

WHITE PAPER

How Banks Can Use Sustainable Finance to Capture Three Global Supercycles

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Over the past year, shifting national policies and priorities have put sustainability under pressure, driving mixed outcomes across regions, sectors, and technologies.¹ A consequence has been falling issuance across some sustainable debt capital markets.² But don't be fooled into thinking sustainable finance is dead. Looking to 2026 and beyond, we think there will be growing demand for sustainable capital through three capex supercycles: the rise of AI data centers, the energy transition and energy security priorities, and the development of clean and resilient infrastructure beyond energy. (See Exhibit 1). Banks that effectively harness their sustainability capabilities can ride these waves and unlock significant value through the coming decade.

In this article we drill down into the sustainability dynamics shaping bank financing for each of the three supercycles.

EXHIBIT 1

Sustainability Runs Through the Global Capex Supercycles

		CapEx Supercycles		
		 AI Data Centers	 Energy Transition & Security	 Core Infrastructure
Sustainability Dimensions	<i>Non-exhaustive</i>			
	Climate Mitigation	<ul style="list-style-type: none"> Renewable & low-carbon on/off-grid power integration High efficiency cooling & energy optimization 	<ul style="list-style-type: none"> Renewable & low-carbon power generation Grid modernization (inc. storage) 	<ul style="list-style-type: none"> Electric & low-carbon transport and logistics Energy efficient buildings and district cooling networks
	Climate Adaptation	<ul style="list-style-type: none"> Water-efficient & resilient cooling systems Site design for heat & water stress resilience 	<ul style="list-style-type: none"> Hardening of grids & generation assets Distributed and microgrid systems for reliability 	<ul style="list-style-type: none"> Resilient build environments & materials Flood defence and water management infrastructure
	Nature Preservation	<ul style="list-style-type: none"> Water stewardship & watershed management Biodiversity sensitive site development 	<ul style="list-style-type: none"> Nature-based carbon removal Habitat protection near renewables & transmission corridors 	<ul style="list-style-type: none"> Ecosystem restoration in infrastructure corridors Water sensitive urban design
	Circularity	<ul style="list-style-type: none"> Recycling & reuse of IT hardware Closed-loop water systems for cooling 	<ul style="list-style-type: none"> Recycling of critical minerals & batteries Waste-to-energy solutions 	<ul style="list-style-type: none"> Material recovery in construction & demolition Circular procurement for public infrastructure

Note: Non-exhaustive select examples. Core infrastructure refers to non-energy infrastructure such as transport, water, and telecommunications.

1. See Appendix A for overview of decarbonisation forecasts across select technologies.
 2. Recent reduction in sustainable debt capital market issuance primarily experienced in the United States. See Appendix B for further details on sustainable finance market developments.

Powering Growth in AI Data Centers

The leading global hyperscalers alone are expected to invest about \$2.5 trillion of capex between 2025–30, with the majority focused on data centers to meet growing demand from cloud and AI-related services.³ Colocation facilities (‘colo’) and emerging neocloud providers are also a growing source of data center investment. The US remains the epicenter of data center buildout, but growth is rapidly expanding to Europe, Asia, and the Middle East, through regional AI and cloud hubs.

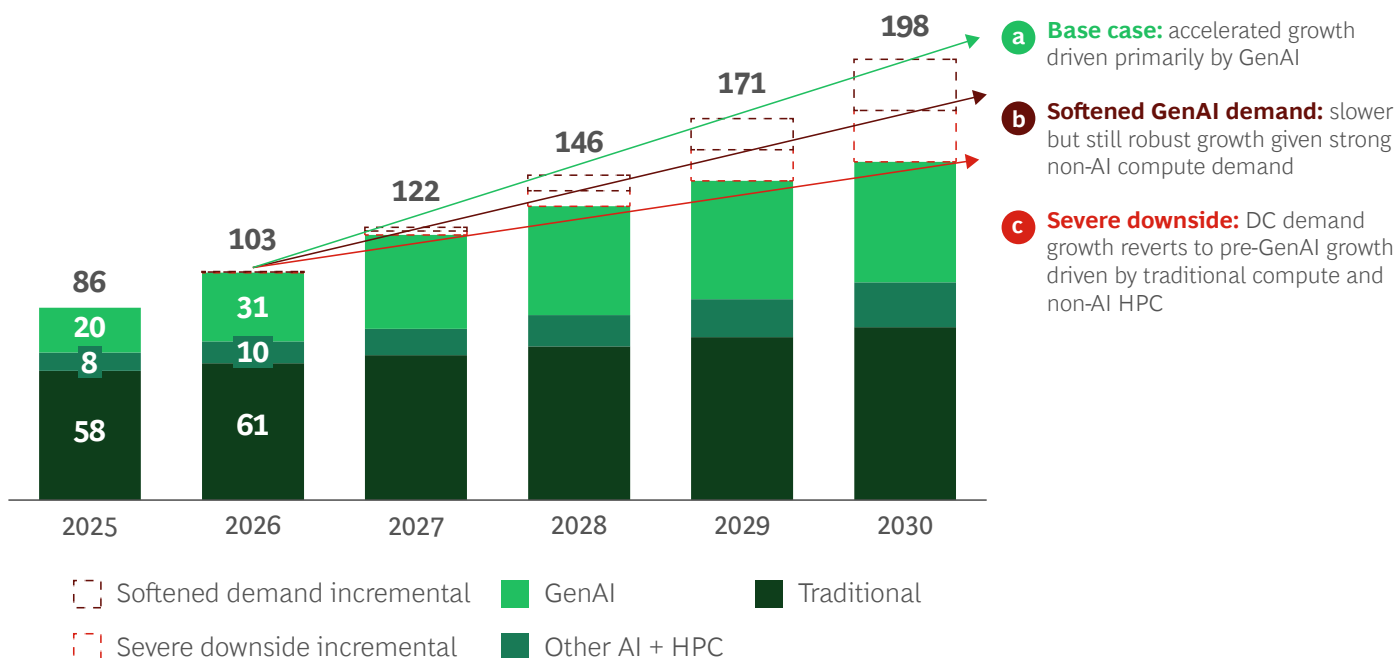
Data center power demand is expected to more than double to about 200GW by 2030 in the base case, driven by rising AI workloads. (See Exhibit 2). Meeting this demand will require a mix of front-of-the-meter (FTM) solutions, such as renewable Power Purchase Agreements and hybrid renewable plus firming models, as well as emerging behind-the-meter (BTM) solutions such as dedicated gas-fired power with carbon capture. Microgrids are also increasingly being deployed to integrate dedicated generation, storage, and advanced controls to deliver stable and resilient power. In addition, energy optimization strategies and resource-efficient cooling technologies are key considerations for improving power and water usage effectiveness.

