The Canadian Sustainable Bond Market Report: Third Edition

2025: Issuance Slows, Public Borrowers
Continue to Lead by Value

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EXECUTIVE SUMMARY

This report is the third edition in a series examining the evolution of Canada's green, social, sustainability, and sustainability-linked (GSS+) bond market, also known as the sustainable bond market. Earlier editions covered 2014 to 2023 and then 2024. This edition provides an updated analysis of market developments in 2025 and, for the first time, draws on insights from practitioners active in the market, including sustainable fixed income investors, debt capital markets advisors, and underwriters.

Canada's sustainable bond market softened in 2025 after its record rebound in 2024. Total issuance reached US$17.47 billion across 36 deals, down roughly 30% year over year, and Canada's share of global issuance slipped even as the global market held broadly steady. Green bonds again dominated, at about 86% of the total. No sustainability-linked bonds came to market, and Canada has yet to see a clearly labelled transition bond, although Budget 2025 signalled the government's intention to explore a sovereign framework covering both green and transition bonds.

Issuance stayed concentrated among a narrow group of borrowers: the year's 36 deals were completed by just 21 issuers, and only one debut issuer entered the market. Public-sector borrowers, led by regional governments and the Government of Canada, accounted for a large share of the issuance by value. Indigenous-led issuance was the year's notable addition, with two sustainability bonds from the First Nations Finance Authority and the first labelled Indigenous bond from a North American bank.

Proceeds remained heavily weighted toward climate mitigation. Clean energy, clean transportation, and green buildings together absorbed close to 80% of disclosed allocations, while climate adaptation received about 1%, a gap that has persisted across all three editions of this report.

Building on the recommendations set out in the First and Second Editions, and informed by the developments observed in 2025, we set out four priority actions for policymakers and market participants:

1. Sustain momentum in the ongoing development of voluntary climate investing guidelines, or a taxonomy. Labelled bonds are a key use case, and a taxonomy would help issuers and investors identify credible green and transition investments.
2. Build a centralised, publicly accessible GSS+ bond database consolidating issuance information, post-issuance reporting, and alignment with the forthcoming Canadian taxonomy. Developed with input from market participants, it would provide a common reference source for issuers, policymakers, researchers and the general public.
3. Strengthen issuer and investor literacy to broaden participation, particularly among smaller municipalities, Indigenous organisations, and small and mid-sized businesses.
4. Introduce federal subsidies to offset upfront issuance costs for smaller, first-time issuers, drawing on the Japanese and Singaporean precedents.

These measures can help broaden and diversify Canada's issuer base, address existing data and capacity gaps, and support renewed issuance as macroeconomic conditions stabilise.

1. INTRODUCTION

In little more than a decade, the Green, Social, Sustainability and Sustainability-Linked (GSS+) bond market, also known as the sustainable bond market, has grown from a small niche into one of the main channels through which Canada finances its transition to a low-carbon and inclusive economy.[1]

Green, social and sustainability bonds are use-of-proceeds instruments, meaning the capital raised is earmarked exclusively for environmental projects, social projects, or a combination of the two. Transition bonds are likewise use-of-proceeds instruments funding credible emissions-reduction pathways, though Canada has not yet seen a clearly labelled issuance. Sustainability-linked bonds differ: instead of earmarking proceeds, their financial terms are tied to the issuer's achievement of predefined sustainability performance targets, and none were issued by Canadian issuers in 2025.

In 2025, Canadian governments, corporations, and financial institutions continued to tap this market to advance their climate commitments and sustainable development objectives, and policy momentum reinforced that activity. Budget 2025 reaffirmed support for the arm's-length development of made-in-Canada sustainable investment guidelines (a taxonomy) by the end of 2026. This voluntary tool would help investors, lenders, and others credibly identify "green" and "transition" investments.[i] The budget also signalled the government's intention to explore a Sustainable Bond Framework for issuing both green and transition bonds aligned with that taxonomy, with scope to broaden across priority economic sectors as it develops.[ii]

Canada's sustainable bond market remains fast-evolving, and understanding current trends is essential for issuers, investors and policymakers seeking to align capital flows with sustainability goals:

- For Canadian issuers, public and private, the report maps market trends and emerging best practices to guide the development of robust sustainable bond frameworks, from structuring through to reporting.
- For investors, Canadian and international, it offers a snapshot of the 2025 Canadian sustainable bond market, including issuance trends, issuer profiles, allocation of proceeds, and emerging opportunities for portfolio diversification and impact alignment.
- For policymakers, a deeper understanding of sustainable bond dynamics can help inform the design of supportive frameworks, including taxonomy development and disclosure requirements.

This year's report, the third edition of the Canadian Sustainable Bond Market Report series, goes further: for the first time, we bring in practitioner insights drawn directly from the market participants shaping this asset class. These cover demand signals, market gaps and work already underway to close them.

The remainder of this report is structured as follows. Chapter 2 provides a snapshot of the 2025 Canadian sustainable bond market, comparing it with 2024, situating Canada in a global context, and examining demand signals. Chapter 3 examines green bonds, reviewing market trends, issuer profiles, and the frameworks, second-party opinions, and reporting practices. Chapter 4 covers social and sustainability bonds, including a deep dive into Indigenous-led issuance. Chapter 5 breaks down the use of proceeds across eligible project categories, and Chapter 6 concludes with the market outlook and recommendations.

1 For the purposes of this report, the Canadian market comprises bonds issued by Canadian entities, including those issued in offshore markets and foreign currencies.

2. 2025 MARKET SNAPSHOT

2.1 OVERVIEW OF THE 2025 SUSTAINABLE BOND MARKET[2]

TABLE 1.

Overview of the 2025 GSS+ Bond Market Globally and in Canada (US$ billion)

	Global	Canada
Green	653.5 (64%)	15.01 (85.9%)
Social	141.2 (14%)	0.14 (0.8%)
Sustainability	217.3 (21%)	2.32(13.2%)
Sustainability-Linked (SLB)	14.0 (1%)	0(0%)
2025 Total Issuance	1,026.0	17.47
YoY change vs. 2024	-2.6%	-30.3%

Box 1. Practitioner Insights: Supply and Demand in 2025

Interviews conducted for this report with Canadian sustainable fixed income investors, debt capital markets advisors and underwriters describe a market that is resilient in size but narrow in composition.

Investors note that the market is dominated by repeat issuers, and a few large sovereign and provincial transactions drive annual issuance value. Investors estimate roughly one new issuer every one to two years. Government leadership has been instrumental in developing the market, but attracting more non-government issuers (e.g., corporates, financial institutions) is key to broadening and diversifying Canada's sustainable bond market.

On labels, green bonds continue to dominate the investable universe, and investors report ample supply. Social supply is the binding constraint: one investor described having to look beyond the labelled market to community bonds and unlabelled instruments for meaningful social exposure, and sometimes outside Canada for water and agriculture themes.

