

COMMENTS — 4 Mar, 2025 | 07:23

Sustainability Insights: Sustainable Bond Outlook 2025: Middle East Issuance To Remain High



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Segment	Corporations
Tags	Middle East
Topic	Emerging Markets Research , Energy & Climate Resilience

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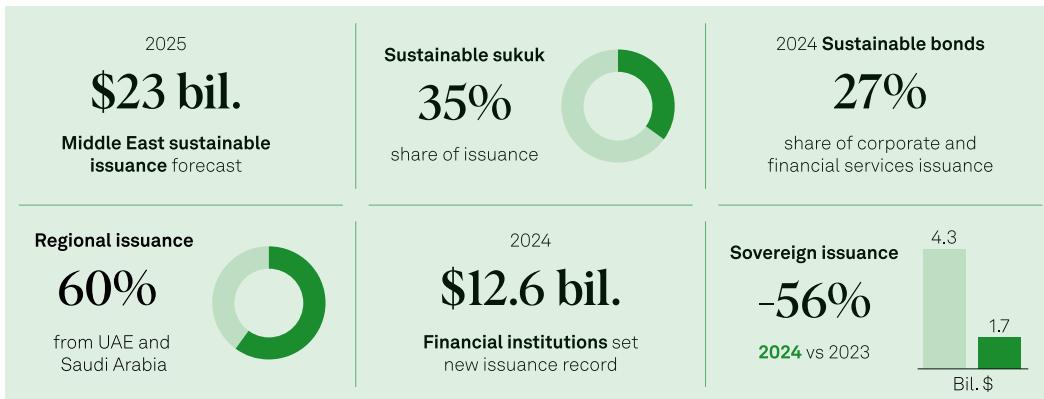
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By the numbers: Sustainable issuance trends



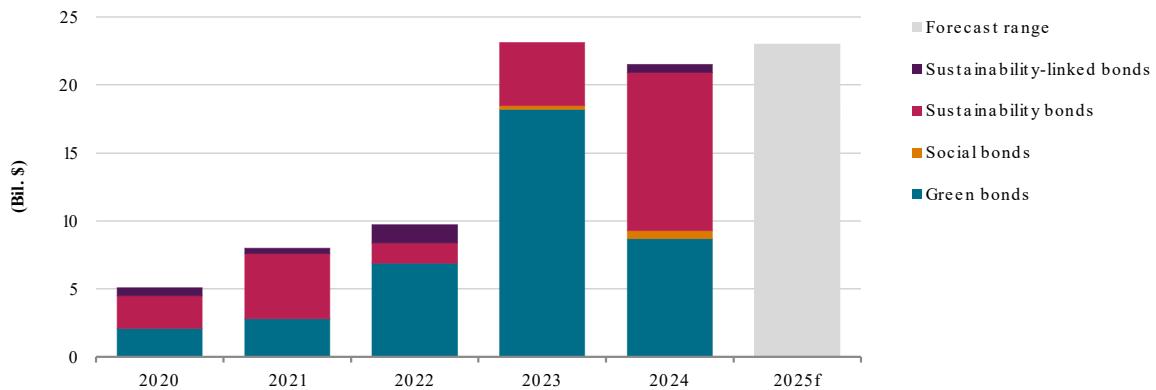
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Issuance To Remain In Line With 2024 Levels

Total regional issuance could reach \$18 billion - \$23 billion.

- United Arab Emirates (UAE) and Saudi Arabia issuers will continue leading sustainable bond markets, though we expect greater participation in other Middle Eastern countries.
- Green projects will remain substantial, aligning with national net-zero targets, particularly related to clean power.
- Sustainability bond issuance will also be considerable, given the increased prevalence in the region.
- Banks will retain a key role, in addition to corporations and government-related entities.
- Sustainable sukuk, blue bonds, and transition bonds are likely growth areas.

