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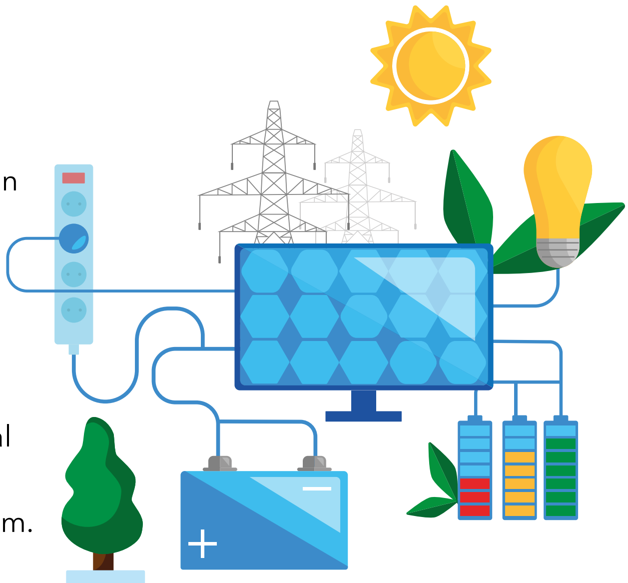
SHURA AGENDA

Climate Bonds

The growing financing needs of green transition investments are bringing new financing instruments beyond bank loans and standard bond issuances to the agenda. In Türkiye, climate-related bond issuances began with the financial sector in 2016, followed by the non-financial private sector and the public sector. Most recently, the Ministry of Treasury and Finance announced plans for a second green bond issuance in 2025, following its inaugural USD 2.5 billion issuance in 2023.

The 6th issue of SHURA AGENDA explores the development of climate-related bonds and Türkiye's potential in this field.

Diversification of financing instruments is essential

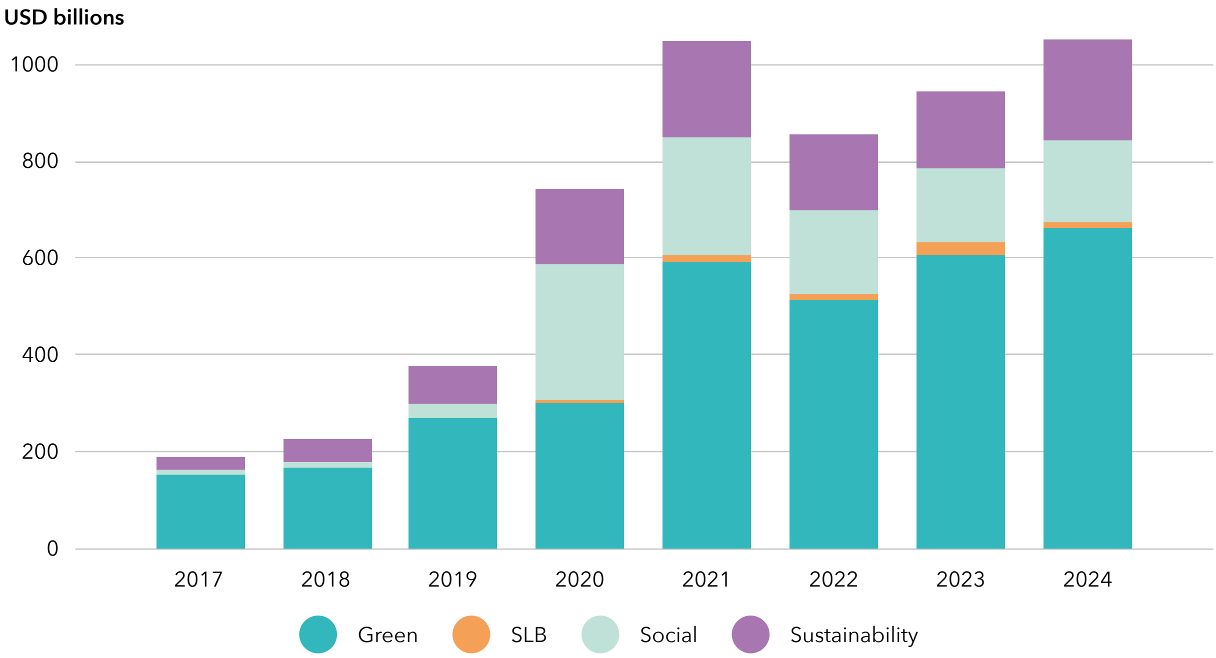


Türkiye's 2053 net zero target, the European Union's Carbon Border Adjustment Mechanism (CBAM) currently in effect and expected to expand in scope, and rising sustainability standards throughout supply chains in international trade for various products and services all point to an annual investment need exceeding USD 15 billion just for the transition of the electricity system. It is frequently emphasized that bank loans alone will not suffice to meet the resulting financing need, especially when investments required in industry and other end-user sectors are also taken into account. Therefore, there is a pressing need to diversify financing instruments.

Growth continues in the global climate-related bond market

Climate-related bonds are playing an increasingly prominent role in financing investments to combat climate change and are growing rapidly. They consist of **green bonds, sustainability bonds, social bonds, sustainability-linked bonds,** and **transition bonds.** By the end of 2024, the total global market size of climate-related bonds reached USD 5.7 trillion, of which 61% are green bonds. Since 2021, when the annual issuance of climate-related bonds was at a peak, the market has doubled in size and its share as a proportion of the total global bond market increased from 2.8% to 4%.