The number of sustainability bonds issued is expected to rise relative to standalone green and social labels, particularly among new issuances. The sustainability framework allows an issuer to combine green and social projects under a single program and still reach benchmark size. Assembling enough eligible social projects to support a standalone social bond on a regular cycle appears difficult for most issuers, which may partly explain why social issuance has remained limited.

On the demand side, sustainable fixed-income fund managers report growing client demand in recent years. Demand varies by client mandate. Some asset owners invest primarily to meet strategic portfolio allocation targets, while others (e.g., foundations and other mission-driven investors) prioritize impact and net-zero objectives. Regardless of mandate, sustainable fixed income strategies generally favour labelled instruments, and that preference underpins much of the demand.

2 See Appendix: Note on Data and Methodology

Any greenium[3] is negligible in most cases. However, some investors are willing to accept a modest greenium to encourage new issuers to enter the market with their inaugural labelled bond, on the expectation that the premium would fade over time. Labelled transactions are generally well oversubscribed, although practitioners caution against attributing this entirely to the label. Issuer's credit quality, as well as the size and liquidity of the deal, can be equally important to drive the demand.

2.2 2025 VS. 2024

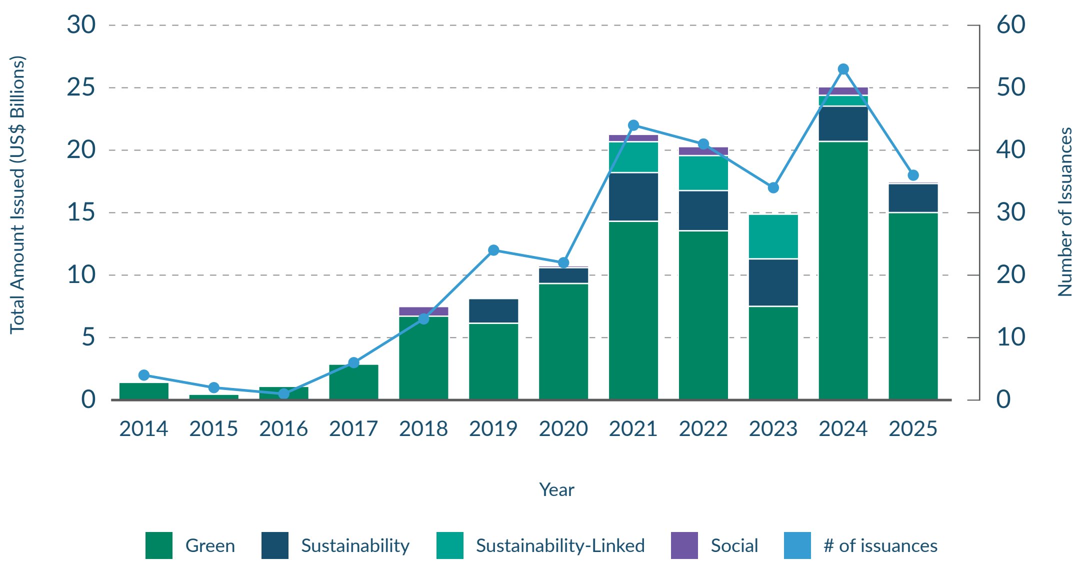
Canada's green, social, sustainability, and sustainability-linked (GSS+) bond market softened in 2025 after a record rebound in 2024 (see Figure 1.). Total issuance reached US$17.47 billion across 36 deals, down around 30% year over year (YoY) in amount and 32% YoY in deal count (see Table 2.). On a cumulative basis, the issuance size of the GSS+ bond market in Canada reached US$131.23 billion across 280 issues over the period covered by the report series.

Only three labels (green, social, and sustainability) came to market in 2025, down from four in 2024. Sustainability-linked bonds, which raised nearly US$865 million across two deals in 2024 (TELUS and St. Marys Cement), were absent from the market in 2025.

FIGURE 1.

Annual Growth of GSS+ Bond Issuance by Label (Amount and Deal Count)

2025 issuance retreated from 2024's record high



Note: 2021–2023 figures are drawn from ISF's inaugural (First Edition) report; 2024 figures from the Second Edition; 2025 figures calculated from the Bloomberg-sourced 2025 deal dataset.

3 A "greenium" refers to the pricing advantage an issuer may obtain on a labelled bond relative to a comparable conventional bond from the same issuer, typically observed as a marginally lower yield at issuance or in secondary trading. Estimates vary by issuer, currency, tenor and market conditions, and isolating the effect of the label from credit and liquidity factors is difficult in practice.

TABLE 2.

Canada GSS+ Bond Issuance by Label, 2024 vs. 2025

Label	2024 (US$B / deals)	2025 (US$B / deals)	YoY Amount	YoY Deals
Green	20.70 / 39	15.01 / 29	-27.5%	-25.6%
Social	0.69 / 2	0.14/ 1	-79.7%	-50%
Sustainability	2.83 / 10	2.32 /6	-18%	-40.0%
Sustainability-Linked	0.86 / 2	0.00 / 0	-100.0%	-100.0%
Total	**25.08 / 53**	**17.47 / 36**	**-30.3%**	**-32.1%**

Green bonds continued to dominate the market, commanding an 86% share (see Figure 2.). However, when compared with 2024, green bond issuance fell to US$15.01 billion across 29 deals, down 27.5% in amount and 25.6% in deal count (see Table 2.). The rising share of green bonds reflects a steeper contraction in the other labels, as there was no SLB issuance in 2025, and social bond issuance was limited to a single deal. Social and sustainability bonds together absorbed the remaining 14% of the 2025 market (see Figure 2.).

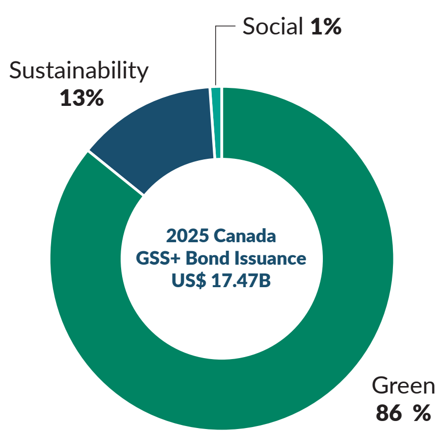
The 2025 issuer base narrowed: 36 deals were completed by just 21 issuers, with several returning to the market more than once during the year. Notably, only one debut GSS+ issuer entered the Canadian market in 2025. Repeat issuers continued to dominate, consistent with previous years.

By issuer type and issuance amount, Regional Government led at 23%, followed by Sovereign (18%), Public Pension Funds (13%), Utilities (13%), and Power Generation (13%), together accounting for 80% of 2025 issuance.

FIGURE 2.

