offsets were retired in October on the Verified Carbon Standard (VCS), American Carbon Registry (ACR) and Climate Action Reserve (CAR) registries – the highest total since June. Year-to-date, voluntary carbon offset retirements, which represent investments by companies in projects to indirectly offset their own emissions, have totaled 55.1 million metric tons of carbon dioxide (MtCO₂e). These retirements through October were up 28% over activity at the same point in 2019. Notable entities to retire offsets in October included Delta Airlines, Greenleaf Foods and Wesleyan University.

Voluntary carbon offsets are poised to be an essential mechanism for many hard-to-abate industries to achieve their emission reduction goals. Depending on the sector and market of the offsets, they can also be purchased much more cheaply than other decarbonization products. Continued year-on-year growth is to be expected as a result, with little slowdown caused directly by Covid-19. If anything, it's possible more companies will look at voluntary carbon offset markets as a temporary, cost-controlled way of achieving their emission reduction goals, if there is a second pandemic-related lockdown.

Monthly voluntary carbon offset retirements



Annual voluntary carbon offset retirements



Source: BloombergNEF, ACR, CAR, VCS Note: ¹See our report Voluntary Carbon Offsets: a Shortcut for Heavy Emitters for more on this market ([web](#) | [terminal](#)). Data is from the VCS, ACR and CAR databases – Gold Standard is not included. See our Voluntary Carbon Offsets Data Viewer for more data on these registries ([web](#) | [terminal](#)).

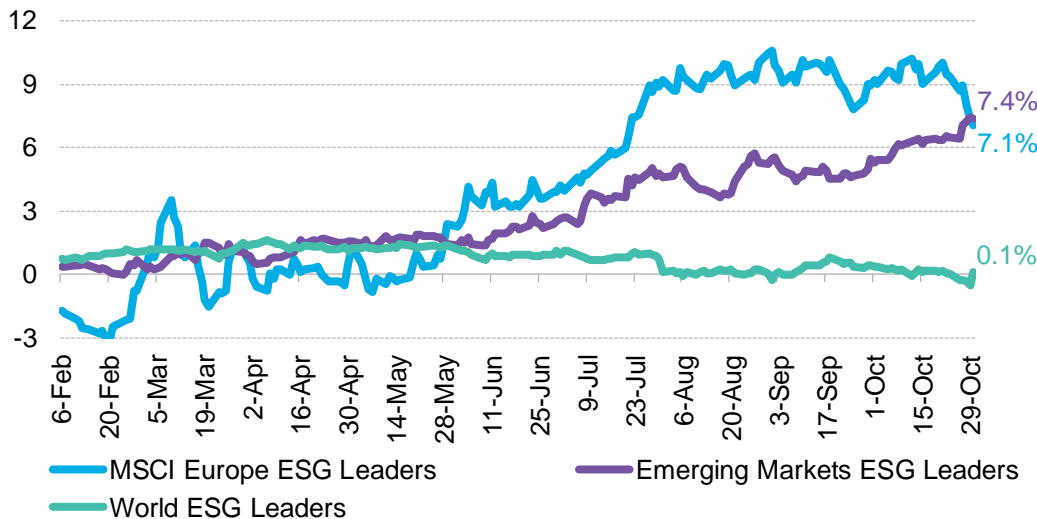
ESG fund performance

A record month for ESG ETF net inflows

Funds investing in companies leading in various environmental, social and governance (ESG) metrics have generally done better than non-ESG equivalents this year. Early outperformance in ESG indexes was seen at the beginning of the pandemic and has consolidated since, *largely* decoupling from any pandemic-related shocks in recent months. Things appear to have changed in October, however: the MSCI Europe ESG Leaders index had a volatile month, with outperformance dropping from 9% to 7.1%. Outperformance in the Emerging Markets ESG Leaders index (7.4%) surpassed the Europe index for the first time since May. Interest in ESG-oriented exchange-traded funds, or ETFs, continues to grow. These ETFs saw net inflows of investment surging to \$8.4 billion in October, the highest month of inflows ever for ESG funds. The pandemic provided a prolonged boost for investor perception of ESG funds earlier in the year and investors continue to put in money at record pace.