Chart 1

Social and sustainability bonds set new issuance records in 2024
Total Middle East sustainable bond issuance

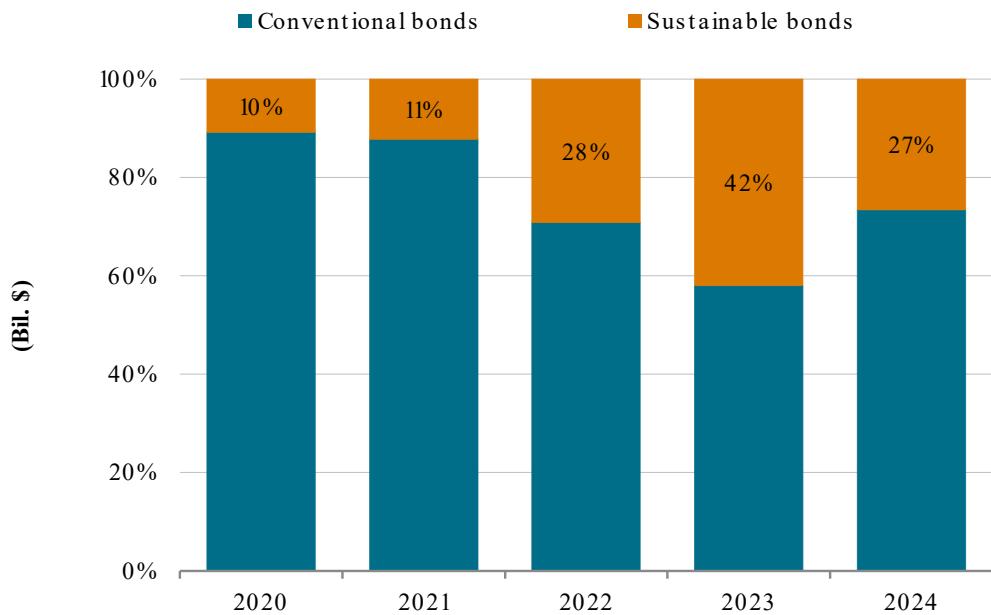
f-Forecast. Sources: Environmental Finance Bond Database, S&P Global Ratings.
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Corporates And Financial Institutions Lead Issuance

- Sustainable bonds account for more than 25% of regional corporate and FI issuance, compared with 9% globally.
- This is despite the Middle East's share of global sustainable bonds being less than 3%.

Chart 2

Corporate and FI sustainable bonds are prominent in the region, compared with 9% globally
Sustainable share of corporate and FI Middle East bond issuance



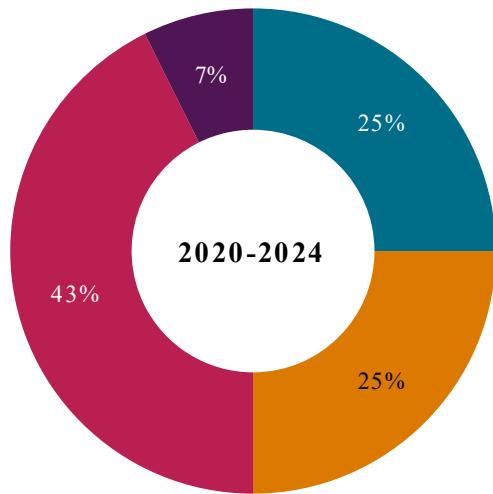
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Chart 3

FIssuers are especially prevalent
Middle East sustainable bond issuance by issuer type

■ Sovereign ■ Nonfinancials ■ Financial services ■ International public finance



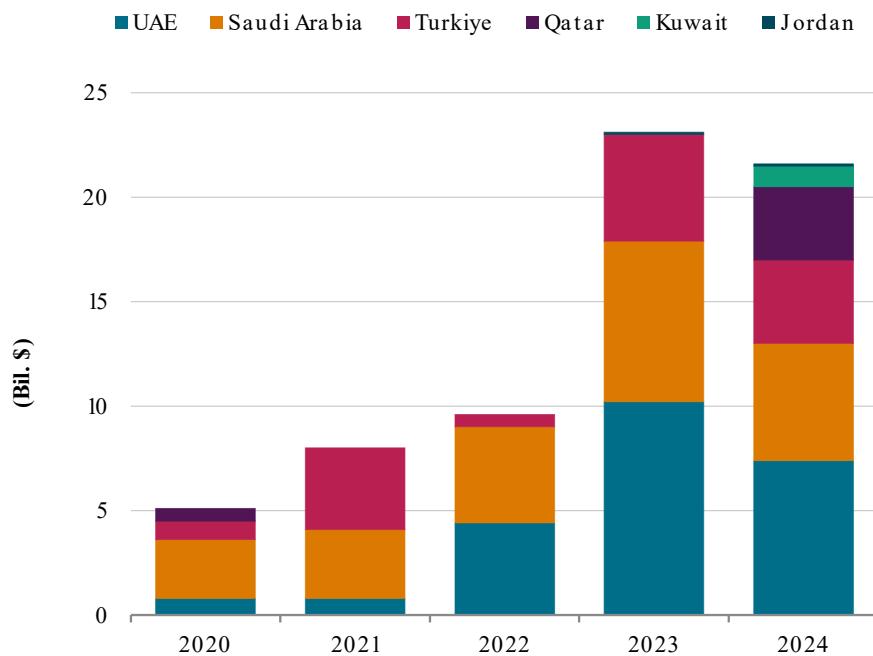
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Regional Interest To Persist In 2025