GSS+ Bond Issuance Amount by Label

Green bonds remained the dominant label in 2025; no SLB issuance was recorded

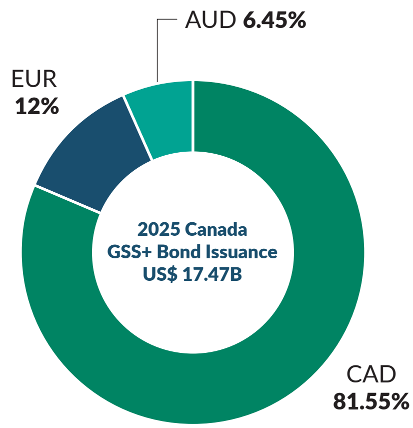


Foreign currency issuance in 2025 was limited to a small number of financial institutions and pension fund issuers, and the currency composition reflected this pattern (see Figure 3.). Canadian dollar (CAD) issuance rose to 81.55% of the 2025 total (from 66.8% in 2024), Euro (EUR) issuance fell to 12% (from 20.1%), and Australian dollar (AUD) issuance rose to 6.45% (from 5.3%). No U.S. dollar (USD) transactions were recorded in 2025, a reversal from 2024, when USD issuance accounted for 7% of the total. This marks the first year without USD issuance since 2018.

FIGURE 3.

Currency Distribution of GSS+ Bond Issuance

CAD dominance deepened, with 81.55% share, as currency diversification narrowed in 2025



The 2025 pullback reflects a year of broader economic disruption and vulnerability across the Canadian market. The Bank of Canada's Financial Stability Report found that U.S. tariffs announced in early April 2025 triggered a sharp repricing across equity, bond, and currency markets, pushing stock market volatility to its highest level since the COVID-19 crisis.[iii] This market uncertainty may have contributed to issuers' hesitancy to price new bonds. These conditions were reflected in economic parameters that fluctuated throughout the year. Real GDP by industry grew just 1.6% for 2025 (1.7% on an expenditure basis), and the unemployment rate climbed to 7.1% in August before easing to 6.8% by December[iv]. Inflation cooled to 2.1% on an annual average basis, the smallest increase since 2020, though prices remained elevated during the period.[v]

Broader Canadian debt markets softened too in 2025. Statistics Canada reported Canadian entities' net debt securities issuance fell 13.9% to CA$ 242.5 billion (US$173.5 billion) in 2025 from CA$281.7 billion (US$201.6 billion) in 2024.[4][vi] Financing conditions were also less accommodative than in 2024's steady rate-cutting cycle. After two early-year cuts brought the rate to 2.75% by March, the Bank held there for roughly six months before cutting again to 2.50% in September and 2.25% in October, and holding steady again in December.[vii] However, consistent with issuance patterns for green bonds analysed in this report (see Chapter 3.1, Figure 7), the timing of individual deals appears to reflect issuer-specific financing requirements rather than rate movements.

2.3 CANADA IN A GLOBAL CONTEXT

At the global level, Climate Bonds Initiative (CBI) recorded US$1,026.0 billion in aligned GSS+ issuance in 2025, roughly -2.6% YoY from 2024 issuance. Canada's share of that total fell to roughly 1.7% in 2025, down from 2.4% in 2024, a steeper decline against the modest global slowdown in GSS+ issuance.

Regionally, Europe issued US$467 billion, followed by Asia-Pacific at US$305.6 billion and North America at US$111.8 billion during the year. In terms of cumulative issuance, Europe led at roughly US$3 trillion, Asia-Pacific at US$ 1.8 trillion, while North America approached the trillion-dollar mark at US$998.7 billion. Among individual countries, the United States remained the largest source of cumulative aligned issuance worldwide, followed by China and France.

Canada's US$17.47 billion of 2025 issuance, and its cumulative total to date, remain a fraction of the volumes generated by these leading markets, though Canada has been a consistent participant in the GSS+ market since 2014.

4 Broader debt market figures reflect net issuance, meaning new issuance less retirements and maturities, across all Canadian government and corporate debt securities, both conventional and labelled.

3. GREEN BONDS

Green bonds are a use-of-proceeds instrument: the capital raised must be directed solely to projects that deliver clear environmental benefits. Ahead of issuance, issuers are expected to establish a green bond framework that sets out the eligible uses of proceeds, the criteria and process for selecting projects, how the proceeds will be managed, and how allocation and impact will be reported.

3.1 GREEN BOND MARKET TRENDS

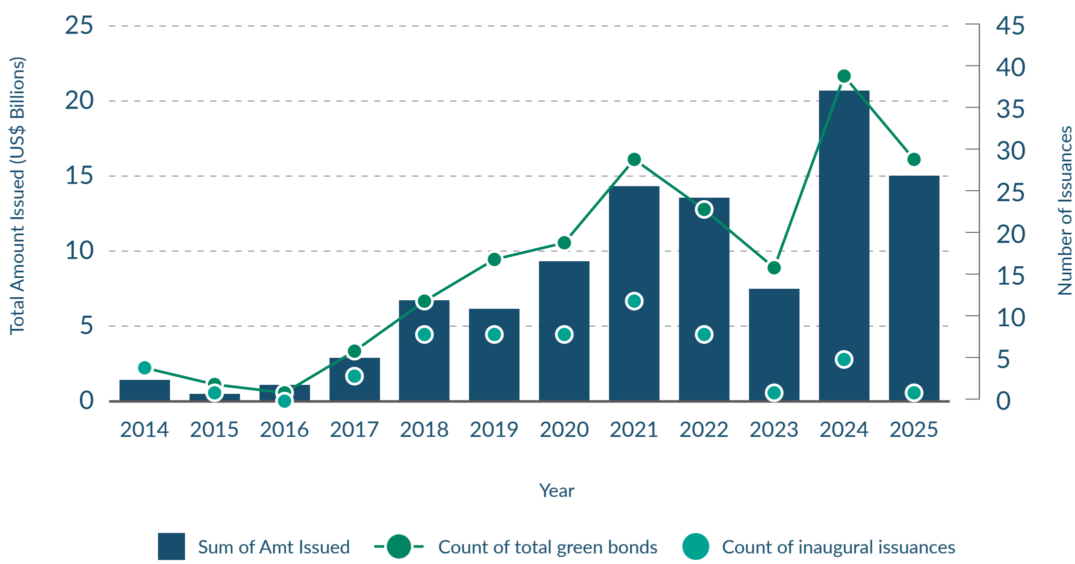
Canada's green bond market eased back in 2025 after its record year, with issuance totalling roughly US$15 billion across 29 deals (see Figure 4.). That is down from the 2024 peak of US$20.7 billion across 39 deals, but still the second-strongest year on record. Canada's green bonds accounted for about 2.3% of the US$653.5 billion in global green bond issuance.

