

A reality check on green finance - summary

This report highlights the rapid growth in green finance in Europe, analyses the growth and trends in different sectors and types of green finance over the last five past years, and highlights some of the challenges ahead.

To read the full report click [here](#)

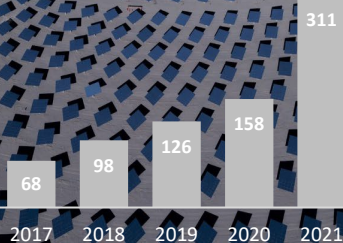
>>> SHOW ME THE MONEY

€300
bn+

The value of green finance raised in European capital markets in 2021

The value of green finance in Europe increased last year to €311bn across bond, equity, and loan markets. Over the past five years, more than €750bn has been raised by companies, governments, and financials to address climate change and finance the transition to net zero. Our estimate of the value of green finance is higher than some others as we include not just labelled green bonds but activity in the equity, loan, and venture capital markets that is identifiably green.

The value of green finance raised in European capital markets 2017 to 2021 €bn



>>> RAPID GROWTH

97%

The growth in the value of green finance in Europe in 2021

The total value of green activity doubled in 2021 and grew fivefold over the last five years. Last year, green capital markets activity by financial sector issuers more than doubled, and government issuance tripled.

>>> PLAYING CATCH UP

€1
trillion

The estimated value of annual green investment required to meet net zero targets by 2050

Despite this growth, Europe is not meeting the levels of green investment needed to achieve net zero. Estimates from the European Commission, McKinsey, and the IPCC suggest activity needs to double or triple - and fast.

>>> RELATIVELY LOW PENETRATION

12%

Green finance as a share of all capital markets activity in Europe in 2021

Green finance still only represents 12% of all capital markets activity in Europe. The penetration of green finance is highest in corporate bonds (16%), ahead of loans (12%), and equity markets (just 5%).

>>> A LONG WAY TO GO

18 to 1

The ratio of capital raising by 'bad' companies to 'good' companies

For every euro raised by a 'good' company whose primary business activity addresses climate change, €18 are raised by 'bad' companies that worsen the problem. In a positive development, last year this ratio dropped below 10 to 1 for the first time.

>>> WHERE DOES GREEN FINANCE COME FROM?

€425
bn

Green bonds

Labelled green bonds are by far the largest component of green finance, accounting for over half of all activity. This is roughly split 40% corporates, 35% governments, and 25% financials.

€225
bn

Loan markets

Companies have quietly raised around €225bn in the loan markets over the past five years based on our analysis of loans where the use of proceeds was explicitly green.

€100
bn

Good companies

More than 500 companies whose primary activity is focused on addressing climate change - such as renewable energy firms - have raised around €100bn in the bond, equity, and loan markets.

>>> CORPORATE ACTIVITY

65%

The share of all green finance raised by corporates in the past five years

Over the past five years, European companies have raised just under €500bn in green finance across bond, equity, and loan markets. Governments represent a fifth of activity, while banks and other financial issuers account for a steady 15%.

>>> BEWARE OF DOUBLE COUNTING

50%+

The proportion of green bonds that can be allocated to previously announced projects

Just over half of the capital raised by green bonds can be used to (re)finance existing green projects, and issuers can allocate this funding to projects that were started more than two years ago. This reduces the net new amount of green finance and raises the risk of double counting.

>>> FALLING BEHIND

5%

Green finance in the UK as a proportion of all capital markets activity

Green finance is one of the few areas of banking and finance where the EU is a clear global leader. The UK accounts for 14% of European green finance, less than its 20% share of all capital markets activity. Penetration in the UK is roughly half the level as the EU, and the UK is roughly four years behind the EU in terms of penetration.

>>> DIFFERENT SHADES OF GREEN

40% to
50%

The share of green finance that is actively 'green'

The proceeds of green finance are put to work on a wide range of different investments. Our analysis of second opinions on green bonds and of the use of proceeds suggests that between 40% and 50% of the capital raised is 'dark green' or 'actively green'.