- Issuance slowed in 2024, largely due to normalization following COP28 in November 2023, as well as higher interest rates.
- UAE and Saudi Arabia account for more than half of regional issuance, with Qatar and Kuwait increasing volumes in 2024. We expect this trend to continue.

Chart 4

Increased regional participation in sustainable bond markets
Middle East sustainable bond issuance by country

Sources: Environmental Finance Bond Database, S&P Global Ratings.

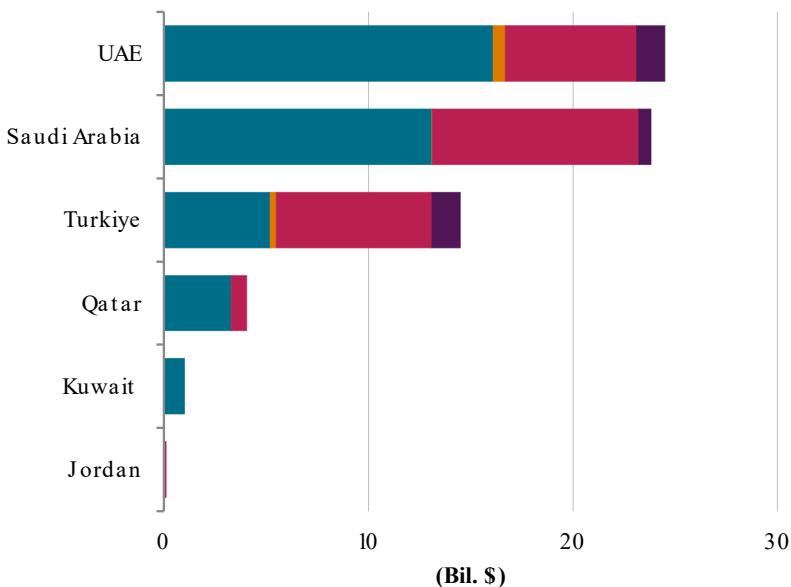
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Chart 5

UAE and Saudi Arabia make up over 70 % of regional issuance since 2020

Middle East sustainable bond issuance by country 2020-2024

■ Green bonds ■ Social bonds ■ Sustainability bonds ■ Sustainability-linked bonds



Sources: Environmental Finance Bond Database, S&P Global Ratings.

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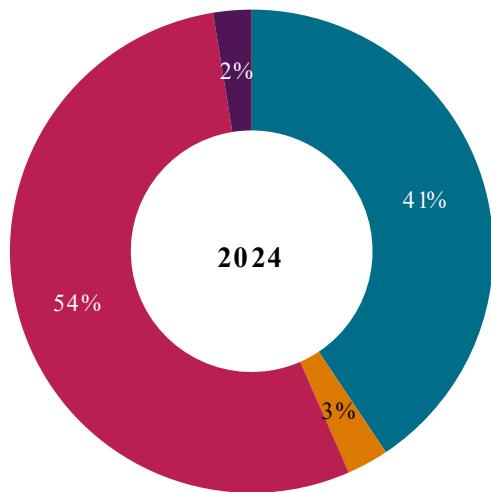
Sustainability Bonds Lead 2024 Middle East Issuance

- While climate transition and adaptation is a priority given regional exposure to hydrocarbons, sustainability bonds (including social categories) have risen in 2024.
- This contrasts with global trends, where green bonds remain prevalent (about 60% of sustainable bonds).
- Sustainability bonds dominate as most issuers are financial institutions, and adding a social element to the framework aligns with sector exposure.
- Common social categories include access to essential services, affordable housing, and employment.