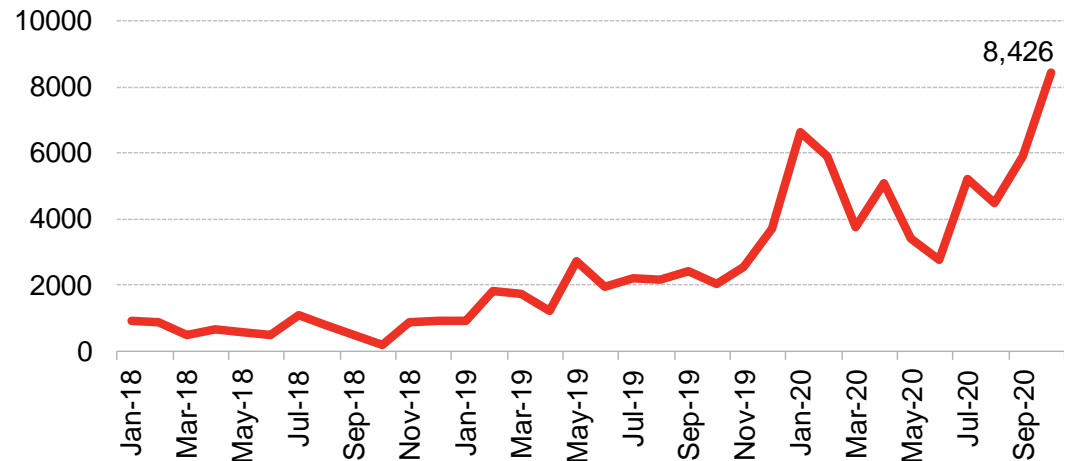
MSCI ESG index performance compared with non-ESG equivalents

Percentage-point spread (%)



ESG ETF net flows, by month

\$ million



Source: BloombergNEF, Bloomberg Intelligence, Bloomberg Terminal Note: Index performance chart is normalized values. For more on ESG index performance, see the Bloomberg Intelligence piece [ESG ETFs Resilience During Downturn Points to Long-term Nature](#).

