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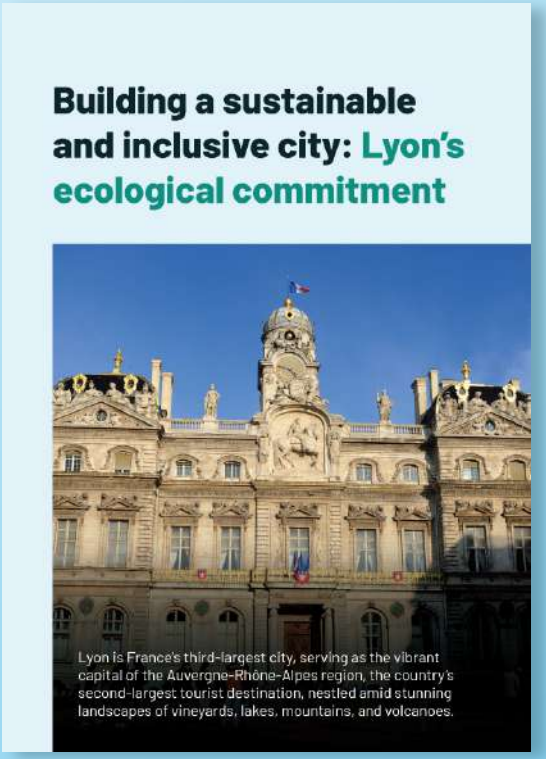
EMPOWERING SUSTAINABLE GROWTH

Euronext ESG Bond Barometer Q1 2026

The ESG Bond Barometer brings you the latest green finance news, with a specific focus on the sustainable bond market. It features a detailed exclusive interview with a leading ESG issuer, sharing the its views on the market and explaining its sustainable strategy.

In this edition, **Ville de Lyon** takes the stage.

VILLE DE LYON

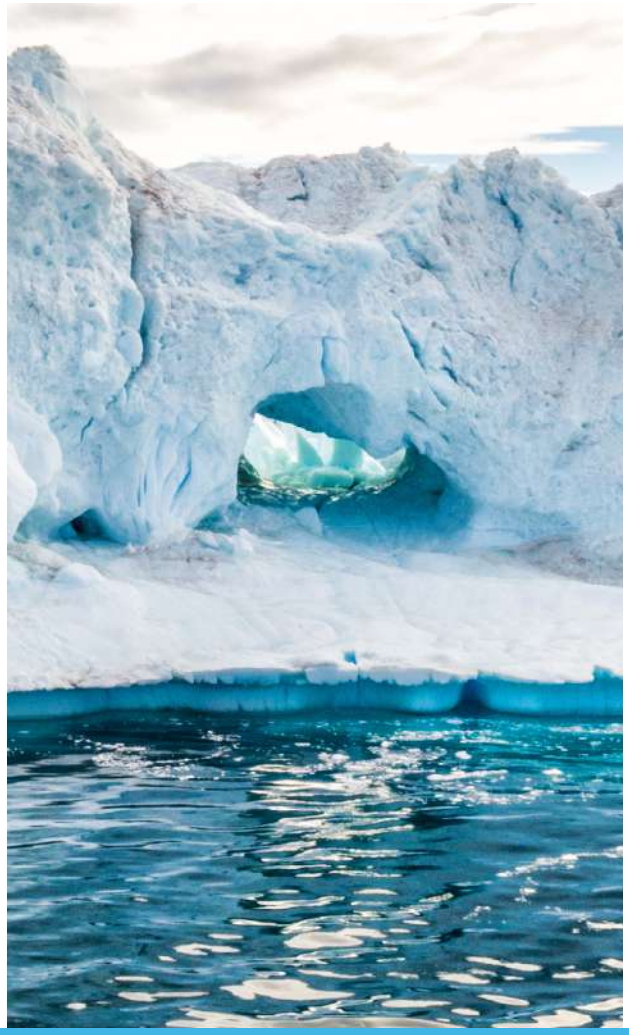


Read the case study →

1 Moving from a 2°C target to adaptation and resilience

With average global temperatures widely expected to breach the Paris climate agreement's aim of limiting global warming to well below 2° in the coming years, the estimated costs of adaptation for the transport, energy and agriculture sectors range between approximately EUR 53bn and 137bn per year until 2050. For comparison, the EU experienced annual economic losses of around EUR 40-50bn per year between 2021 and 2024 due to extreme weather events. As these figures account for direct losses only, the sum of total costs will be higher. Moreover, severe weather- and climate-related extreme events are expected to intensify, driving further economic losses.