Chart 6

Sustainability bonds now dominate issuance in the region

Middle East sustainable bond issuance by bond type

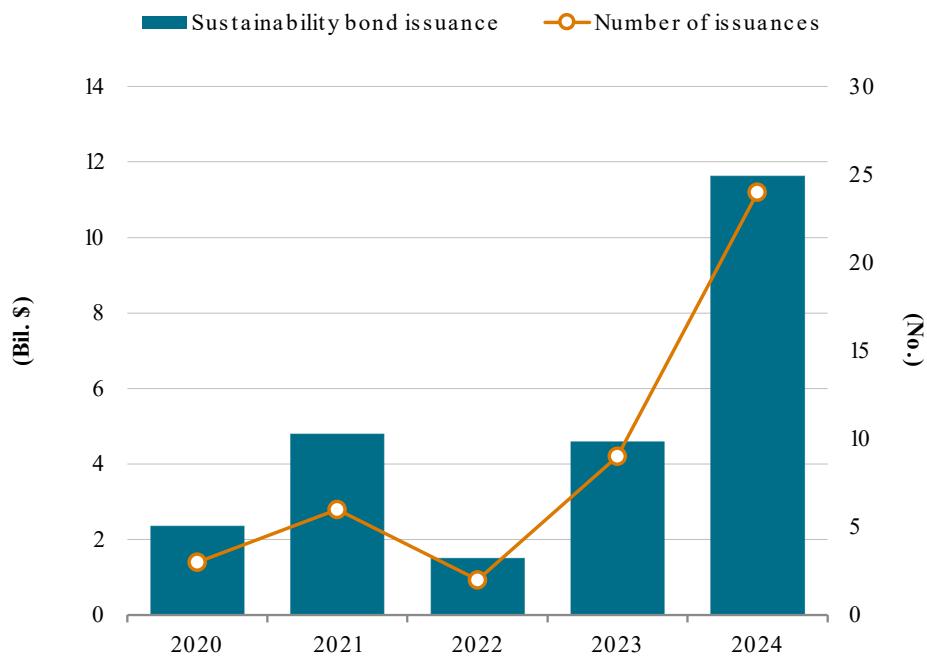
■ Green bonds ■ Social bonds ■ Sustainability bonds ■ Sustainability-linked bonds

Sources: Environmental Finance Bond Database, S&P Global Ratings.

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Chart 7

Volume and quantity continue increasing
Middle East sustainability bond issuance total and number of issuances



Sources: Environmental Finance Bond Database, S&P Global Ratings.

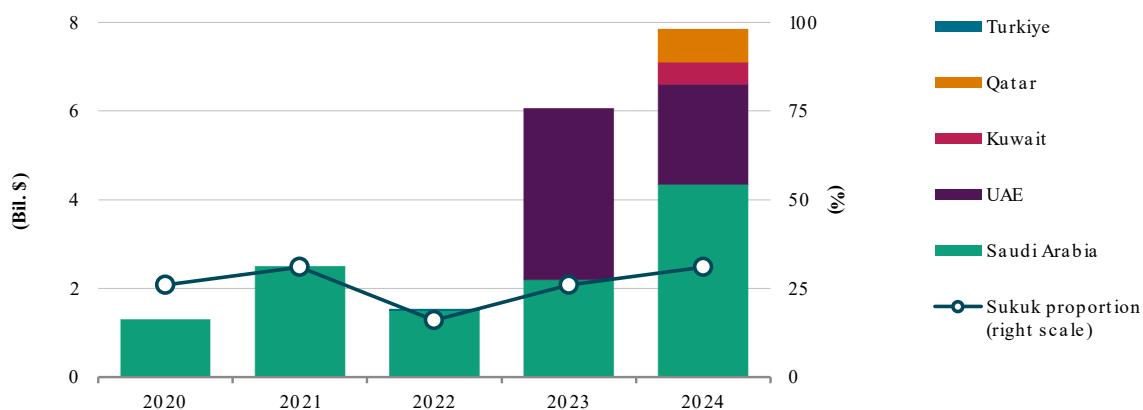
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Sukuk Issuance Persists Despite Sustainable Slowdown

- Total sustainable sukuk volume in the Middle East reached \$7.9 billion, with the majority in Saudi Arabia.
- Most sukuk issuance comes from the Gulf Cooperation Council (GCC), where we expect interest to continue.
- The share of sustainable sukuk is increasing, constituting more than 35% of regional sustainable bond issuance in 2024, compared with 26% at the end of 2023.
- Guidance on green, social, and sustainability sukuk published by the International Capital Market Assn. (ICMA) in April 2024 should provide additional transparency, which could renew interest and clarify labelled Islamic finance issuances.
- Some government-led or regulatory initiatives could also help sustain growth.

