



Exploring Green Bond Premium: What Makes Green Bonds Different from Conventional Bonds

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3.00 pm to 4.30pm
ESI Conference Room
29 Heng Mui Keng Terrace
Block A, #10-01, Singapore 119620**

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Synopsis

The green bonds market has grown rapidly over the past decade, especially following the introduction of the Green Bond Principles (GBP). Nevertheless, the green bond market is still small compared to the conventional bond market. While the lack of universally accepted standards and regulations for green bonds has constrained the market expansion, sizable extra demand has been created by ethic investors with green mandate. This leads to a different pricing mechanism of green bonds. This paper explores factors that contribute to green bond pricing. After matching green bonds with their closely related conventional bonds, this paper finds that after controlling for illiquidity in the green bond market, larger issue size and financial sector issuers tend to enjoy lower green bond premium compared to conventional bonds. The existence of ethical investors forms extra demands for green bonds which foster the yield discounts of green bonds and may further development of the green bond market. The findings of this paper help identify possible solutions to further develop green bond market.

About the Speakers



Dr. Donghyun PARK is currently Principal Economist at the Economic Research and Regional Cooperation Department (ERCD) of the Asian Development Bank (ADB), which he joined in April 2007. Prior to joining ADB, he was a tenured Associate Professor of Economics at Nanyang Technological University in Singapore. Dr. Park has a Ph.D. in economics from UCLA, and his main research fields are international finance, international trade, and development economics. His research, which has been published extensively in journals and books, revolves around policy-oriented topics relevant for Asia's long-term development, including middle-income trap, service sector development, and financial sector development. Dr. Park plays a leading role in the production of Asian Development Outlook, ADB's biannual flagship publication on macroeconomic issues, and leads the team that produces Asia Bond Monitor, ADB's quarterly flagship report on emerging Asian bond markets.



Dr. Shu TIAN is an Economist at the Economic Research and Regional Cooperation Department (ERCD) of the Asian Development Bank (ADB). Prior to joining ADB, she was an Associate Professor of Finance at Fudan University in China. Her main research interests include financial services and institution, investments, and empirical asset pricing. Her research has been published in academic journals on topics relating to financial asset pricing, portfolio allocation and financial market development. Dr. Tian works in the teams that produce Asian Development Outlook and Asia Bond Monitor. Her team also maintains AsianBondsOnline (<https://asianbondsonline.adb.org/>), an online bond market data portal for ASEAN+3 bond markets.