While non-bank capital has played a key role in financing the largest AI data center deals to date, opportunities for banks are expanding as the sector scales. Promising areas include project finance for large-scale campuses and green or sustainability-linked loans (SLL) for sponsors and developers.⁴ Banks can also play a significant role across the full asset lifecycle, from construction financing to supporting refinancing through capital markets takeouts, while leveraging distribution channels to broaden investor participation and manage risk. (See Box A for a deep dive on bank financing of AI data centers).

EXHIBIT 2

Data Center Power Demand Set to Double by 2030

Total DC power demand¹ (GW)



Sources: BCG market model; BCG analysis.
¹China and crypto growth projection is out-of-scope.

3. CapEx estimate based on BCG analysis building on firm disclosures and analyst reports.
 4. Common KPIs in SLLs for data centers include power use effectiveness and water use effectiveness.

Backing the Energy Transition and Energy Security

Significant investment in power generation and enabling infrastructure will be needed in the coming years as assets reach end-of-life and demand rises from AI data centers, electrification, air conditioning, and population growth. We estimate energy sector corporate capex will reach \$10 trillion over 2024–30, with approximately half in power and utilities.⁵

Energy security in practice means resilient, firm, and stable sources of power, such as renewables supported by dispatchable power or storage, gas-fired power (potentially with carbon capture), and nuclear power. Countries are on individual pathways in these areas, with some focusing on renewable integration while others adopt ‘all of the above’ or twin-track strategies with some coal-fired power investment. Pressure to reduce cross-border dependencies is also driving onshoring of supply chains for critical materials and power system components.

Banks have an opportunity to build on their experience providing sustainable corporate and project finance solutions for renewable and low-carbon generation assets, as well as to expand financing for grid modernization, storage capacity, and supply chains.

Building Clean and Resilient Core Infrastructure

According to the Global Infrastructure Hub, a cumulative \$43 trillion in infrastructure investment is required for the telecommunications, transport, and water sectors between 2026–40, driven by the need to ramp up climate adaptation and resilience, clean transport, and green buildings. That’s about \$8 trillion above the current expected trajectory.⁶

Rising physical climate risks are already driving significant economic losses with an estimated \$242 billion from asset damage and business interruption in 2024 alone.⁷ Across transport, water, and urban systems, investment in resilience and efficiency is required to future-proof. Priority areas include flood defenses, water recycling, and climate-resilient real estate. Financing structures such as resilience bonds, insurance-linked securities, and public-private partnerships can mobilize private capital and transform projects into bankable opportunities. **(See Box B for a deep dive on bank financing of adaptation and resilience.)**

The shift to electric mobility is driving investment in electric vehicle (EV) production, charging networks, and battery supply chains, with EVs reaching a global sales share of over 20% in 2024.⁸ Securing critical materials and giga-scale battery manufacturing capacity will be essential to meet this demand. Indeed, there are sustainable corporate and project financing opportunities for banks across the full EV value chain: upstream and midstream through OEMs, charging infrastructure, and battery supply; downstream through EV auto loans, fleet leasing, and auto loan asset-backed securities.

Significant investment is also required for the development of sustainable buildings, retrofits of existing stock (e.g., insulation and HVAC upgrades), deployment of district cooling networks and heat pumps, installation of energy efficient appliances, smart metering, and energy management systems. Key financing and securitization mechanisms would include sustainable corporate and project financing for developers and REITs, as well as issuance of green residential and commercial mortgage-backed securities.

5. BCG: ‘[The energy transition’s next chapter](#)’, 2025.

6. [Global Infrastructure Outlook](#); excluding energy investment.

7. [EM-DAT Annual Report](#).

8. [IEA Global EV Outlook 2025](#).

Three Priorities to Capture Opportunities

As banking leaders pivot toward the three capex supercycles, their immediate priority must be to ensure they have the tools and capabilities to tap into the opportunities. Leading institutions are focusing on three key measures:

- 1. Developing supercycle playbooks underpinned by cross-disciplinary and pan-organizational taskforces.** By bringing together energy and infrastructure bankers, alongside sustainability and project finance risk specialists, banks can engage clients more effectively on tailored financing solutions. Banks can also target clients for these emerging opportunities by leveraging the rich data sets they have built on client transition and adaptation plans.
- 2. Acting as a structuring partner and developing full asset lifecycle financing plans.** Leading banks are planning solutions across the project lifecycle from construction and operation to farm-down, capital markets takeout, and refinancing. Banks with sophisticated securitization capabilities and distribution channels have the balance sheet flexibility to capture market share on big ticket deals and maintain client relationships while controlling risk.
- 3. Investing in partnerships with long-term capital providers including institutional investors and concessional players such as sovereign investors and development banks.** Many of the largest deals in emerging markets will benefit from cofinancing opportunities or public-private partnerships, with government-backed sponsors and wrappers to derisk projects.