Chart 8

Sustainable sukuk has maintained its relevance in the region
Middle East sukuk issuance total and proportion of sustainable bonds



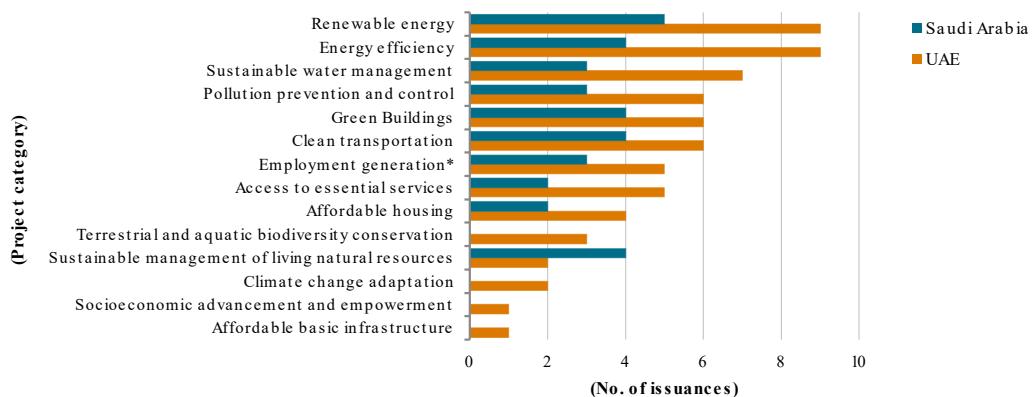
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UAE and Saudi Arabia: Differences In Market Dynamics

Chart 9

UAE issuance displays a wide range of project categories
 Saudi Arabia and UAE number of issuances per project category



*Including through SME financing and microfinance. Source: S&P Global Ratings.

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UAE Sustainable Bond Market

- Issuance reached \$7.4 billion in 2024, marking a 28% decline from 2023.
- Financial institutions are prevalent, mainly driven by a UAE Banks Federation pledge to mobilize over UAE dirham (AED) 1 trillion (\$272 billion) in sustainable finance by 2030.
- About 60% of green bond issuances are focused on energy (including solar), with interest in other sectors including logistics, real estate, and tourism and hospitality.

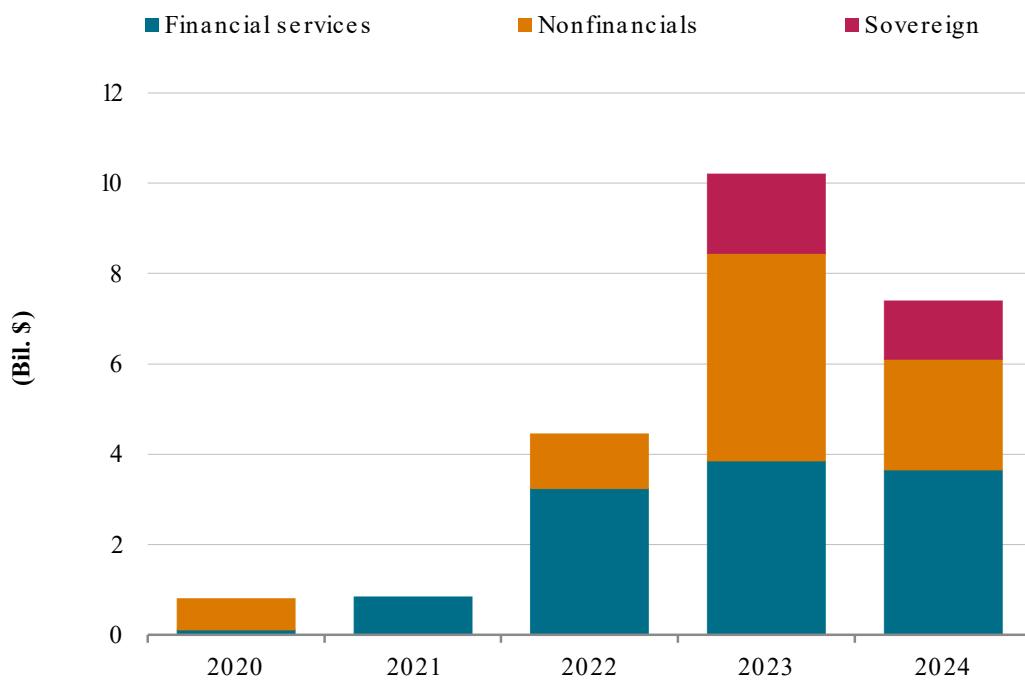
Chart 10

Green bonds dominate, followed by sustainability bonds
UAE sustainable bond issuance by bond type

Sources: Environmental Finance Bond Database, S&P Global Ratings.