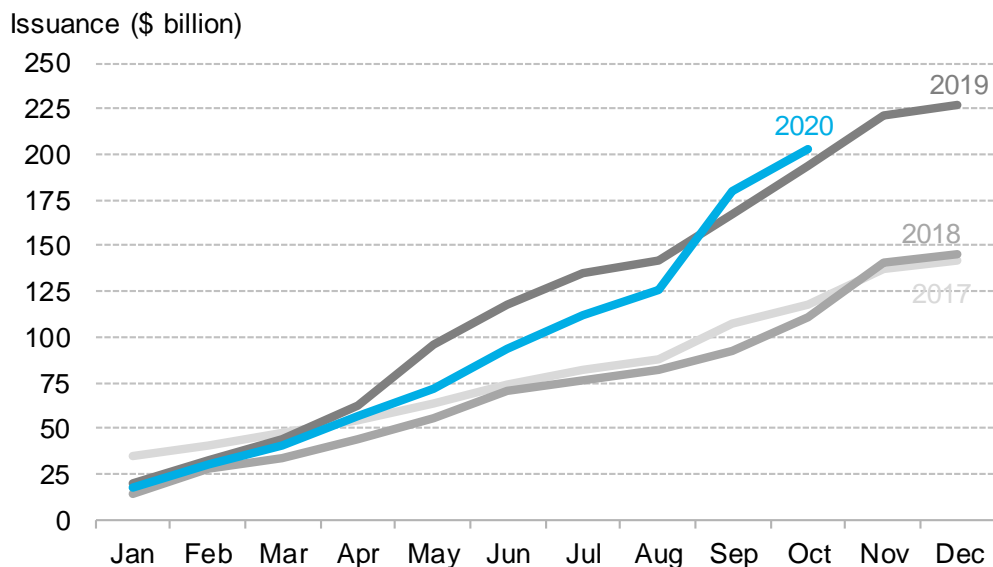
Green bonds, green loans

Best of times, worst of times

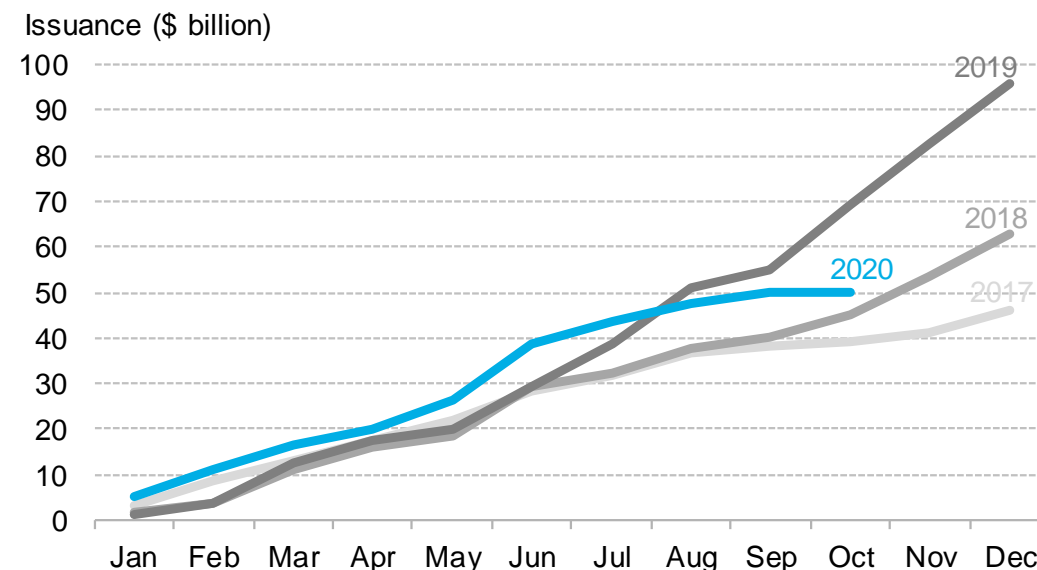
More than \$22 billion in green bonds were brought to market to finance and refinance environmental projects in October. Even though this is just half of the record issuance seen in September, October was no slouch for global issuance either. In fact, it represented the second-highest monthly volume this year. After a slow first half of the year, green bond issuance has rebounded in the past two months, surpassing by 5% the \$193 billion issued in the same period of 2019. Annual green bond volumes have set new records every year in recent memory and, as we near the close of the year, this may still be possible for 2020 given the recent uptick.

Green loan offerings in October have been miniscule in comparison, with issuance totaling less than \$150 million. It would take a massive surge for green loan issuance to match 2019 volumes by the end of 2020. For definitions on the various sustainable debt instruments, see Slide 14.

Green bond issuance



Green loan issuance



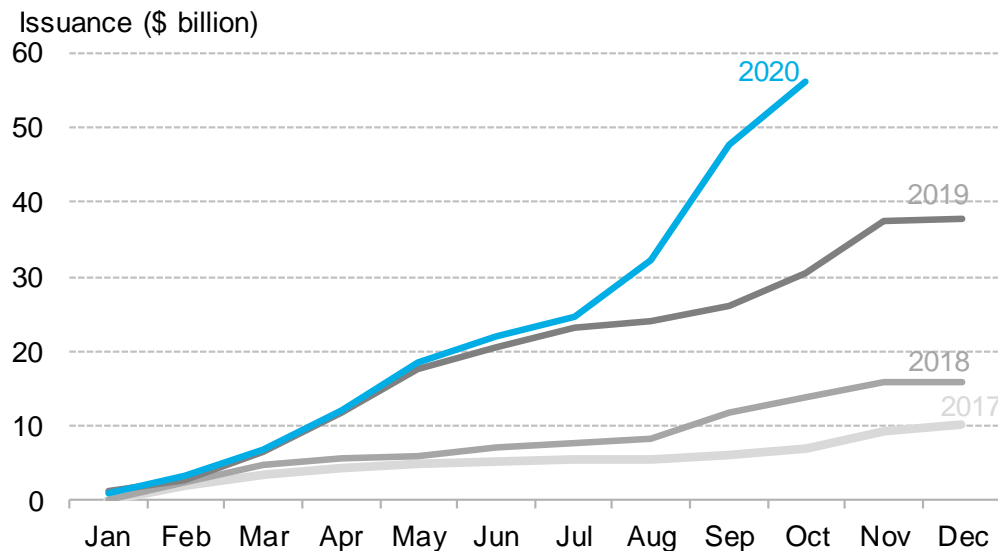
Source: BloombergNEF, Bloomberg Terminal Note: ¹See our Sustainable Debt Tool for more data on green bonds ([web](#) | [terminal](#)). Green loans aggregated by tranche. Bond and loan issuance evaluated based on pricing date; only new corporate, government issues.