While the sustainability landscape is changing, sustainable finance remains a key tool which can help power some of the biggest investment waves over the coming decade. Banks that leverage their sustainability capabilities to sharpen their supercycle strategies, act as structuring partners over asset lifecycles, and team up with long-term capital providers, will be the ones to capture the best opportunities and shape the future of how AI data centers, energy, and infrastructure get financed.

Box A: Bank Financing of AI Data Centers

The speed and scale of AI data center expansion is outpacing the normal parameters of balance sheet and real estate financing. Ticket sizes now frequently exceed \$1 billion, and in many cases non-bank capital, such as private credit, provide more than 50% of funding. However, private credit in many cases can be more of a partner to banks and play a complementary role rather than be a direct competitor. For example, banks typically take the construction phase risk and can provide back-leverage to private credit funds financing the HoldCo or mezzanine debt.

Key financing structures for banks include:

- **Project finance for large power-linked campuses:** When AI or hyperscale campus projects are pre-leased, de-risked and sponsor-proven, banks are underwriting loans using project finance-type structures. They increasingly combine on-site generation, grid interconnection, and storage in a single SPV.
- **Green and sustainability-linked corporate loans:** Where sponsors retain balance-sheet exposures, they are increasingly turning to green loans or sustainability-linked loans structured around efficiency or renewable energy share metric

Case Study: Green construction loan for Vantage Data Centers

In June 2025, Vantage Data Centers **announced** under its green financing framework a \$2.25 billion construction loan for its 192MW Ohio; the campus has three pre-leased hyperscale data centers. MUFG and Société Générale led the financing of the construction loan.

- **Capital markets take outs:** Mature portfolios are increasingly refinanced through capital markets and ABS securitizations, particularly in the US.
- **Blended finance and partnership models:** In emerging markets, banks are often co-financing with DFIs, sovereign funds, and private credit, to de-risk greenfield projects and close power supply gaps.

As financing for data centers grows, a key risk management consideration for banks is managing (indirect) concentration exposures to hyperscalers through hedging or distribution. We have seen a wide range of approaches, including securitization, sell-downs, syndication, credit insurance, synthetic risk transfer, and market-based hedges.

From a sustainability perspective, banks' biggest opportunities sit in power supply, whether that be delivered FTM or BTM. Most power is sourced FTM today through renewable PPAs backed by 24/7 CFE⁹ commitments or hybrid renewable plus firming models. Over time, greater BTM generation capacity may be required to cater to constrained grids. Given uptime requirements, data centers may prefer dedicated firm power solutions such as gas-fired power or nuclear power. This could provoke sustainability risk appetite considerations for banks. However, emerging BTM opportunities also include low- or zero-carbon technologies such as gas-fired power with carbon capture or renewables with storage.

Case Study: Google offtake from gas-fired power with CCS

In October 2025, Google **announced** a corporate offtake agreement to power its data centers using a 400MW gas-fired power plant with carbon capture & sequestration (CCS) being developed by Low Carbon Infra and Broadwing Energy.

To win mandates, banks should consider:

1. **Creating a data center taskforce** which brings together infrastructure, real estate, and technology financing capabilities across the data center value chain.
2. **Acting as a structuring partner rather than a pure lender, bringing full asset lifecycle financing perspectives** over syndication strategy, securitization pathways, distribution channels, and balance sheet flexibility into early discussions.
3. **Expanding regional market specialization and local due diligence capacity**, especially in the Middle East and South-East Asia, where strong local presence and regulatory familiarity are prioritized.
4. **Prioritizing speed and certainty over headline cost.** Sponsors now value timeline reliability, especially speed-to-power, more than marginal basis point pricing differences.
5. **Actively monitor and manage (indirect) concentration risk to hyperscalers.**
6. **Exploring selective participation in BTM projects** using low-carbon systems, while maintaining credibility on decarbonization goals.
9. Carbon-Free Energy (CFE) matching requires every hour of energy consumption is matched by carbon-free electricity generation locally and in real time.

Box B: Bank Financing of Adaptation and Resilience

Businesses and governments are increasingly preparing to adapt to rapid climate change driving growing physical risks. While readiness has improved across countries on average, there are still significant adaptation and resilience gaps in specific regions and sectors.¹⁰