Growth remained almost entirely repeat-issuer driven, continuing a trend of the past three years: only one inaugural issuer came to market in 2025, down from five in 2024 and the same as 2023.

FIGURE 4.

Annual Green Bond Issuance by Issuance Amount (US$ billion), Number of Total and Inaugural Issuances

Issuance eased from its 2024 record to the second-strongest year on record, still led by repeat issuers

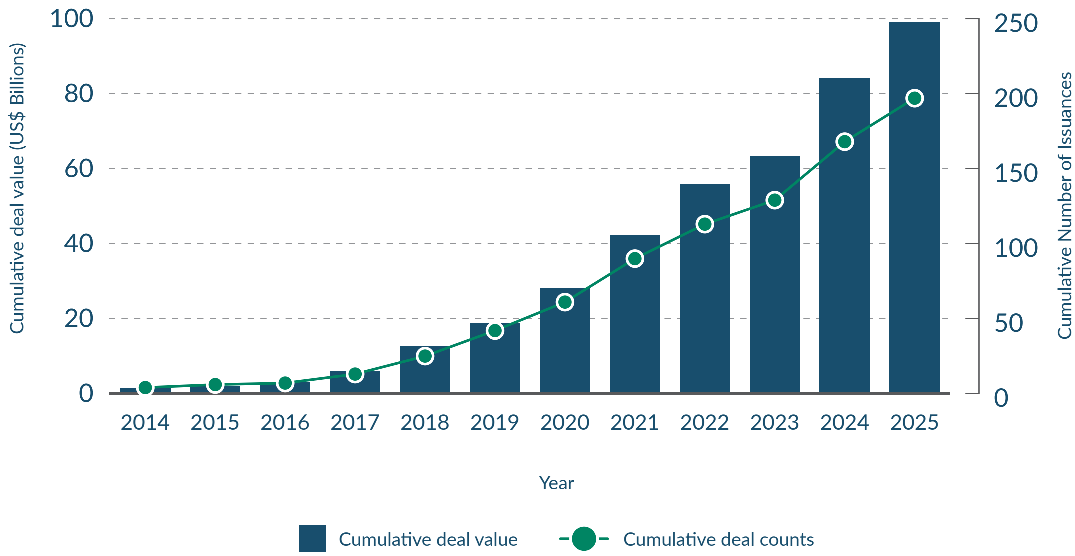


By the end of 2025, Canada's cumulative green bond issuance had reached roughly US$99.1 billion across 197 deals since 2014 (see Figure 5.). Cumulative issuance has more than tripled since 2020, though the pace has been uneven.

FIGURE 5.

Cumulative Green Bond Issuance (US$ billion)

By the end of 2025, Canadian issuers had raised a cumulative US$99.1 billion through 197 green bond issuances

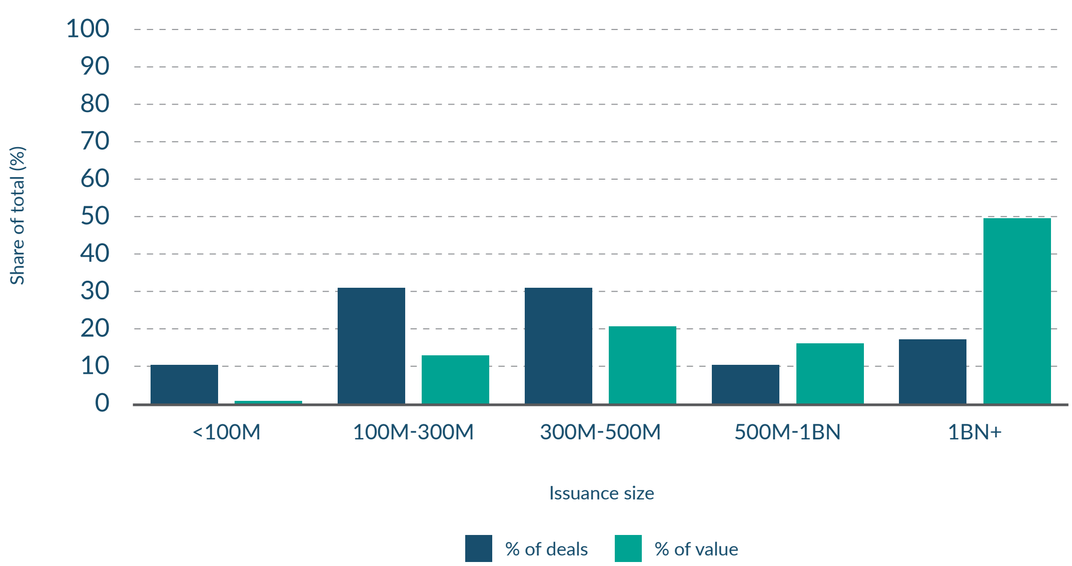


Across all 29 green bonds issued in 2025 (see Figure 6.), most were mid-sized: 18 of the 29 (62%) fell between US$100 million and US$500 million. By value, though, the five deals of US$1 billion or more accounted for US$7.4 billion, close to half of the US$15 billion total. Two of these deals came from public pension funds, two from a regional government, and one from the Government of Canada.

FIGURE 6.

Green Bond Distribution by Size: Share of Deals vs. Share of Value, 2025

More than half of green bond issuances were mid-sized, but nearly half of the market's value came from just a handful of billion-dollar deals



Most issuers borrowed in CAD, with six tapping offshore markets (five in EUR, one in AUD).

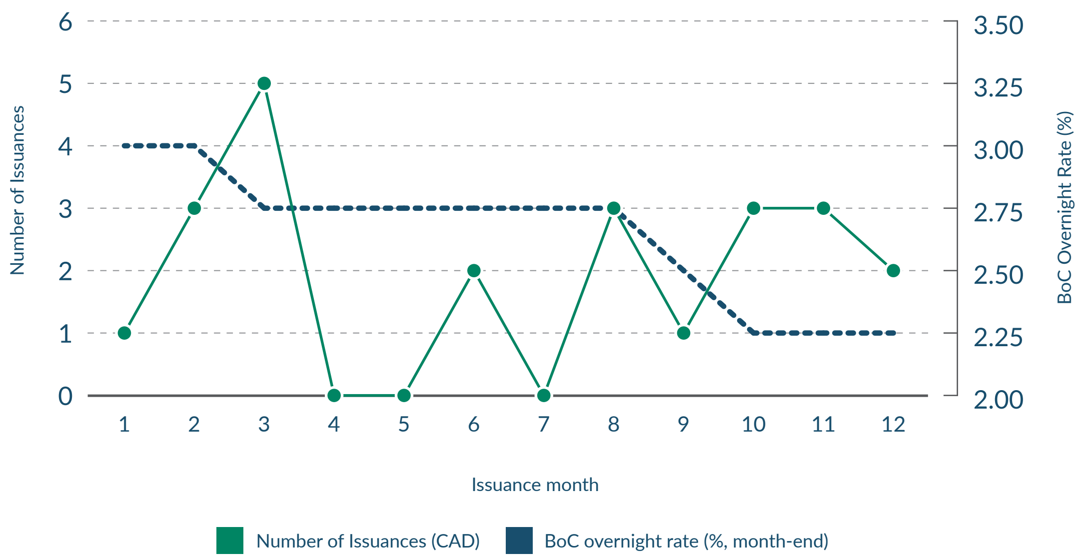
Among CAD-denominated bonds (see Figure 7.), issuance took place throughout a declining interest rate environment, as the Bank of Canada's policy rate fell from 3% following the January cut to 2.25% by year-end[viii]. Lower interest rates generally create a more favorable borrowing environment for issuers.