Sustainability bonds and sustainability-linked loans

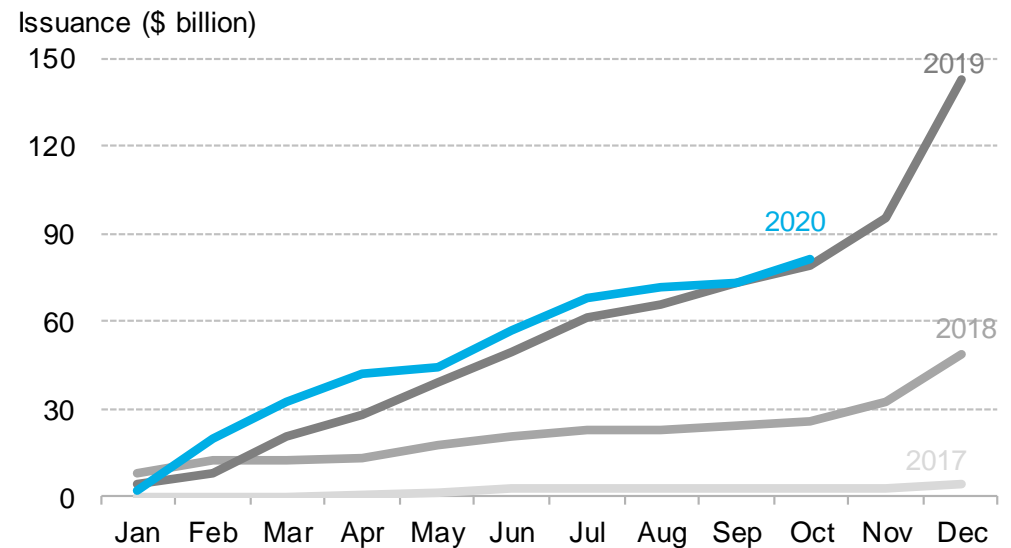
On the up and up

Issuance of sustainability bonds continued their surge from September, with \$8.5 billion issued in October. Year-to-date, sustainability bond volumes total over \$55 billion. Volumes of issued sustainability bonds are already almost 50% greater than issuance through all of 2019 (\$37.7 billion), and more than 250% above that in the whole of 2018 (\$15.7 billion). Sustainability-linked loans, which are tied to environmental, social, and governance performance, surpassed \$80 billion in issuance year-to-date. Issuance since August has been slow, but nearly \$8 billion in sustainability linked loans were brought to market in October, helping 2020 volumes keep on pace with 2019. Issuance of sustainability-linked loans saw a dramatic boost in the last two months of 2019 – whether 2020 will follow suit will determine whether or not this is a record year.

Sustainability bond issuance



Sustainability-linked loan issuance



Source: BloombergNEF, Bloomberg Terminal Note: ¹See our Sustainability-Linked Debt Tool for more ([web](#) | [terminal](#)). Bond issuance aggregated by pricing date. Loan issuance aggregated by date tranche became sustainability-linked; loan information described at tranche level.

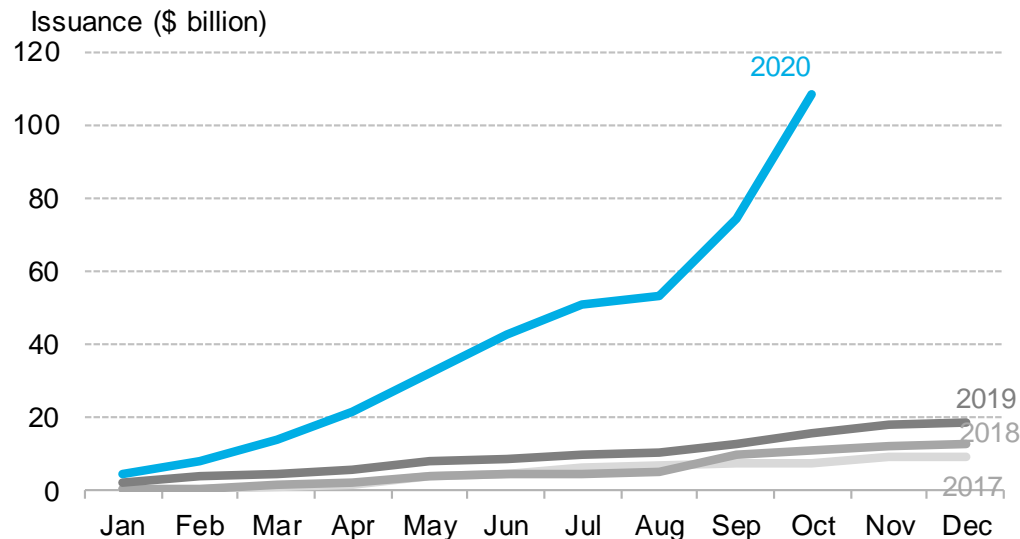
Pandemic and social bonds

Another record month for social bonds!