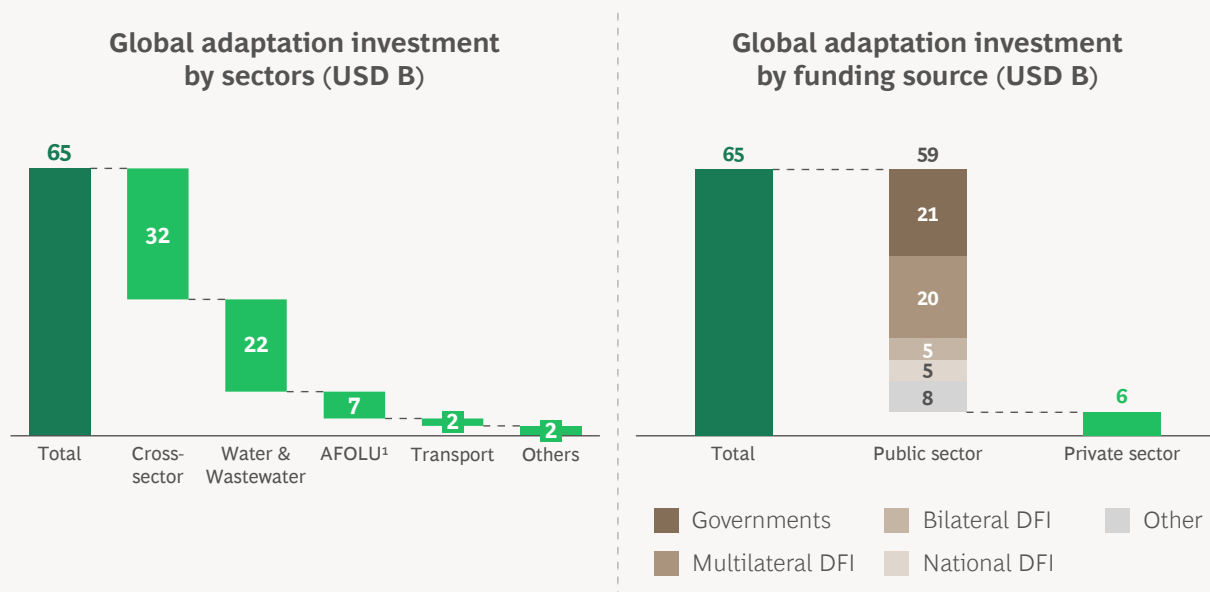
The costs of climate-related damage reached \$242 billion in 2024.¹¹ Looking ahead to 2030, insurance premiums for physical risks are expected to increase by 50% by 2030 to \$200–250 billion.¹² If climate change continues its current trajectory, the most exposed sectors could see hits of 15–25% of EBITDA from asset damage and business interruption.¹³

Climate finance today is dominated by mitigation while there are limited flows into adaptation.¹⁴ The UN estimates that developing countries already face an adaptation financing gap of \$310–365 billion or more per year by 2035 and this will grow further.¹⁵

Unlike mitigation finance, where private flows now exceed public flows, only a small proportion of adaptation finance emanates from the private sector, with water and wastewater solutions as the largest single investment area. (See Exhibit 3). However, this masks the true level of private sector spend, as it does not fully account for corporate self-funded investment. That said, over time, as physical risks increase, corporates will need to tap into external finance solutions.

EXHIBIT 3

Adaptation Investment is Dominated by Public Sector Entities



Sources: CPI Global Landscape of Climate Finance 2025, data as of 2023.

Note: Private sector investment is likely an underestimate due to difficulties tracking. Public sector includes 0.86bn of unknown public or private source under other.

¹Agriculture, Forestry, Other Land Uses.

10. **Notre Dame Global Adaptation Initiative Index** (ND-GAIN) finds that from 2010 to 2023 the average readiness score of countries has improved by 12%, with developing countries seeing the largest gains.

11. **EM-DAT Annual Report**, 2024.

12. BCG & Howden Group: **'Value Creation in Reinsurance: Boring is Beautiful'**, 2024.

13. BCG & WEF: **'The Cost of Inaction: A CEO Guide to Navigating Climate Risk'**, 2024.

14. **CPI Global Landscape of Climate Finance 2025**.

15. **UN Adaptation Gap Report 2025**.

Banks should consider the following actions to finance adaptation and resilience:

1. **Assess physical risk exposures using geospatial data and build benchmarks for resilience measures mapped to assets.** Share these insights with client contacts beyond the corporate treasury team.
2. **Gather information on client insurance arrangements to develop tailored adaptation finance solutions.** Opportunities could include linking loan terms to verified resilience improvements or combining credit with parametric insurance.
3. **Support clients in navigating the complex climate fund and blended finance ecosystem.** Map key players in the ecosystem and build long-lasting financing partnerships with them that clients can readily tap into.
4. **Explore “stacked-value” dual-benefit solutions that deliver both resilience and other benefits such as mitigation, nature preservation, and community development.**¹⁶ These projects can create investable economics through monetizable co-benefits, attracting wider pools of capital. Indeed, dual-benefit financing has tripled in the past five years and nearly matched adaptation-only flows in 2023.¹⁷
5. **Participate in national or regional platforms that bundle National Adaptation Plan (NAP) projects and coordinate blended and private capital.** Banks can invest directly in the platform’s project pool or co-lend alongside DFIs and public anchors, gaining access to pre-vetted, de-risked pipelines and will incur lower transaction costs.¹⁸

16. Examples of dual benefit deals include flood-protection mangrove restoration and “sponge-city” drainage upgrades.

17. **CPI Global Landscape of Climate Finance 2025** identifies \$58bn in dual-benefit finance as of end 2023.

