

# Talking Heads podcast with Johann Ple

Chris Iggo: Hello and welcome to this week's BNP Paribas Asset Management Talking Heads podcast. Every week, Talking Heads will bring you in-depth insights and analysis on the topics that really matter to investors. In this episode, we'll be discussing the state of play and outlook for the green bond market. I'm Chris Iggo, Chief Investment Officer of AXA IM Core, part of BNP Paribas Asset Management, and I'm joined today by Johann Ple, who is a Senior Portfolio Manager in the Euro fixed income team. Welcome Johann, and thank you for joining me today.

Johann Ple: Thank you very much for having me.

CI: There's a lot going on in markets and it's creating volatility for fixed income investors. However, it's important to continue to focus on long-term thematic and particularly the green transition and green bonds play an important role in transition finance. It might be helpful before we get into the outlook, if you could just explain briefly for the audience what green bonds are.

JP: Well, green bonds are actually very simple. These are bonds where the issuer has committed to specific projects that benefit the environment and to report on the impact of this project with reliable KPIs like carbon emissions avoided. Not all green bonds are equal, but we believe it is one of the most appropriate instrument to direct capital towards the massive financing needs that require the transition to a sustainable economy.

CI: There's been significant growth in the issuance of green bonds in recent years. Just in the last couple of years, that issuance seems to have plateaued between 400 and 500 billion. Is this a sign of green bonds losing their appeal or just a maturing of the market?

JP: No, it hasn't lost its appeal. Over the past decade, green bond expansion have gone through different phases from early adoption and now we are witnessing a more maturing phase and that's very positive. Green bonds are not a niche anymore. It's a \$2.5 trillion market, which when combined with social and sustainability bonds is even bigger than the Euro investment-grade credit market.

We have a market that is global, well diversified in terms of sectors, geographies and issuers. The instrument has been largely adopted by European countries. Actually, almost all of them use it to finance their transition efforts. And we also observe a growing number of emerging market countries that have adopted the green label. On the corporate side, issuers that have used instruments in the past come back to the market as their net zero investment grows.

So clearly, this large-scale adoption by both issuers and investors is understandable as the instrument has gained credibility over the past years. Studies have shown from the Bank of International Settlements or the London School of Economics how issuers that have issued green bonds tend to decarbonise faster than issuers that haven't. Standards have emerged as well to bring even more transparency with EU Green Bond Standards making their debut last year and already accounting for 5% of 2025 issuances.

CI: Clearly, green bond are all but losing steam. They've just entered a more mature phase, as you said, where growth is not just about the number, but about the true commitment of the issuers entering this market, the quality of the projects that are funded and the measurability of their impact. I'm going to move on to the outlook for 2026 and what you're expecting the market, but, at the moment, we're

seeing another conflict leading to a spike in traditional energy prices, oil and natural gas. Does that in a way strengthen the case for the transition and future green bond issuance?

JP: Definitely. It's an additional reason to be positive. The simple fact that plenty of bonds will be maturing in 2026 and 2027 will drive refinancing needs and boost issuances. Just over 2026, we expect around 170 billion of green bonds to mature. This should support the market. But it would be more interesting to look at the nature of issuances in terms of sectors or projects.

I would not be surprised to see a progressive refocusing towards more naturally aligned sectors where issuers tend to have more readily accessible and eligible assets. This means utilities, transportation, banks or real estate sectors as well as sovereigns. Obviously, this simply reflects where net zero investment is truly happening.

From a regional perspective, it's no secret the green bond market is dominated by Europe and that the US have almost vanished. US issuances were down almost 50% in 2025. I would not expect this to change materially, but we could expect to benefit from a good momentum across Latin America or the APAC region. In the APAC region, for example, we've seen plenty of environmental taxonomies, which helped clarify the eligible categories of projects and could support issuances across the region.

Now in terms of projects, renewable energy and energy efficiency should remain at the centre. We have two themes. AI is driving energy demand that fossil fuels cannot meet alone. For example, global electricity demand from datacentres is expected to nearly triple by 2035. And recent events in the Middle East have once again shown the critical importance of energy, whether it's about affordability, stability or sovereignty.

Another theme that should matter is water. It's somewhat less visible at the moment, but it shouldn't be ignored. The rising risk of flooding, drought or scarcity will clearly drive the need to finance adaptation infrastructures. In addition, the tech sector is particularly water-intensive with semiconductor manufacturing or the cooling of datacentres and this will require investment in circular water management.

Overall, this dynamic is positioning the green market as even more relevant and impactful. I would add the sustainability boom that has proven particularly dynamic in 2025, reaching on its own actually a \$1 trillion market value with more than 300 issues and this should continue in 2026.

CI: I believe it's clear that they're very important. And as you point out, the role that they can play in, in financing the massive investment in the energy infrastructure is critical given the demand for electricity and also what's happening with disruption to energy markets. If we look at the market from an investor's perspective, we still have to consider interest rates and credit risk. Who do you think should look at the asset class and where do they sit within a traditional fixed income portfolio?

JP: I might be biased, but clearly, I think any bond investor should look at the asset class. It's a mistake to think that green bonds are for ESG experts only. It's important to remember that the performance drivers behind the green bond universe are actually exactly the same as those behind the conventional bond universe. As any bond, green bonds are driven by a combination of rates and spread dynamics, which is why green bond performance has not been that different from the euro aggregate or global aggregate universe over the past years.

If you look at the past three years, for example, at end of 2025, the green bond universe hedged in euro delivered on a cumulative basis close to 12%, which is slightly above the 11.5% the euro aggregate universe delivered and clearly above the 8.2% delivered by the global aggregate universe hedged in euro for a similar level of volatility. So, that's quite interesting.

CI: In the coming years, can the green bond universe perform in a way that is different to conventional bonds, either from a credit point of view or an investor demand point of view?

JP: I think the question should not be about choosing or arbitrating between green bonds or conventional bonds. The focus should be on which role it should play in their global asset allocation. With green bonds, you get exposure to a global universe well balanced across sovereign, quasi-sovereign, and corporate debt from highly rated issues along the entire yield curve. This means that you will have a universe that provides a good balance between rates and credit spread dynamics with a similar duration to a euro aggregate or global aggregate universe.

The green bond universe can act as a buffer and limit drawdowns in phases of risk aversion just like the one we are experiencing at the moment. Indeed, this is one of the key benefits to have rates exposure as it is usually negatively correlated to riskier assets like equity. The universe benefits from the attractive yield of credit and the robust fundamentals the asset class still offers in comparison to, for example, the conventional broad universe. So, if you like bonds in 2026 overall, I'd say you have every reason to like green bonds.

CI: Thanks, Johan, for joining me.

JP: It was a pleasure.

CI: That's it for this week's episode of Talking Heads. If you would like to learn more about our investment insights, please reach out to your BNP Paribas Asset Management contact or check out Viewpoint website for investment insights at [viewpoint.bnpparibas-am.com](http://viewpoint.bnpparibas-am.com). We recommend subscribing to Talking Heads on your favourite podcast channel such as YouTube or Spotify. You'll receive your podcasts every week, and if you like Talking Heads, leave us a positive review and a nice rating. You've been listening to the BNP Paribas Asset Management Talking Heads podcast with me, Chris Iggo, and Johan Ple. Please do join us again on Talking Heads next week. Until then, take care.