These projects may also create jobs, improve air and water quality and land fertility, secure supply chains, increase biodiversity, and enhance comfort, public health and cohesion. Finally, many adaptation measures also help reduce greenhouse gas emissions or support long-term climate goals, which generates a **triple-benefit of adaptation**. At a time when the efficiency of public spending is often criticised, a JRC study concludes that adapting to rising coastal flood risks in the EU would deliver EUR 6 per every euro invested. On a global level, a recent study (WRI, 2025) of 320 adaptation investments in 12 (non-European) countries concluded that every US dollar invested in adaptation may bring over USD 10.50 in benefits over a 10-year period, and yield average returns of 27% per project.



These projects may include:

- **Nature-based solutions:** for example, restoring wetlands both protects against floods and stores CO2.
- **Resilient agriculture:** improved soil management, agroforestry and the use of drought-resilient crops increase resilience to droughts and heat extremes, safeguarding food production and farmer incomes. Measures also enhance carbon sequestration and reduce GHG emissions from farming.
- **Sustainable transport and infrastructure:** flood- and heat-resilient roads, bridges and rail lines reduce damage and avoid emissions from reconstruction. Electrified and expanded public transport shifts travel away from fossil fuels. Green infrastructure and urban shading help manage flooding and heat, while reducing energy demand. Smart traffic systems maintain traffic flow during extreme weather, cutting congestion and fuel use.
- **Energy-efficient and climate-resilient buildings:** upgrading buildings for heatwaves or storms often includes better insulation and ventilation. These measures cut energy use and reduce emissions while protecting health and productivity.
- **Resilient energy storage and distribution:** smart grids use sensors and advanced controls to optimise energy use in real time, enabling greater integration of renewable energy while enhancing system resilience. Energy storage solutions further buffer variability in supply and protect against disruptions.

Of course, climate adaptation is a global challenge. According to the UN Environment Programme's latest Adaptation Gap Report, developing countries require between USD 215 billion and USD 387 billion annually by 2030 to meet their climate adaptation needs. Currently, only around USD 21.3 billion is available each year, highlighting a significant funding gap.

The bond market can play a role here. Adaptation and resilience projects now represent 22% of green proceeds for public issuers, against 16% in 2020. The growing awareness of physical risks is fuelling investor interest in climate adaptation instruments, which may become as significant a theme as the energy transition, in terms of investment opportunities.

Private actors need policy interventions that help catalyse the creation and growth of the adaptation and resilience markets.

The first policy intervention required is the implementation of effective national plans. Public actors can also create national platforms, engage in public-private partnerships to finance adaptation infrastructures, or offer first-loss guarantee schemes to private investors. Finally, users themselves might need to participate in the funding of adaptation measures such as water consumption, local works, and so on.

Private actors still need to find the right approaches to tackle this issue. There are no pure-play adaptation companies; and adaptation looks very different to mitigation. Mitigation is often associated with identifiable technologies such as solar panels or electric vehicles. Adaptation is, in many cases, more diffuse: water utilities upgrading infrastructure, for example, or construction companies using more heat-resilient building materials.

Yet corporates should develop their own adaptation and transition plans, even though the Omnibus package is lifting this obligation. We already know that sectors such as real estate, insurance and agriculture see adaptation as critical; we can expect innovations to come from these sectors. Nonetheless, it is quite certain that investors will require similar adaptation plans from all types of company in the near future.