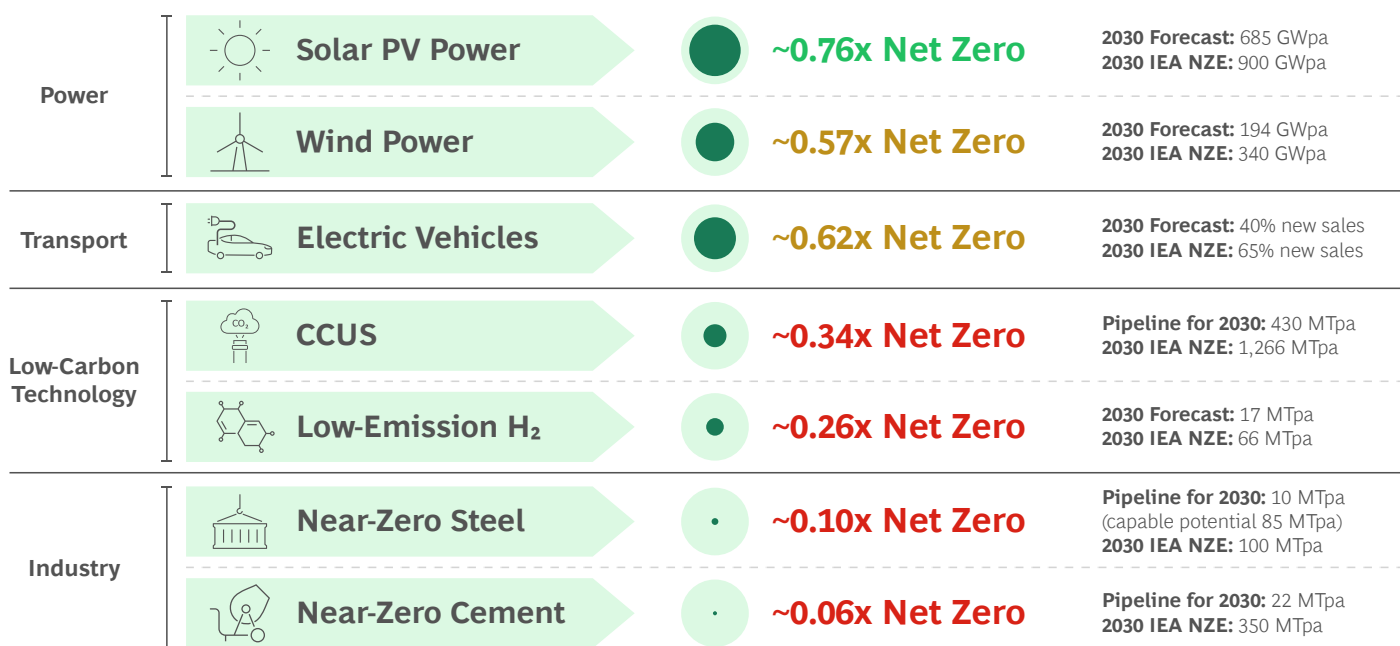
18. See global initiatives such as the **UNDP Adaptation Acceleration Hub** and regional initiatives such as **ADB Climate Adaptation Investment Planning** program in Asia.

Appendix A – Mixed Progress on Decarbonization in the Real Economy

The current pace of decarbonization means the world is heading for 2.6°C+.¹⁹ But progress is uneven across technologies. Solar PV power capacity is near a growth trajectory aligned the IEA’s net zero by 2050 pathway, but most other technologies are off-track, with low-carbon solutions and heavy industry decarbonization falling well behind. Annual climate finance flows would need to average about three times current levels over the 2024–30 period to align with a net zero by 2050 and 1.5°C outcome.²⁰ (See Exhibit A1).

EXHIBIT A1

Solar PV Power Almost on Track for a 1.5°C Aligned Pathway; Other Key Technologies Making Slower Progress



Note: Hydrogen forecast based on pipeline of ‘moderate potential’ or above; Solar PV and Wind Power figures are approximations of annual capacity additions. **2030 Forecast:** IEA Renewables 2025 (Solar PV), GWEC Global Wind Report 2025 (Wind), IEA Global EV Outlook 2025 (EVs), IEA Breakthrough Agenda Report 2023 (Cement), IEA Breakthrough Agenda Report 2024 (Steel), IEA CCUS Projects Database (CCUS), IEA Global Hydrogen Review 2025 (Hydrogen). **2030 IEA NZE:** IEA WEO 2024 (Solar PV, Wind, Hydrogen, CCUS), IEA Breakthrough Agenda Report 2023 (Cement), IEA Breakthrough Agenda Report 2024 (Steel), IEA Global EV Outlook 2025 (EVs).

19. Climate Action Tracker Thermometer ‘Policies & Action’ scenario, November 2025.

20. CPI Global Landscape of Climate Finance 2025.

- **Power (Renewables):** Renewables now supply over 30% of global power, with the solar PV pipeline nearly on track for a 2050 net zero pathway, while wind (especially offshore) lags.²¹ China accounted for around 62% of renewable capacity installations in 2024.²² The US and Europe are expanding renewable power but face grid and permitting bottlenecks, and in the US case, policy changes. The Middle East is scaling under national programs to support an expected 50% rise in power demand by 2035.²³ Rising power demand, falling costs and strong policy support are sustaining growth, but insufficient grid modernization and supply chain constraints are resulting in interconnection queues and curtailment across many markets.
- **Transport (Electric Vehicles):** Electric Vehicles (EV) now exceed 20% of new car sales (displacing ~1.3 mb/d of oil) and are on track for 40% by 2030, short of the 65% needed for the IEA's net zero by 2050 pathway.²⁴ Uptake faces challenges from high upfront costs (although total cost of ownership is falling in many markets), gaps in charging networks, grid pressures, and in some cases subsidy rollbacks. China accounts for 60% of global sales and growth in Europe remains relatively strong, but US sales growth has fallen on the back of reduced incentives.²⁵ Emerging markets are seeing a mixed performance due to financing and infrastructure challenges. Plug-in hybrids are gaining traction, especially for SUVs, due to range anxiety and limitations in fast-charging rollout for battery EVs in some markets.
- **Low-Carbon Technologies (CCUS and Hydrogen):** The global CCUS pipeline meets only one-third and low-carbon hydrogen just one-quarter of what is needed to be on track for net zero by 2050. The US and Europe are advancing major hubs while the Middle East and Australia are developing projects aimed at serving export markets. Elsewhere, deployment is limited by high energy costs, limited offtake, and infrastructure gaps. Policy incentives and industrial demand are driving growth but long permitting times and funding shortfalls persist.
- **Industry:** Heavy industry decarbonization remains uneven. Steel is progressing through hydrogen and electric-arc pilots in Europe and Japan, but the pipeline for near-zero steel is only 10% of what is needed for net zero by 2050. Similarly, cement is progressing through increased efficiency, CCUS, and low-carbon feedstocks, but the pipeline is just 6% of what is needed to be on track for net zero by 2050. Regional enablers such as the EU's CBAM, China's carbon market, and Germany's €6 billion transition fund are supporting early movers, but long asset lives, high costs, and limited clean energy access are creating headwinds in some markets.