While issuance peaked in March following a 25-basis-point rate cut, monthly deal counts were uneven for the rest of the year. The overall timing of issuance appeared to reflect issuer-specific financing decisions, rather than being purely responsive to interest rate changes.

FIGURE 7.

Monthly CAD-denominated Green Bond Deal Count vs. Bank of Canada Overnight Rate, 2025

March issuance peaked after a 25-basis-point rate cut, but overall timing was driven more by issuer-specific financing needs than by interest-rate changes



Note: Only CAD-denominated green bonds are included. Bank of Canada policy rate changes take effect on specific announcement dates within the month. For simplicity, this chart plots the rate in effect at the end of each month and does not show the exact dates on which changes occurred.

3.2 GREEN BOND ISSUERS

Issuance in 2025 spanned both public and private sectors, but issuance by value was concentrated in public-sector borrowers (see Figure 8.).

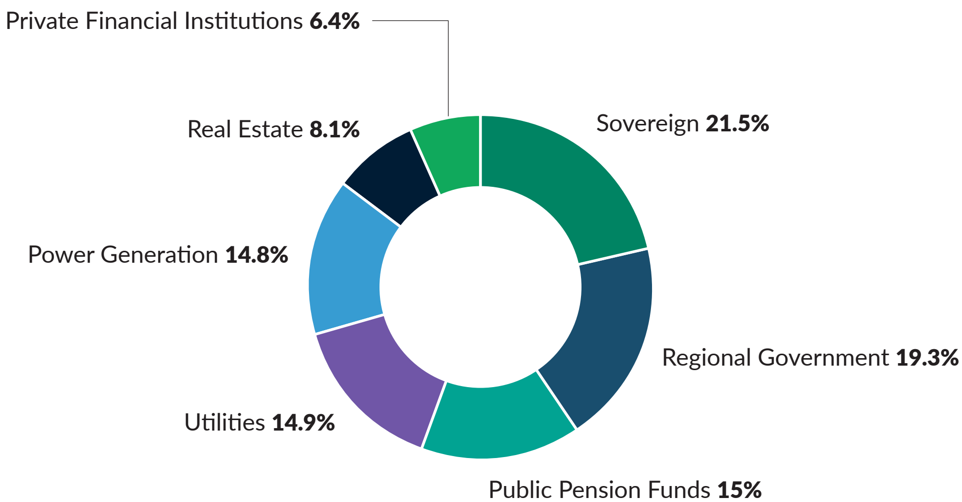
The Government of Canada was the largest issuer: its February and October sovereign transactions together accounted for 21.5% of total green bond issuance. Regional governments ranked second at 19.3%, followed by a tightly clustered group of public pension funds, utilities, and power generation, each holding close to 15% of the market. Real estate and private financial institutions were the smallest contributors, at 8.1% and 6.4%, respectively.

Compared with 2024, the 2025 mix tilted further toward government issuers. The Government of Canada again led the market. The ranking among other issuer types also shifted: regional governments climbed from 14.3% to 19.3%, while private financial institutions, the second-largest issuer a year earlier, retreated sharply from 17.8% to 6.4%. Power generation held broadly steady in 2024 and 2025. Some smaller issuer types seen in 2024, such as industrial manufacturing, government development banks, and local governments, were absent in 2025.

FIGURE 8.

Green Bond Issuance Amount by Issuer Type, 2025

Government issuers led, with the Government of Canada and regional governments together making up over 40% of issuance



Note: The sector breakdowns are based on Bloomberg classifications. For simplicity, the diversified banks, life insurance and other financial services are all combined in the "Private Financial Institutions" sector. "Public Pension Funds" is added as a standalone category.

Deal count told a different story from value: power generation (7 deals) and utilities (6) were the most frequent issuers, together making up nearly half of the 29 green bonds. Government and pension borrowers came to market less often but with far larger deals, while most corporate issuances stayed under US$500 million.

3.3 GREEN BOND FRAMEWORKS, SECOND PARTY OPINIONS, AND REPORTING

By 2025, all green bond issuers had developed their own green or sustainable bond frameworks. These frameworks set out how projects are evaluated and selected, how proceeds are managed, and how outcomes are reported, giving investors greater transparency and consistency. Most issuers claim alignment with the International Capital Market Association's (ICMA) Green Bond Principles and/or Sustainability Bond Guidelines[5], the market's leading voluntary standards.

Two real estate issuers introduced new green bond frameworks in 2025: one was an inaugural issuer with a newly developed framework, and the other updated its existing framework, broadening the use-of-proceeds categories compared with the earlier version.

About 37.5% of green bond issuers include exclusion criteria in their framework, specifying activities they will not finance. These vary by issuer but commonly include direct investments in fossil fuel infrastructure and in controversial sectors (e.g., weapons, tobacco, gambling).

All issuers with a green bond framework obtained a second-party opinion (SPO) to confirm alignment with recognized market standards. Sustainalytics, S&P Global and Moody's were the most common SPO providers in 2025.[6]

5 See ICMA's Principles, Guidelines and Handbooks.

6 Morningstar Sustainalytics announced in January 2026 that it would retire its SPO business, with the wind-down taking effect during the first quarter of 2026. (See news coverage). The provider landscape for Canadian issuers seeking an SPO is therefore likely to look different in 2026.

In terms of reporting, over 81% of green bond issuers published a use-of-proceeds and impact report, up from 76% in 2024. More than half of those reports were accompanied by limited assurance, in which an independent reviewer verifies the reported figures. This enhances transparency and credibility, although the scope of the review is more limited than a full audit.

This growing transparency matters because it feeds directly into investment decisions. In practice, fund managers can draw on the issuer's green bond framework (including use of proceeds and exclusion criteria), second-party opinions, and allocation and impact reporting, alongside traditional credit analysis. Strategies vary across managers, with some going beyond these materials, conducting their own due diligence on the issuer's overall climate strategy, governance, and the credibility of the projects being financed to gauge environmental integrity and greenwashing risk.