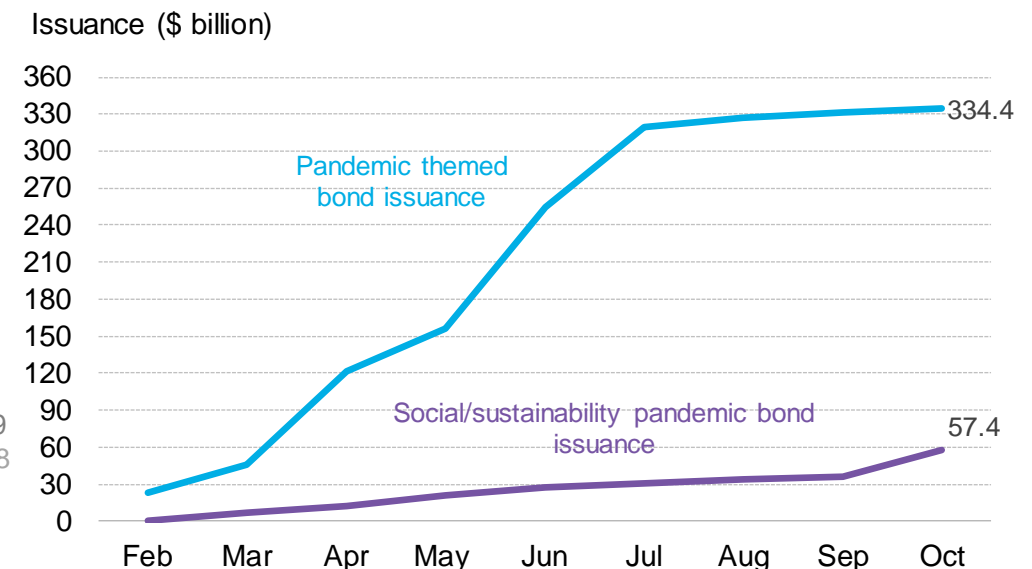
October was another record month for social bonds, with almost \$34 billion issued. The volume was driven by fewer deals, but larger transaction sizes. The most notable were from several French government agencies and the European Union (EU). The EU issued a two-tranche, 17 billion-euro social bond to finance the beginning of its recovery package. The bonds received very strong demand, becoming the most oversubscribed ever in Europe. This was mostly driven by their very low risk and expected price growth in the future. However, the social characteristics of these inaugural bonds reinforced the message from the past several months: economic recovery needs to be social and green.

Social bonds, which represented more than 80% of the pandemic-themed bonds issued in October at \$24.6 billion, are coming mostly from governments and financial institutions. Social instruments with a “pandemic theme” were a common vehicle to attract funding for certain types of issuer in the initial months of the pandemic. However, this is becoming less common, as issuers no longer feel the need to link their social bonds to the pandemic.

Social bond issuance



Pandemic bond issuance



Source: BloombergNEF, Bloomberg Terminal Note: Charts include corporate and government bonds only. Date used is pricing date. ¹See Social Bonds Surge in Covid-19 Era ([web](#) | [terminal](#)) for more on social and pandemic finance.

Covid-19 impact on sustainability commitments

Science-based target commitments

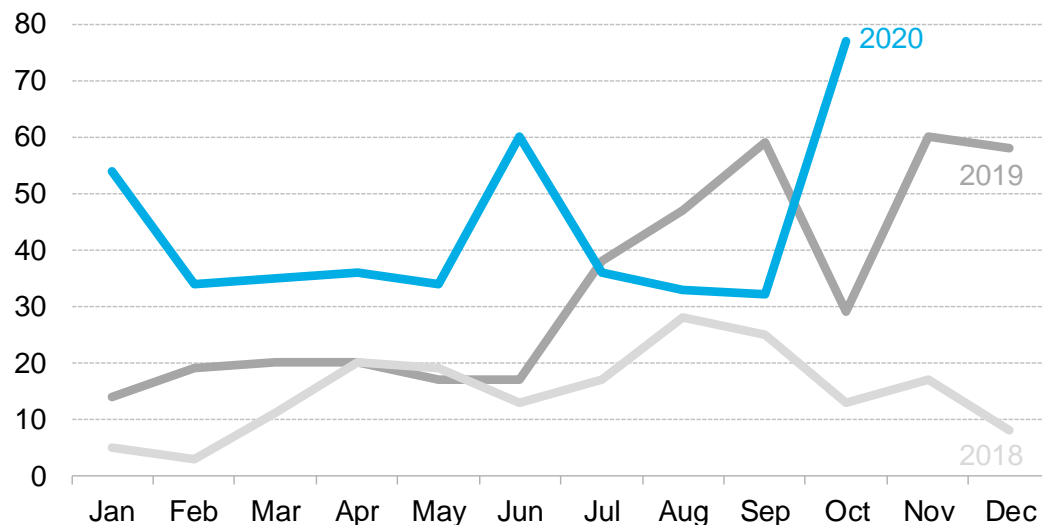
A record month

After a disappointing September that failed to live up to Climate Week expectations, with just 32 new science-based target (SBT) commitments, October brought the campaign back on track. Some 77 new companies set an SBT, shattering the previous record of 60 companies, which occurred both in June 2020 and November 2019. Year to date, some 431 companies have set an SBT, up from 280 at the same point in 2019 and just 154 companies at the same point in 2018.