21. IEA Renewables 2025.

22. IRENA Renewable Capacity Statistics 2025.

23. IEA 'The Future of Electricity in the Middle East and North Africa' report.

24. IEA Global EV Outlook 2025; IEA STEPS scenario.

25. IEA Global EV Outlook 2025.

Appendix B – Sustainable Finance in Motion

Sustainable debt capital markets through labelled instruments grew rapidly from the mid-2010's through 2021. But over recent years, global issuance has hovered around \$1 trillion annually, primarily comprising green bonds. (See Exhibit B1). The slowdown reflects the combination of a weaker credit environment and higher interest rates post-COVID, as well as more scrutiny over greenwashing, and political and regulatory uncertainty on some sustainable activities.

For some issuers, the narrowing of greeniums²⁶ has challenged the business case for sustainable financing. Indeed, the premium that once rewarded labelled issuance has largely evaporated, while the additional costs of verification, disclosure and external assurance remain in place. In addition, some corporate leaders note limited investor appetite for refinancing existing green assets.

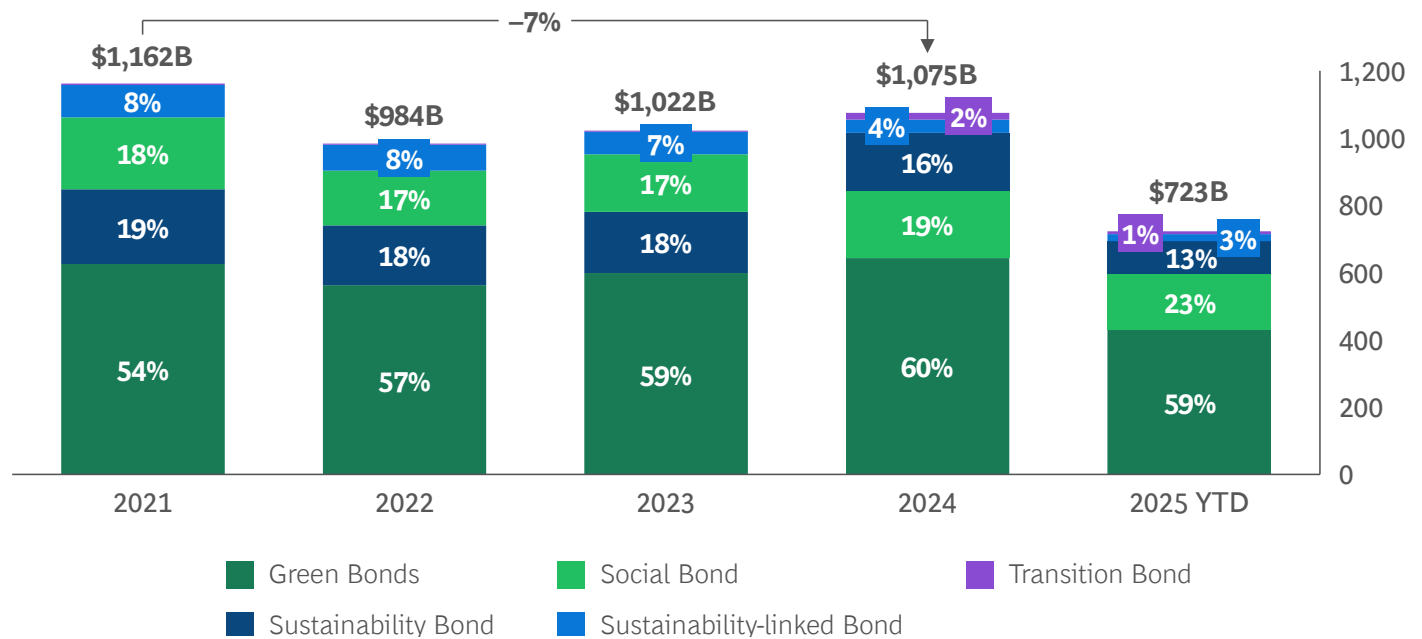
“Investors want to have new projects in a green financing deal, but they do not want to refinance existing green assets. This can cause a mismatch for companies like ours, which have green assets with life spans of 35 years+ and financing of only 5–10 years. We may need to refinance an asset three or four times over its life and green channels may not be as available to us.”

— Head of Finance at a European Energy company²⁷

EXHIBIT B1

Labelled Bond Issuance has Fallen Since its 2021 Peak

Global labelled bond issuances (USD B)



Source: Environmental Finance data on public website as of 18 November 2025.