Aligned GSS+ issuance increased to USD 1.05 trillion in 2024



Source: Climate Bonds Initiative

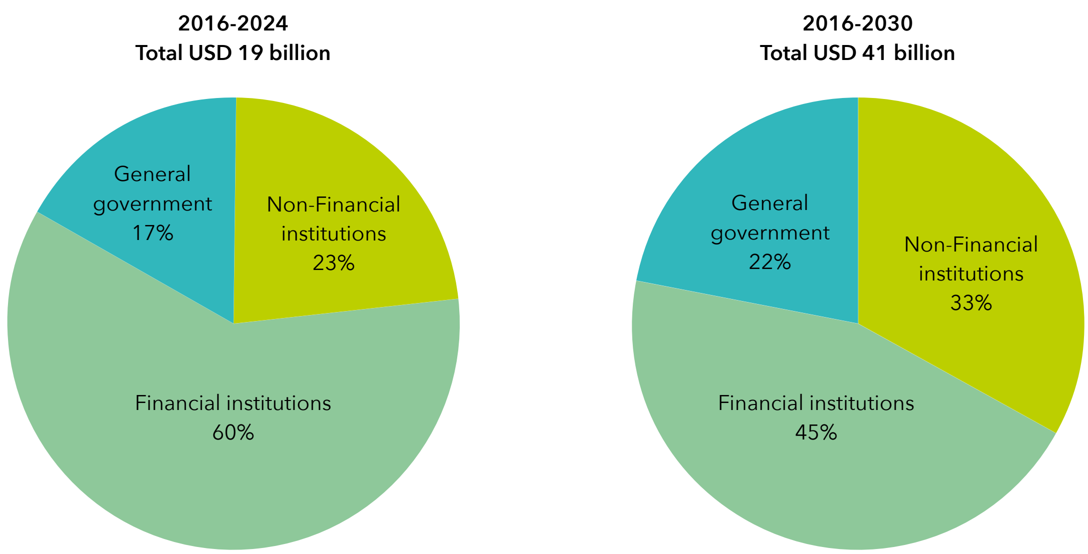
In 2024, annual climate-related bond issuances reached USD 1.05 trillion, nearing the peak levels seen in 2021. In 2025, despite challenges such as the U.S.'s withdrawal from the Paris Agreement, reduced support for the green transition, and uncertainties in global trade and financial markets, annual green bond issuances are expected to remain close to 2024 levels, driven primarily by growth in China. As of mid-2025, the global green bond market is estimated to have reached approximately USD 6 trillion.

Türkiye has a high potential

Türkiye accounts for approximately 0.3% of the global climate-related bond market—a relatively modest share given the size of its economy. Since the country's first green bond issuance in 2016, the total volume of climate-related bonds reached around USD 19 billion by the end of 2024, with an estimated 60–65% of these issuances occurring between 2022 and 2024. SHURA's 2022 report, Türkiye's Green Bond Potential from the Perspective of Energy Transition, estimated that Türkiye could issue an average of USD 1.8 billion in climate-related bonds annually between 2022 and 2030, based on public and private investment and borrowing trends. However, actual issuances over the past three years have exceeded this estimate by nearly twice this figure, signaling a stronger-than-anticipated growth in the market.

Between 2016 and 2024, financial institutions (banks) stood out in Türkiye's climate bond market with a 60% share in issuances. During the same period, the real sector (non-financial private institutions) accounted for 23%, while non-bank public sector institutions (general government) held a 17% share. Looking ahead, the share of issuances by non-financial public institutions and the real sector is expected to grow. The first green bond issuances in the non-financial public sector were made in 2023: USD 2.5 billion by the Turkish Ministry of Treasury and Finance and USD 715 million by the Istanbul Metropolitan Municipality. In 2025, the Ministry of Treasury and Finance announced that preparations are underway for a second green bond issuance. Meanwhile, in the real sector, green and other climate-related bonds are anticipated to play an increasingly important role in financing green transformation investments across energy, industry, and services. By 2030, driven by this growing momentum—particularly from the public and real sectors—Türkiye's total climate-related bond market potential is projected to exceed USD 40 billion.

Development of Türkiye's climate-related bond market and 2030 potential



Source: CBRT; SHURA estimates

Green bonds are resilient to market fluctuations

Climate-related bonds involve a more complex procedure compared to standard bonds in terms of the use of proceeds and the compliance standards required from issuers. However, these bonds typically get several times higher demand than the amount issued, as they enhance the quality of investors' portfolios, and their average returns can be higher than those of standard bonds. Furthermore, the continued growth of climate-related bonds despite fluctuations in international bond markets is seen as an additional advantage.

Expectations and observations:

- Despite global economic conditions slowing the green transition, interest in climate-related financial instruments is expected to remain strong.
- Globally and in Türkiye, bank loans are increasingly aligning with emerging taxonomy frameworks toward climate-compatible sectors. At the same time, the development of alternative green financial instruments—such as green bonds and green equity financing—is projected to accelerate.
- As the necessity to align all investments with climate goals grows over the next decade, instruments like green bonds are expected to become mainstream, and their currently above-average returns are anticipated to decline. Therefore, early adoption of such instruments is likely to offer a return advantage.
- In Türkiye, supporting green bond issuances by the real sector, where demand for green transition-related investment and financing is rising, presents a significant opportunity to expand access to international institutional investment funds.