Science-based targets have significant momentum and are considered the gold standard of verified emission reduction goals. However, the ambition of sustainability strategies was one of the practice areas most negatively impacted during initial lockdown, according to a survey conducted in our report *Sustainability Outlook: Covid-19 Scenarios* ([web](#) | [terminal](#)). As a second wave of lockdowns is imposed across Europe, there is a risk that momentum for SBTs could again slow, similar to the drop in the first half of 2020.

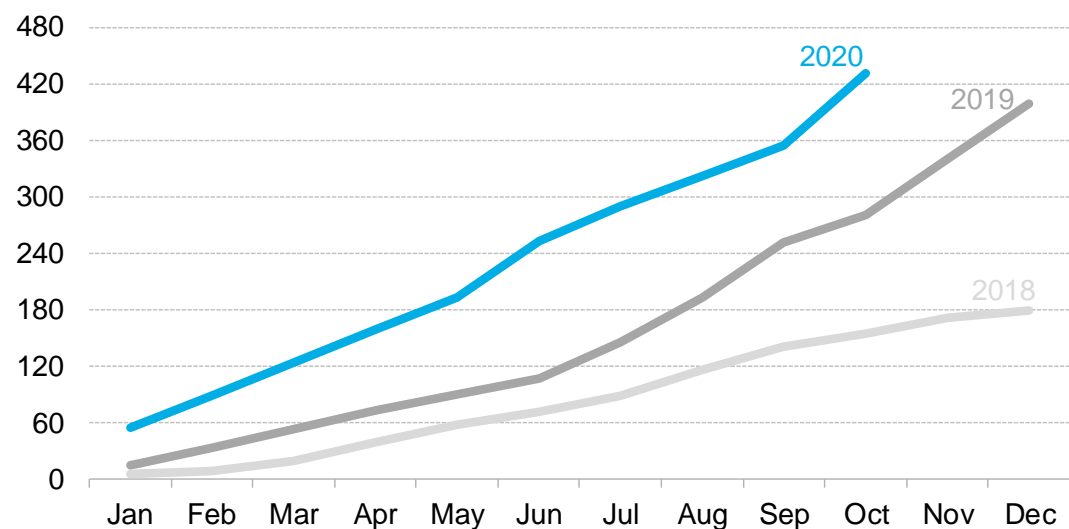
Monthly SBT commitments

Monthly commitments



Annual SBT commitments

Annual commitments



Source: BloombergNEF, SBTi Note: ¹See our Science-Based Targets Data Tool for the companies making these commitments ([web](#) | [terminal](#)). ²See our report Science-Based Targets: 2 Degree Carbon Goals for Companies for more on the complications of setting and executing on a science-based target ([web](#) | [terminal](#)).