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Chart 11

Financial institutions lead the way, corporates a close second
UAE sustainable bond issuance by issuer type

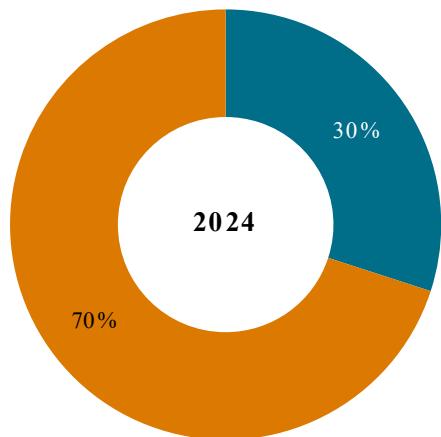
Sources: Environmental Finance Bond Database, S&P Global Ratings.

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Chart 12

Sustainable sukuk represents 30% of issuance
 Proportion of sukuk in UAE sustainable bonds

■ Sustainable sukuk ■ Other sustainable bonds



Sources: Environmental Finance Bond Database, S&P Global Ratings.
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Table 1

UAE 2024 sustainable bonds

Issuer	Issuance type	Mil \$.	Issuer type
Dubai Islamic Bank	Sustainability bond	1,000	Financial services
Abu Dhabi National Energy Company	Green bond	850	Nonfinancials
First Abu Dhabi Bank	Green bond	800	Financial services
Emirates Islamic Bank	Sustainability bond	750	Financial services
Emirate of Sharjah	Sustainability bond	750	Sovereign
Rakbank	Social bond	600	Financial services
Emirate of Sharjah	Sustainability bond	545	Sovereign
Emirates NBD	Sustainability bond	500	Financial services
Aldar Properties PJSC	Green bond	500	Nonfinancials

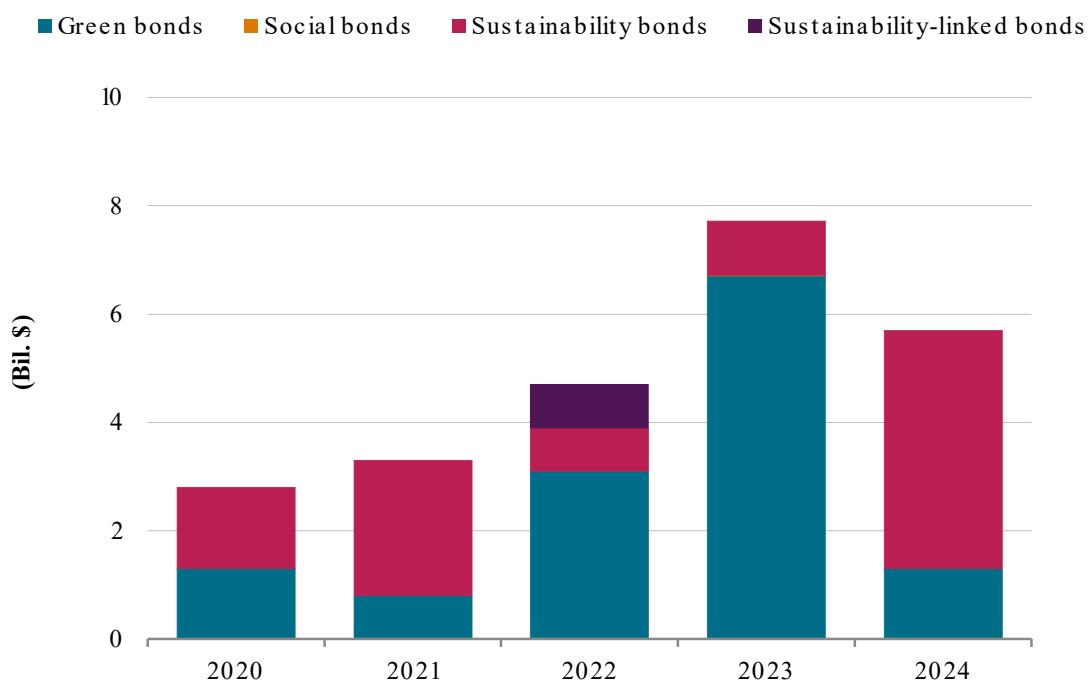
Masdar	Green bond	500	Nonfinancials
Masdar	Green bond	500	Nonfinancials
DP World	Green bond	100	Nonfinancials

Sources: Environmental Finance Bond Database, S&P Global Ratings.