4. SOCIAL AND SUSTAINABILITY BONDS

Social bonds are use of proceeds instruments earmarked for socially beneficial projects. Sustainability bonds are use-of-proceeds instruments dedicated to financing a combination of both green and social projects. The issuers of these bonds are expected to establish a framework outlining eligible uses, project selection, management of proceeds, and reporting.

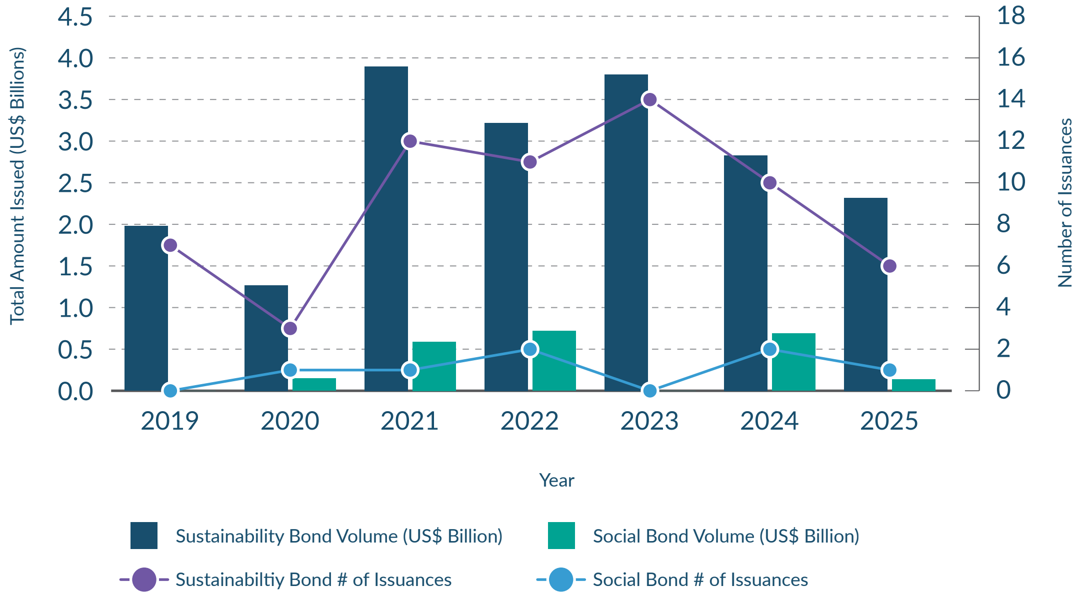
Canada's social bond market contracted sharply in 2025, with issuance limited to a single US$143.1 million deal from Bank of Montreal (BMO), down from US$0.69 billion across two deals in 2024 (see Figure 9). This continues a pattern of social bonds lagging behind other labels, raising concerns about the segment's ability to build sustained momentum in the Canadian GSS+ bond market. The sharp decline in social bond issuance may also reflect a broader shift in market sentiment than a purely Canadian phenomenon. Globally, issuance fell to US$141.2 billion in 2025, its lowest level since the pandemic era. TD Securities' 2025 global review of sustainable finance noted that financial-sector social bond issuance was "fading sharply as DEI programs came under political scrutiny," with many institutions scaling back and retiring the targets that had anchored their social bond frameworks.[ix]

In 2025, sustainability bond issuance totalled US$2.32 billion across 6 deals, down 18% by amount and 40% by deal count from 2024's US$2.83 billion across 10 deals (see Figure 9.). The decline reflects concentration into fewer, larger transactions rather than a broad retreat. An average deal size rose to US$386 million in 2025 from approximately US$283 million in 2024, even as the number of issuers narrowed. Cumulative sustainability bond issuance in Canada reached an estimated US$19.32 billion by 2025, up from US$17 billion in 2024. This reflects substantial growth since the segment's 2019 debut from just under US$2.0 billion that year, though annual issuance has cooled since 2023, when it reached US$3.8 billion. Canada's sustainability bond issuance represented approximately 1% of the global issuance in 2025, reflecting the relatively small scale of Canada's market compared with the global market.

FIGURE 9.

Sustainability Bond Issuance Amount and Deal Count in Canada, 2019–2025

Sustainability bond issuance narrowed to fewer, larger deals in 2025; Social bonds nearly disappeared



The composition of Canada's 2025 sustainability bond issuers looked notably different from 2024's mixed base of private financial institutions, utilities, and governments. In 2025, regional and local governments together with Indigenous public financing institutions accounted for 84.5% of sustainability bond issuance by amount, with private financial institutions making up the remainder (see Figure 10.).

Sustainability bond issuance in 2025 came from just four issuers, and deal sizes skewed large. The two deals above US$500 million, both from the Municipal Finance Authority of British Columbia, accounted for 49.45% of the amount issued, while the US$300–500 million band (First Nations Finance Authority and Federation des Caisses Desjardins du Quebec) added another 35.55%. Together, these two bonds made up 85% of sustainability bond issuance, with deals below US$300 million accounting for the remaining 15%. This partly reflects fewer total deals, down from 10 in 2024 to 6, which mechanically raises each transaction's share of the total.

Box 2. Indigenous-Led Sustainable Finance

The Bank of Canada's Survey of Indigenous Firms found that only 8.2% of Indigenous businesses use loans from financial institutions as a main source of financing, compared with 31% of firms in the Bank's broader small business survey. The bank cites property rights restrictions under the *Indian Act* as an important barrier to the "access to financing within First Nations communities as reserve land is communal and cannot be seized by legal process, mortgaged or pledged to non-band members, including as a collateral to access business loans."[7] Bonds issued by First Nations Finance Authority (FNFA) and Bank of Montreal (BMO) illustrate ways capital markets are addressing this financing gap.

The FNFA priced two sustainability bonds totaling around US$715 million in 2025, nearly 31 percent of the year's sustainability bond issuance value. FNFA is a non-profit, statutory institution that lends against member First Nations' own-source revenues rather than land assets, thus sidestepping the *Indian Act*'s restriction on using reserve land as loan collateral.[8] One of their two bonds allocates its proceeds to financing the Haisla Nation's Cedar LNG project, a floating liquified natural gas (LNG) facility in British Columbia. It is the world's first Indigenous-majority-owned, low-carbon LNG facility, which FNFA reports will cut emissions 75% relative to conventional LNG while creating jobs and skills training for Haisla Nation members.[9] The bond was named Sustainability Bond of the Year (Agency) at Environmental Finance's Sustainable Debt Awards 2026.[10]

BMO issued a CA$200 million Indigenous bond, making it the first North America Bank to issue a labelled Indigenous bond in support of Indigenous-owned businesses and Indigenous communities. The proceeds were allocated to eligible Indigenous-owned enterprises and/or Indigenous Peoples' bands, councils and/or governments. A mainstream bank using labelled debt to direct capital toward this market segment that faces a financing gap is an example to uphold. The bond bagged the Social Bond of the Year – Financial Institution at Environmental Finance's Sustainable Debt Awards 2026.[11]

