

Green bonds in Sweden and Norway: What are the success factors?

“Green bonds in Sweden and Norway: What are the success factors?” is an article that appeared on 15 November 2021 in the “Journal of Cleaner Production” and written by Asbjørn Torvanger, Aaron Maltais and Iulia Marginean. Using Swedish and Norwegian examples between 2013 and 2019, this article assesses the success factors for the development of green bonds and shows how they can help mobilise resources in order to increase sustainable investment.

#1 Green Bonds aim to channel finance into sustainable investment and thereby increase the capital available to fund ecological transition. Companies, public bodies or States issue bonds in order to borrow money on the capital markets to fund their investments, assets or operations. The special characteristic of green bonds is the “use of proceeds” clause which states what use the issuing entity will make of the bond. There therefore exists a standard listing what constitutes Green Bonds (“Green Bond Principles”). The list particularly includes activities that involve the production of renewable energy, the reduction of pollution or adapting to climate change. Green Bonds therefore have the advantage of giving improved access to capital, greater stability due to a diversified stakeholder base and improved governance of environmental strategy.

#2 The successful development of the Swedish Green Bonds market compared with the Norwegian market can be explained by several intrinsic factors. Among these factors we may cite institutional factors such as the Swedish political context which encourages sustainable policies as well as the economic structure of the country. An enterprise culture and the presence of eco-friendly institutions as well as a diversified business sector have also encouraged the development of the Swedish Green Bonds market. Lastly, the volume of the bond market in the country together with the market share eligible for green issues has been a key factor in the rapid adoption of Green Bonds in Sweden.

#3 The article identifies five factors on the Norwegian and Swedish markets that could be transferred to other national markets thereby encouraging their development:

- 1) Government leadership: the State needs to commit explicitly in favour of the sustainability of the financial markets. The aim is to send clear signals to financial players so that they can base their operations on reliable political decisions.
- 2) Leadership from financial institutions: the main national financial institutions need to take a clear stand in favour of Green Bonds in order to set an example and encourage the smallest players to enter the market.
- 3) Communication: the advantages of Green Bonds in ecological transition needs highlighting and explaining, particularly by the media.
- 4) Collaboration: investors and issuers need to agree on the mutual benefits of Green Bonds in order to generate dialogue favourable to sustainable investment.
- 5) Transparency: the players in the market need to make their Green Bonds activities public in order to improve the credibility of this financial instrument.

Pauline Bureau’s opinion, LFE’s Vice-C

“The success of Green Bonds, which are important tools for funding ecological transition, must not be left to chance. It depends on the ability of the State and financial players to pursue a proactive policy of promoting them.”