Saudi Arabia Sustainable Bond Market

- Issuance reached \$5.6 billion in 2024, marking a 27% decline from 2023.
- High concentration of issuers in financial services largely explains the rise of sustainability bond issuances.
- Adaptation projects are more dominant in Saudi project categories compared with UAE.

Chart 13

Sustainability bonds comprised 78% of 2024 issuances
Saudi Arabia sustainable bond issuance by bond type

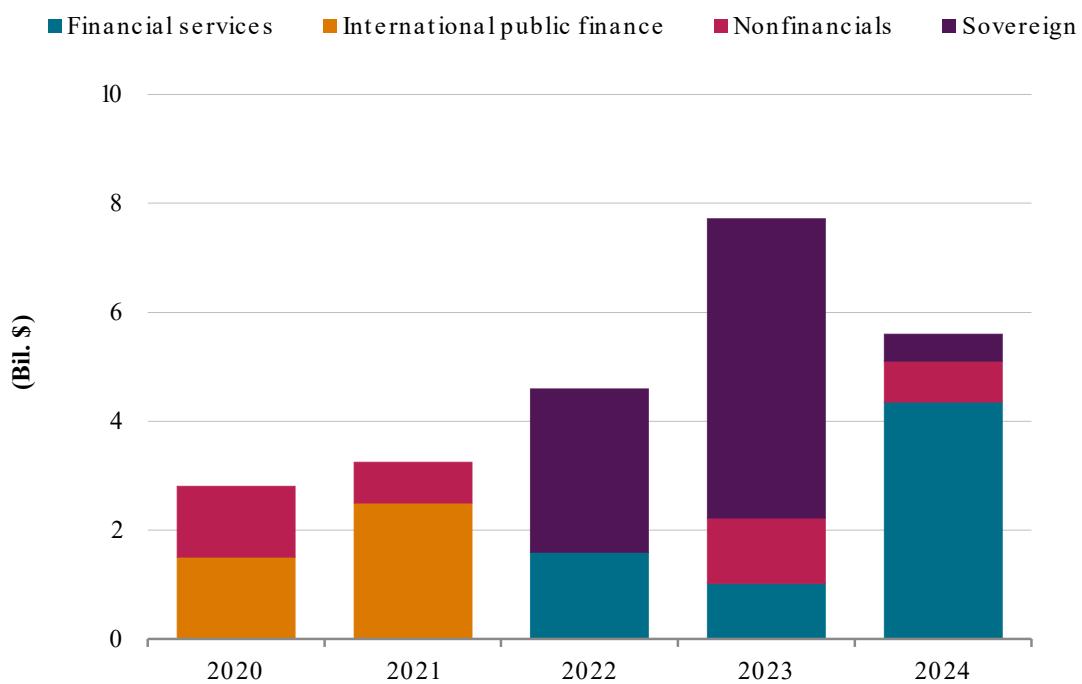
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Chart 14

2024 was a record year for Saudi financial institutions

Saudi Arabia sustainable bond issuance by issuer type



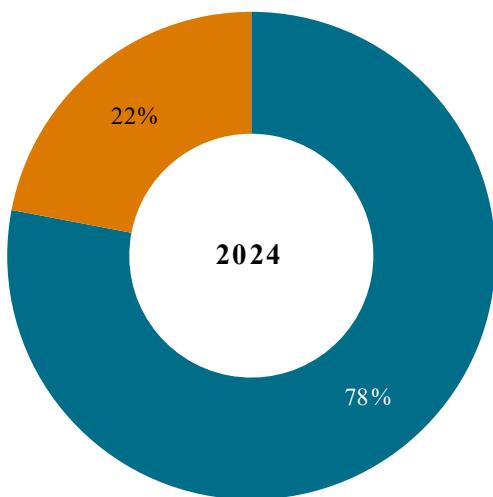
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Chart 15

Sustainable sukuk represents nearly 80 % of issuance
 Proportion of sukuk in Saudi Arabia sustainable bonds

■ Sustainable sukuk ■ Other sustainable bonds



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Table 2

Saudi Arabia 2024 sustainable bonds

Issuer	Issuance type	Mil. \$	Issuer type
Al Rajhi Bank	Sustainability	1,000	Financial services
Al Rajhi Bank	Sustainability	1,000	Financial services
Saudi National Bank	Sustainability	850	Financial services
Arab Petroleum Investments Corporation	Green	750	Nonfinancials
Riyad Bank	Sustainability	750	Financial services
Saudi Investment Bank	Sustainability	750	Financial services
Public Investment Fund	Green	500	Sovereign

Sources: Environmental Finance Bond Database, S&P Global Ratings.