26. Copenhagen Business School – ‘No More Greenium: What the Vanishing Green Bond Premium Means for Sustainable Finance’, July 2025.

27. BCG interview.

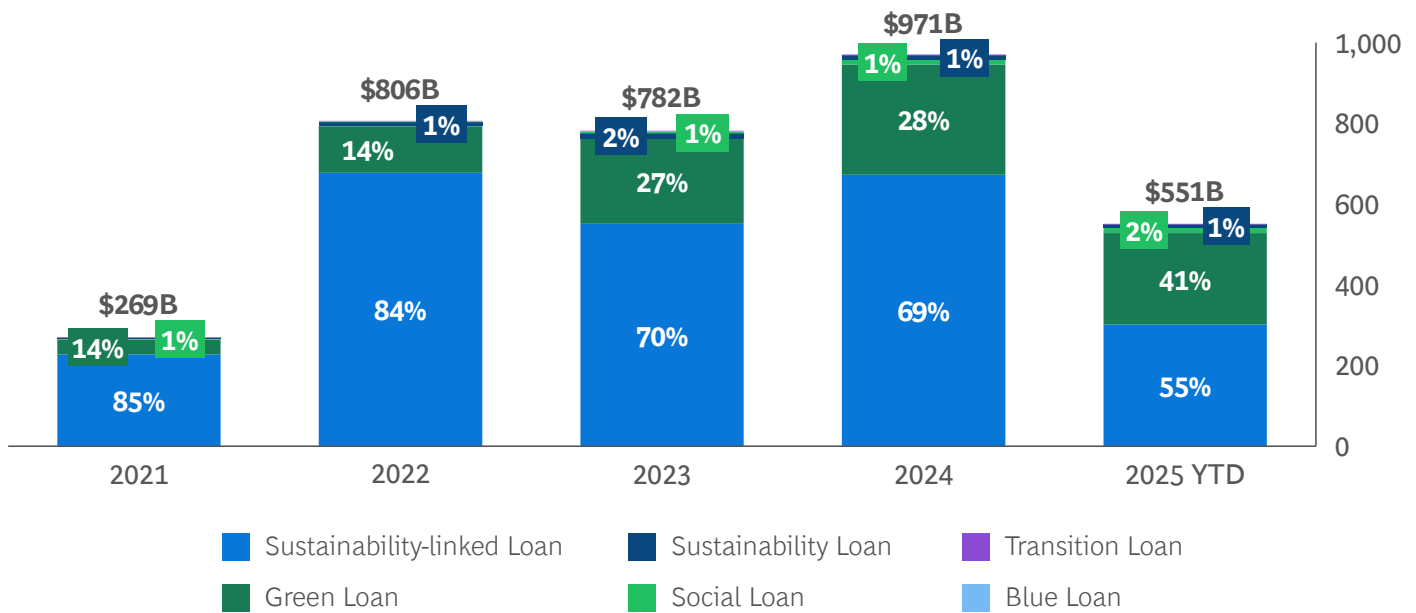
Most sustainable labelled loans are in sustainability-linked format, with the interest rate tied to KPIs, giving the borrower flexibility over use of proceeds and creating transition incentives. Many large corporates have chosen to add sustainability-linked loan (SLL) features to their syndicated revolving credit facilities. In prior years, weak KPIs from carbon-intensive borrowers led to greenwashing scrutiny in the SLL market and a pullback. Still, the UK FCA has since noted an improvement in market standards.²⁸ SLL volumes are lower than at their peak but there is now greater confidence in market integrity among investors and regulators. (See Exhibit B2). Some banks have begun to take advantage by bundling SLL's into bonds (sustainability-linked loan bonds), although this remains a niche market.

Appetite for sustainable finance is split between borrowers that take a flexible approach and those that have specific targets for sustainable finance.^{29,30} This, at least, provides some security of pipeline for investors and arrangers. But over the past year, due to shifting market conditions and evolving policy environments, some markets such as the US have seen a pullback in labelled issuance, as a result of some redirected capital and 'greenhushing' behavior. Other regions, particularly Europe, China and the Middle East, have remained more resilient, and have seen selective growth.

EXHIBIT B2

Sustainability-Linked Loans Recovered in 2024, but the Outlook is Uncertain

Global labelled loan issuances (USD B)



Source: Environmental Finance data on public website as of 18 November 2025.
Note: Syndicated & club loans only.

28. UK Financial Conduct Authority: 'Sustainability-linked loans market: 2 years on', 2025.
 29. Association of Corporate Treasurers **Business of Treasury 2024 report** finds in 2024 approximately half of corporate borrowers reported some level of sustainable finance and half did not.
 30. For example, **Volkswagen** aims to have 30% of its outstanding bonds as sustainable by 2030 and Enel is targeting 75% of total gross debt from sustainable sources by 2027.