RE100 commitments

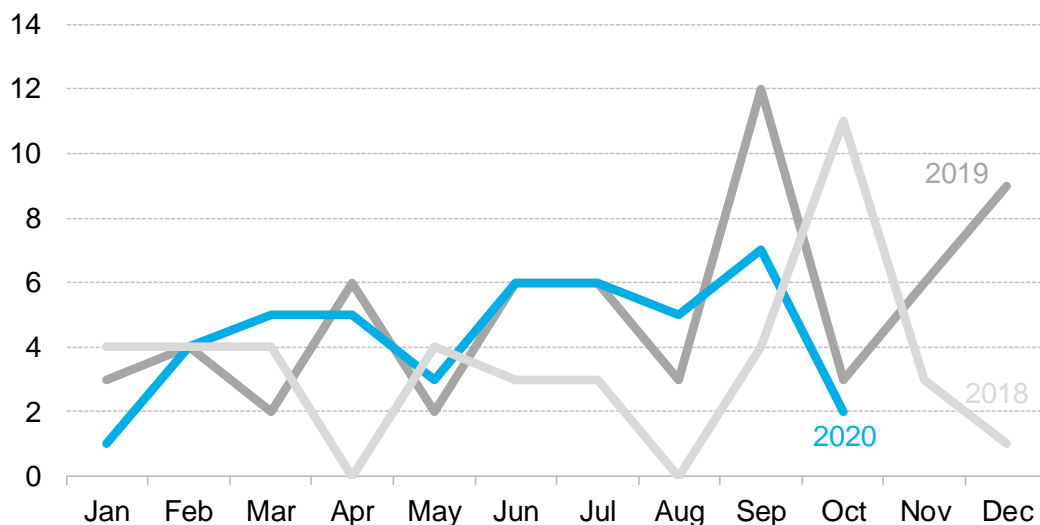
New commitments lose ground on 2019

Just two new companies joined the RE100 in October, pledging to offset 100% of their electricity consumption with clean energy. This is the lowest month for new commitments since January 2020, and prior to that, May 2019. New RE100 commitments in 2020 year-to-date total 44, down from 47 new commitments in 2019 through October. The new companies to join the RE100 in October were J. Front Retailing Group and Asahi.

The levelling-off in campaign growth year-to-year suggests the RE100 may have reached a point of maturity in key markets, unrelated to the pandemic. This is most evident in Europe – just a quarter of the 44 companies to join in 2020 have been European, down from 45% of new commitments between 2014 and 2019. The expansion into new markets in Asia has limited the global slowdown in new signings, and could get a further boost in coming months. Eight subsidiaries of South Korean manufacturing conglomerate SK Group *applied* for the campaign at the end of October, but haven't officially joined.

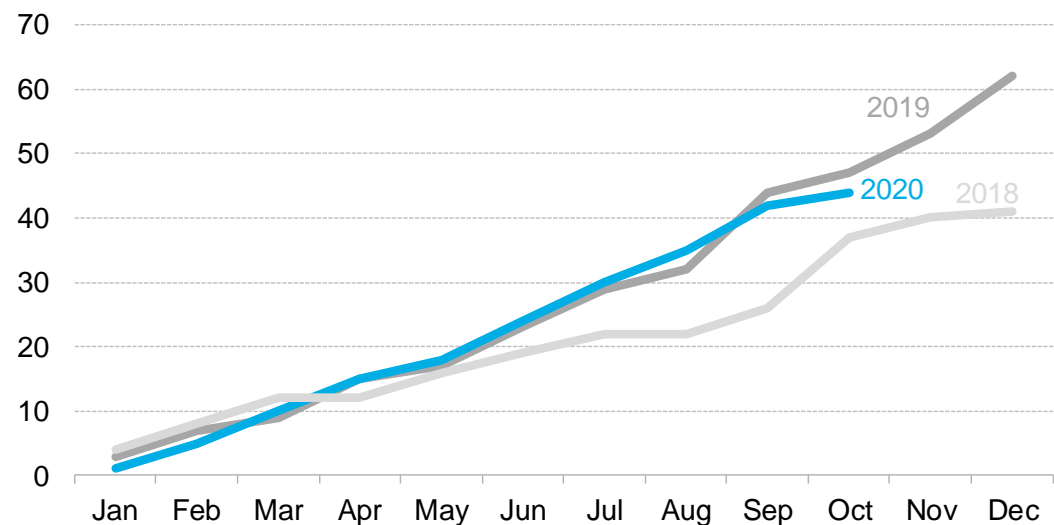
Monthly RE100 commitments

Monthly commitments



Annual RE100 commitments

Cumulative commitments



Source: BloombergNEF Note: ¹See our RE100 Data Viewer for a list of companies with RE100 commitments ([web](#) | [terminal](#)).

TCFD supporters

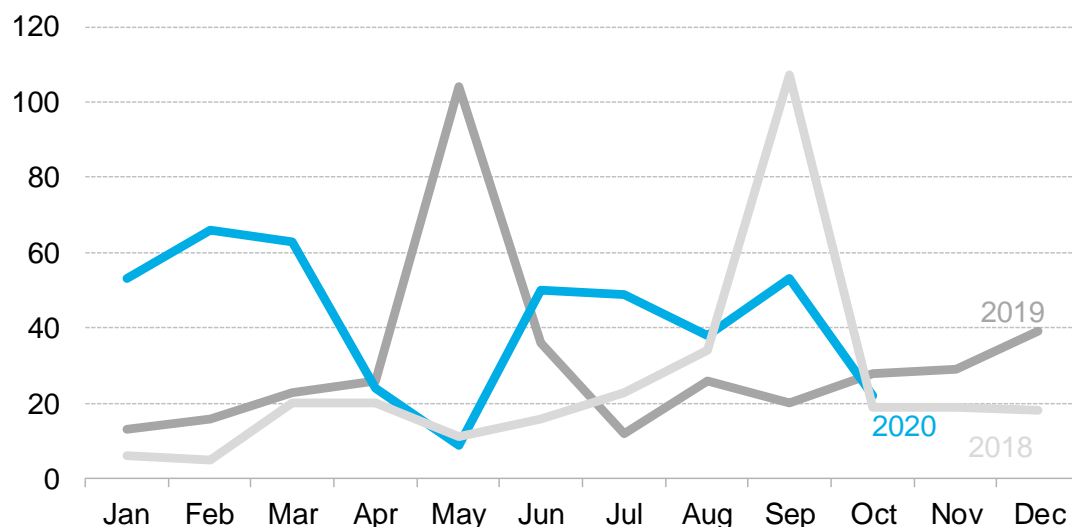
Second lowest month in support year-to-date