2 China taking the lead on sustainable finance, with a focus on transition and biodiversity

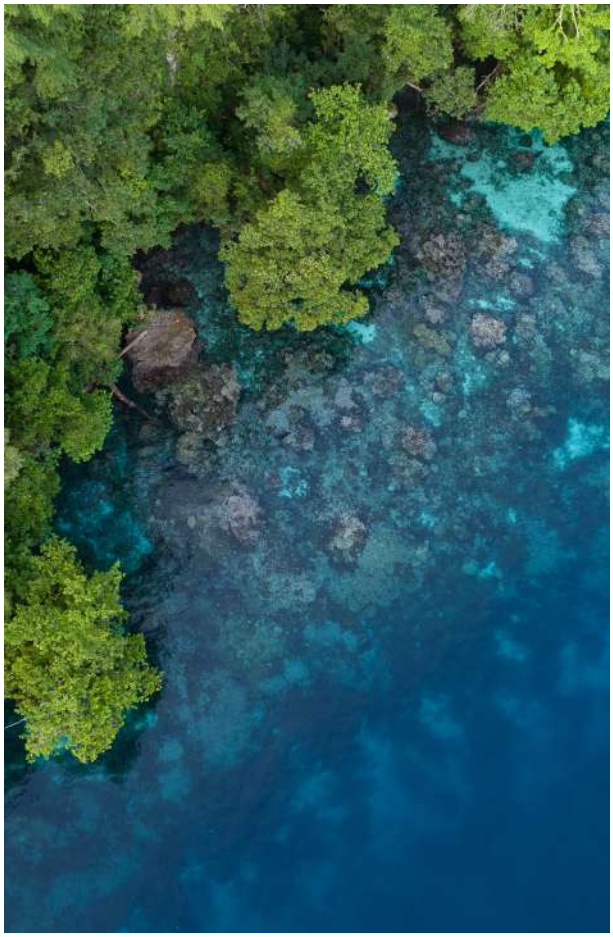
China's green bond market has overtaken western rivals for the first time this year, with USD 70 billion of green bonds issued in 2025, representing 17% of the market. As the US backs off and the EU remains stagnant, Asia-Pacific is the only region ramping up its sustainable finance investment, with China spearheading this trend.

Beijing has committed to carbon emissions peaking in 2030 and to achieving carbon neutrality by 2060. China supplies the world with wind and solar materials, and is a global leader in hydropower, renewable energy storage and green hydrogen facilities. It also has the highest number of nuclear power plants under construction. These efforts support economic growth and innovation, in the midst of a real-estate crisis.

Chinese corporates, especially SMEs, are at the forefront of this battle, obtaining billions in green loans to support these green developments. But renewable energy companies do not generate a great deal of profit and tend to lack cash, which means that they will rely more and more on debt to sustain their power capacity objectives (an additional 6000 GW over the next 25 years). Green bonds offer longer maturities than the loan market, making them an interesting option for large-scale infrastructure projects that require long-term financing.

However, the Chinese green bond market remains mostly domestic, as foreign investors fear greenwashing and limited activity on the secondary markets. This growing market is supported by the Chinese Central Bank and local financial institutions. The establishment of a green taxonomy is supposed to reassure Western actors, preserving them from greenwashing practices.

China continues to move forward, for example on the adaptation and biodiversity fronts. The central bank is piloting taxonomy usability tests in 20 provinces for activities that contribute to positive impacts on biodiversity, in an expansion of its work on climate mitigation and adaptation. At the same time, Beijing is working on the progressive development of biodiversity-related disclosures, in line with the recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD).



Transition finance is also a key topic in China. In a country seen as 'the world's factory', it is not easy for large banks to increase their green loans portfolio, as not all corporate clients have pure green assets or pure green projects. However, there are a large amount of industrial clients looking for finance to implement the green and low-carbon transition.

The transition taxonomy currently covers the steel, coal power, building material, and agriculture sectors. However, the People's Bank of China has said it is fast-tracking plans to extend this taxonomy to a second batch of seven sectors, which include shipping, chemicals and metals.

3 Evolution of ESG Bonds Listed on Euronext, YoY

Despite a global market in depletion, mainly due to a significant contraction in the US, Euronext issuers have maintained their strong pace of ESG issuances. More than ever, the green bond format dominates.

	2024	2025
Green bonds	480	535
Social bonds	35	38
Sustainability bonds	64	89
Linked Bonds	41	35
TOTAL	**620**	**697**

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