These transactions demonstrate the potential for Indigenous-labelled debt to mobilize capital, though the market lacks a common, purpose-built framework that could give investors a consistent standard across issuers. Work to close this gap is underway. In October 2024, Addenda Capital, the First Nations Financial Management Board, and the First Nations Major Projects Coalition convened Indigenous leaders, debt issuers, asset owners and sustainable finance participants at a roundtable to begin shaping an Indigenous Sustainable Bond Framework. The discussion focused on whether such a framework would draw more investor capital while ensuring that bond proceeds finance projects that benefit Indigenous communities. A key recommendation that emerged from this discussion was to establish an Indigenous-led secretariat, supported by an Indigenous advisory group, to develop the framework's principles in alignment with the United Nations Declaration on the Rights of Indigenous Peoples and the concept of Free, Prior and Informed Consent (FPIC)—summarized as "Nothing About Us Without Us."[12] Practitioners interviewed for this report emphasized meaningful consultation with the Indigenous communities intended to benefit from bond proceeds, particularly before issuance.

7 See: Bank of Canada, "Survey of Indigenous Firms: A Snapshot of Wages, Prices and Financing," Staff Discussion Paper 2024-4, May 24, 2024.

8 See: First Nations Finance Authority, "Frequently Asked Questions," (accessed 2026). And Bank of Montreal, 2025 Sustainable Bonds Impact Report.

9 See: First Nations Finance Authority, "Indigenous Bond Issuance: FNFA Issues First 30-Year Bond With Support of Indigenous Investment Dealer," June 26, 2025.

10 See: "Sustainability bond of the year – agency: First Nations Finance Authority," Environmental Finance's Sustainable Debt Awards 2026.

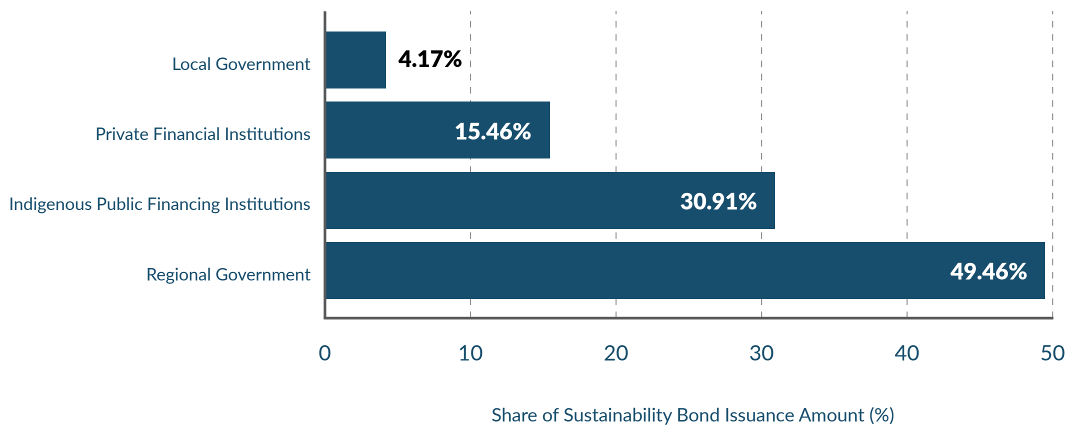
11 See: BMO Financial Group, "BMO's Labelled Indigenous Bond Named Environmental Finance's Social Bond of the Year – Financial Institution," news release, April 14, 2026.

12 Geordie Hungerford and Monika Freyman, "Shaping an Indigenous Sustainable Bond Framework: Summary of October 2024 Roundtable Meetings and Recommendations," Addenda Capital.

FIGURE 10.

2025 Sustainability Bond Issuance by Issuer Type

Regional governments and Indigenous public financing institutions accounted for nearly 80% of 2025 sustainability bond issuance



5. USE OF PROCEEDS BREAKDOWN

In 2025, clean energy dominated the allocation of proceeds[13] from GSS+ bonds in Canada, accounting for 49% of total disclosed proceeds. This was followed by clean transportation (21%) and green buildings (9%), together representing nearly 80% of all allocations (See Figure 11.).

The clean energy category includes both renewable and nuclear energy. A portion of these proceeds, at least US$680 million, was allocated specifically to nuclear projects, while most issuers reported proceeds under general clean energy investments.

Beyond the top three categories, socio-economic advancement of Indigenous peoples accounted for 7% of allocations, driven by three Indigenous-focused issuances. Compared with earlier years, this category has grown meaningfully, up from less than 1% in 2024.

Smaller allocations went to energy efficiency (4%), living natural resources and land use (3%), and water and wastewater management (2%). Multi-category projects, climate adaptation, and biodiversity each accounted for around 1%, with the remaining 2% falling into the “Other” grouping described in the note to Figure 11..

This allocation pattern points to a clear tilt toward climate mitigation over adaptation. The three leading categories, clean energy, clean transportation, and green buildings, mostly work to reduce emissions and together accounted for close to 80% of proceeds, while projects that help communities cope with a changing climate received only about 1%. This financing gap has persisted for more than a decade (evident in our last two reports).

13 The proceeds used in our calculations reflect the total issuance amounts. As these amounts do not necessarily account for transaction fees or other issuance-related costs, they do not represent the net proceeds or the actual amount disbursed to eligible projects.

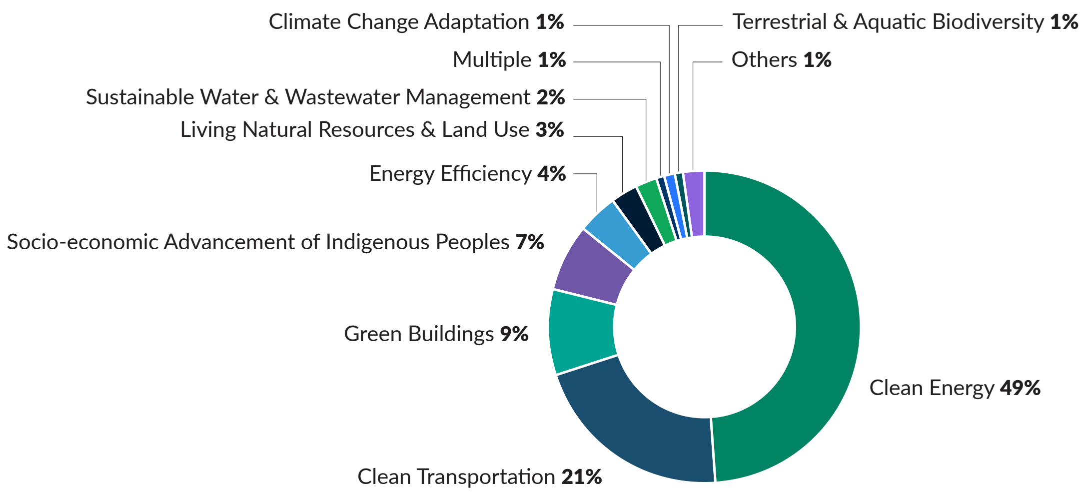
Several factors may explain why adaptation attracts so little of the proceeds compared to mitigation. Eligibility criteria and reporting conventions for mitigation are well established, with avoided emissions serving as the main impact metric. By contrast, criteria for adaptation and resilience have emerged only recently (e.g., the Climate Bonds Resilience Taxonomy[14]), and resilience outcomes remain more difficult to compare across issuers. Adaptation projects also tend to be smaller, locally delivered and revenue-poor, making them harder to aggregate into benchmark-sized deals. These are preliminary hypotheses, which we intend to explore with issuers and investors.