Just 22 organizations pledged their support to the Task Force on Climate-related Financial Disclosures (TCFD) in October, the second-lowest month in 2020 after May. By supporting TCFD, these entities will now report in their filings on the risks to, and opportunities for, their businesses as a result of climate change.¹ Year-to-date, some 427 organizations have pledged their support for TCFD for the first time, up from 304 at the same point last year. Notable organizations to pledge support for TCFD in October included the government of Denmark, the government of New Zealand and Swedish oil and gas company Lundin Energy. Half of the new supporters in October are based in Europe, despite a second wave of lockdowns announced in many European countries this month.

TCFD is back on track for a clear record year in new support, with new signings up 40% from 2019 levels through October. A second wave of lockdowns could still lead to a lull in new support, though it wouldn't be likely to slow underlying momentum. Support for frameworks like TCFD is expected as investors demand better ESG data from portfolio companies.

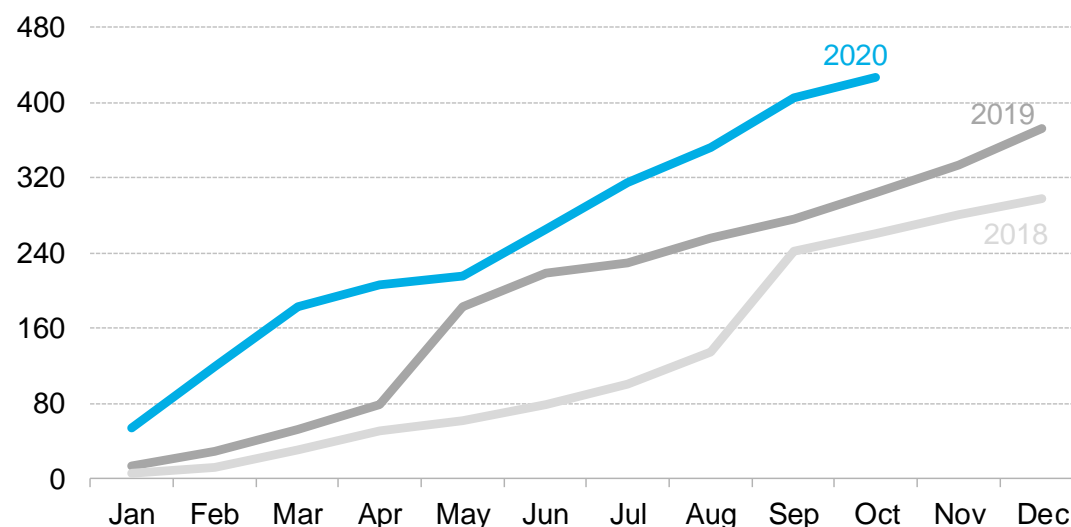
Monthly TCFD supporters

Monthly supporters



Annual TCFD supporters

Annual supporters



Source: BloombergNEF, TCFD Note: ¹See our report [How to Get a Gold Star for TCFD Reporting](#) for more on TCFD ([web](#) | [terminal](#)).

Sustainable finance definitions

Instrument	Definition
Green bond	Bond proceeds are used for eligible environmental activities.
Green loan	Loan proceeds are used for eligible environmental activities.
Social bond	Bond proceeds are used for eligible social activities.
Sustainability bond	Bond proceeds are used for activities with environmental and social co-benefits.
Pandemic bond	Bond proceeds are designated for projects related to Covid-19.
Social and sustainability pandemic bond	Social and sustainability bonds (see above definitions) for which the bond proceeds are used for projects related to Covid-19.
Sustainability-linked bond	Issuer commits to green, social or governance targets that are tied to terms of the bond.
Sustainability-linked loan	Issuer commits to green, social or governance targets that are tied to terms of the loan.

Source: BloombergNEF

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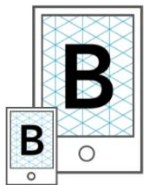
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