Key Drivers for 2025 Regional Issuance

Renewable energy

- Renewable energy projects, especially solar, are especially popular in GCC countries given the high levels of solar irradiance.
- Energy companies such as Masdar in the UAE will likely continue issuing green bonds to help expand renewable portfolios and transition from fossil fuels.
- In 2026, Saudi Arabia plans to commission the world's largest utility-scale green hydrogen project in Neom, using solar PV, wind, and energy storage.

Social projects

- While sustainability bonds have been popular, social bond issuance has been muted, with only five total issuances since 2018.
- UAE-based Rakbank issued the region's sole social bond in 2024, a \$600 million bond supporting MSME financing and expanding access to health care.
- Financial inclusion, access to essential services, and affordable housing are potential uses of proceeds for social bonds.

New bond types

- Global guidance tailored to local specifics will lay the groundwork for new bond types in the Middle East.
- We expect increased issuance of blue and transition bonds due to exposure to water scarcity and hydrocarbons.
- UAE-based logistics company DP World issued the region's second-ever blue bond, which will support a range of eligible projects including marine transportation and port infrastructure.

Table 3

Largest 2024 Middle East sustainable bond issuances

Issuer name	Country	Issuer type	Amount (mil \$)	Issuer type	Asset class
State of Qatar	Qatar	Green bond	1,500	Sovereign	
Dubai Islamic Bank	United Arab Emirates	Sustainability bond	1,000	Financial services	Sukuk
Al Rajhi Bank	Saudi Arabia	Sustainability bond	1,000	Financial services	Sukuk
Al Rajhi Bank	Saudi Arabia	Sustainability bond	1,000	Financial services	Sukuk
State of Qatar	Qatar	Green bond	1,000	Sovereign	
Saudi National Bank	Saudi Arabia	Sustainability bond	850	Financial services	Sukuk
Abu Dhabi National Energy Company	United Arab Emirates	Green bond	850	Nonfinancials	
First Abu Dhabi Bank	United Arab Emirates	Green bond	800	Financial services	
Emirates Islamic Bank	United Arab Emirates	Sustainability bond	750	Financial services	Sukuk
Saudi Investment Bank	Saudi Arabia	Sustainability bond	750	Financial services	Sukuk

Riyad Bank	Saudi Arabia	Sustainability bond	750	Financial services	Sukuk
Arab Petroleum Investments Corporation	Saudi Arabia	Green bond	750	Nonfinancials	
Emirate of Sharjah	United Arab Emirates	Sustainability bond	750	Sovereign	
Rakbank	United Arab Emirates	Social bond	600	Financial services	
Ulker Biskuvi Sanayi	Turkiye	Sustainability-Linked bond	550	Nonfinancials	

Source: Environmental Finance Bond Database, S&P Global Ratings.

Sustainable Bonds Defined

Sustainable bonds fall into two main categories:

Sustainability-linked bonds (SLBs): Any instrument for which the financial or structural characteristics can vary depending on whether the issuer achieves predefined sustainability objectives.

Use-of-proceeds bonds: Any instrument where net proceeds (or equivalent amount) are exclusively used to finance or refinance, in part or in full, new and/or existing eligible green and/or social projects. The three main subcategories are:

- Green bonds: Instruments that raise funds for projects with environmental benefits including renewable energy, green buildings, and sustainable agriculture. This includes blue bonds, which raise funds to support the sustainable use of maritime resources and promote related sustainable economic activities.
- Social bonds: Instruments that raise funds for projects addressing or mitigating a specific social issue and/or seeking to achieve positive social outcomes, such as improving food security and access to education, health care, and financing, especially but not exclusively for target populations.
- Sustainability bonds: Instruments that raise funds for projects with both environmental and social benefits.

Transition bonds can be either sustainability-linked or use-of-proceeds bonds issued specifically to support climate transition goals, geared toward issuers in hard-to-abate sectors. Projects these bonds support may not always be "green" but still aim to support climate transition.

Related Research

Sustainability Insights: Global Sustainable Bond Issuance To Hold

- **Steady At \$1 Trillion In 2025**
, Feb. 5, 2025
- **Sustainability Insights: Middle East Sustainable Bond Issuance Trends**
, Oct. 15, 2024

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