The Impact of Corporate Green Bonds on Stock Returns

**Abstract**

I replicate with a different dataset the analysis of Flemmer (2020) on corporate green bonds, which are debt securities whose proceeds are used to have a positive impact on the environment and/or climate. As these bonds are getting more traction on the financial markets, it is interesting to analyse their impact on the stock price of traded companies.

Although, like Flammer, I find a positive response for the issuance of green bonds in the period from 5 days prior to the first announcement until 10 days following it, I find a bigger response for second-time issuers than for first-time issuers. Moreover, I find a a statistically significant one for second-time issuers but a statistically insignificant response for first-time issuers. This finding goes against Flammer’s argumentation that green bonds represent a form of ‘signalling’. I propose possible explanations for this difference in results.

# Introduction

The first green bond was issued in 2009 by the World Bank[[1]](#footnote-1)

As discussed earlier, the EIB issued the first climate-focused bond in the form of a structured product in 2007. In 2008, the World Bank issued the first bond labeled "green" for mainstream investors with a fixed coupon. By 2010, they were joined for the first time by other MDBs such as the IFC and by public entities (governments, agencies, and municipalities) in issuing a total of about US$4 billion worth of climate-focused bonds. This total nearly tripled in 2013, as corporations, energy utilities, and other agencies entered the market, and several issuers drastically increased the issue size (figure 4). This trend continued in 2014, when the green bond market volume rose to over US$37 billion, over half of which was issued by corporations such as Toyota and public entities such as the State of Massachusetts. To date (mid-July 2015), green bond issuances in 2015 have reached about US$23 billion.

# The dataset

# The analysis

# Conclusions

# Bibliography

International Bank for Reconstruction and Development, The World Bank (2015). *What are Green Bonds?*, in The World Bank. Available at: http://documents1.worldbank.org/curated/en/400251468187810398/pdf/99662-REVISED-WB-Green-Bond-Box393208B-PUBLIC.pdf

1. International Bank for Reconstruction and Development, The World Bank (2015) [↑](#footnote-ref-1)