Innovation has also broadened the range of sustainable finance instruments across both loans and capital markets:

- **Transition finance** label for financing transition activities has seen select issuance in certain markets. Japan has been a major issuer through its sovereign GX program, backed by national sector transition pathways. However, corporate and sovereign use of the label outside Japan has been limited. The Loan Market Association recently published a guide to transition loans, which may encourage further use.³¹
- **Adaptation and Resilience finance** is early stage with growing uptake, led by multilateral development banks, development finance institutions (DFI), and sovereigns. Private sector borrowing only makes up a fraction of reported adaptation finance, but this is likely an underestimate due to hidden self-funded expenditure. (See Box B). There is also record issuance of insurance-linked securities such as catastrophe bonds.³²
- **Nature finance** is also attracting increasing attention. Nature is usually financed through green loans or SLLs rather than as a standalone label, with key users being DFIs, sovereigns, and corporates in land-intensive sectors. Examples of leading transactions include Uruguay's sovereign sustainability-linked bond, linking pricing to emissions intensity and native forest protection, as well as Ecuador's Galápagos "blue bond" debt-for-nature swap.
- **Islamic sustainable finance** across the Middle East and Asia has seen significant growth through green and sustainable sukuk structures. While historically this was driven by Indonesia and Malaysia sovereign issuances, record levels of sustainable sukuk issuance in the first half of 2025 was led by large corporates and financial institutions in the Middle East.
- **Circularity finance** supporting the reuse and repair of goods and resources has been a niche area for banks to date. Looking ahead, banks could explore pilot deals through corporate, project, and leasing finance solutions in the auto, industrial goods, and IT sectors, where there is high material intensity and short replacement cycles. The upcoming EU Digital Product Passport under the Ecodesign for Sustainable Products Regulation provides detailed digital information about a product's lifecycle, which could be a further enabler.
- **Sustainable trade finance** is a growing product that is beginning to see pilot deals aligned with the ICC Principles for Sustainable Trade and Trade Finance.³³ A recent ICC aligned transaction was a \$300M syndicated bank guarantee from Standard Chartered to Envision Group for wind power equipment exports, supported by Second-Party Opinion.³⁴

While these innovative approaches are increasingly common, most sustainable finance today continues to flow to well-established categories; renewable energy, energy-efficient buildings, clean transport, and water infrastructure. These core sectors benefit from large capex commitments (roughly one-third of global project finance is for renewables), clear taxonomies, investor familiarity, and established reporting frameworks.

As well as strong market standards, the global regulatory landscape for sustainable finance is evolving toward greater transparency, consistency, and credibility. Key focus areas include tackling greenwashing through regulatory guidance, advancing transition and adaptation finance in taxonomies, mandating disclosure in line with IFRS ISSB, and the EU drive to simplify frameworks.³⁵

31. LMA [Guide to Transition Loans](#), 2025.

32. A record \$18.4 billion of catastrophe bonds were issued by 28 August 2025 year-to-date according to Moody's Ratings [Reinsurance Global report](#), 2025.

33. [ICC Principles for Sustainable Trade and Trade Finance](#).

34. Standard Chartered [Press Release](#), 2025.

35. IJGlobal.

As well as strong market standards, the global regulatory landscape for sustainable finance is evolving toward greater transparency, consistency, and credibility. Key focus areas include tackling greenwashing through regulatory guidance, advancing transition and adaptation finance in taxonomies, mandating disclosure in line with IFRS ISSB, and the EU drive to simplify frameworks.

The year 2025 marks an inflection point, with an estimated record \$553 billion of sustainable bonds maturing.³⁶ Many maturing securities were issued when rates were materially lower, creating a refinancing wall. At the same time, many KPIs underpinning SLLs are reaching their target dates and will need to be reset. Corporate treasurer surveys indicate sustainability is slipping down the funding agenda, suggesting that not all maturing labelled debt will be refinanced as sustainable. Issuer responses will determine whether the next phase of the labelled market is one of consolidation.

Despite uncertainty, sustainable finance still brings strategic value to banks. Labelled bonds represent a significant fee pool and sustainable deals support league table credits. In addition, they present an opportunity to cross-sell and serve client relationships.³⁷ Activity is also diversifying regionally, with increasing issuance in emerging markets presenting new growth opportunities.

SLLs and other sustainable lending structures can require additional effort, reflecting the bespoke KPIs underpinning most deals. Banks taking the lead on deals can earn coordinator fees on SLLs, although these typically insufficient to offset compliance and structuring burdens, leading to low or negative margins absent ancillary revenue. Supporting clients with sustainable lending can therefore be a loss leader. Client sustainability impact and relationship considerations therefore tend to be drivers of activity.

To maximize value from sustainable finance, banks should consider:

- 1. Reducing costs and improving efficiency by streamlining SLL workflows.** This may comprise automating KPI tracking, verification, approvals, and annual compliance steps. Banks should also develop pre-approved sector specific KPI libraries to reduce structuring work and set up template term sheets to fast-track execution and reduce legal hours.
- 2. Expanding financing of transition activities by reassessing target market risk acceptance criteria and overall risk appetite.** This should include assessment of thresholds and use cases by region, e.g., emerging market coal-to-gas switching and LNG infrastructure, using credible up-to-date scenarios and external taxonomies as anchors for assessment.
- 3. Using derisking tools for sustainable lending, which can help institutions maintain client relationships while releasing capital and reducing risk.** Banks can source deals with guarantees and first-loss capital through blended finance and public-private partnerships. Synthetic Risk Transfers (SRT) can also be used to recycle capital tied up in existing sustainable loan portfolios. We estimate banks have executed at least \$4.4 billion of SRTs that include coverage of sustainability-related assets with private credit funds since 2024.³⁸

36. Bloomberg Sustainability Insights, May 2025.

37. Bloomberg estimates \$3.5B fees from green-related loans and bonds as of 24 October 2025 year-to-date.

38. BCG estimate based on publicly disclosed deals and partnerships with SRTs, for example NatWest **SRT transaction** on sustainable loan portfolio. Other sustainability related SRTs have also been executed with development banks (e.g. World Bank IFC).

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