As physical climate risks intensify, adaptation financing underpins measures such as protection against extreme heat, flooding and wildfires, helping people, economies and ecosystems absorb these shocks and reducing the long-term social and economic costs of inaction.

FIGURE 11.

Use of Proceeds (%) from Green and Sustainability Bonds, 2025

Clean energy, clean transportation, and green buildings together account for nearly 80% of total allocations



Note: Includes only issuer-reported allocations. Some 2025 allocations are not reflected when issuers report on a fiscal-year basis. The clean energy category includes allocations to both renewable and nuclear energy projects. The "Other" category includes allocations to Social & Affordable Housing, Access to Essential Services, Circular Economy, Pollution Prevention & Control, and amounts remaining to be allocated.

The use of proceeds varied widely by issuer type in 2025 (See Figure 12.). Sovereign issuance stood out as the most diversified, directing sizeable amounts to clean energy, clean transportation and energy efficiency. Most other issuer types were far more concentrated, channeling the bulk of their proceeds into a single category.

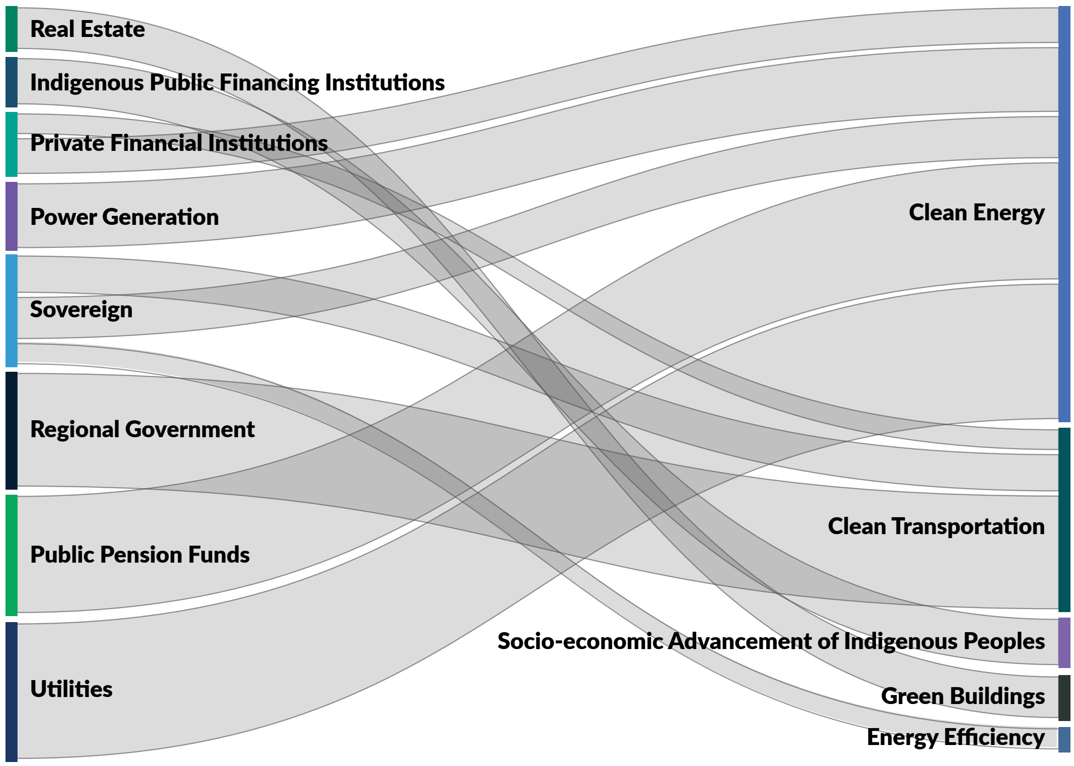
For many, that category was clean energy: utilities, power generation and public pension funds each sent the majority of their proceeds there. Others were defined by a different focus, with regional governments concentrated in clean transportation, real estate issuers in green buildings, and Indigenous public financing institutions entirely in the socio-economic advancement of Indigenous peoples. Private financial institutions were a partial exception, splitting their proceeds mainly between clean energy and clean transportation.

14 See: Climate Bonds Resilience Taxonomy.

FIGURE 12.

Use of Proceeds by Issuer Type, 2025

Sovereign issuers were the most diversified source of proceeds, while most other issuer types concentrated on a single use of proceeds



Sum of Proceeds by Issuer type and Activity

Note: For readability, the diagram shows only flows of at least US$300 million. Smaller allocations are omitted, so the categories displayed for each issuer type may not reflect its full use of proceeds. Because of this omission, sovereign issuers, for example, which were in fact the largest source of proceeds, do not appear as the largest issuer type in the figure.

Box 3. Practitioner Insights: Why the Labelled Market Stays Narrow

Practitioners interviewed for this report suggest that some issuers already finance projects that would meet green bond eligibility criteria but come to market without the label. If so, the labelled market understates the capital already flowing to qualifying projects.

What holds these issuers back is capacity rather than eligibility. Investors who engage prospective issuers report being told that the effort is hard to justify: building a framework, assembling and governing a project pipeline, commissioning a second party opinion, and committing to annual allocation and impact reporting are all front-loaded costs, while the issuer expects to price at broadly the same level as a conventional bond. Practitioners emphasize that this burden falls almost entirely on the inaugural transaction, and subsequent issues largely repeat the first cycle. Issuers' own sustainability disclosures would be a practical starting point for identifying candidates worth approaching.

6. CONCLUSIONS AND OUTLOOK

The Canadian GSS+ bond market eased back notably in 2025. Green bonds continued to dominate the market, holding approximately 86% of the total, while social and sustainability bonds absorbed the remainder. SLBs remained absent from the market while the market continued to await the debut of transition bonds. Canada's global share of aligned issuance fell to 1.7% down from 2.4% in 2024, highlighting a steeper pullback (YoY -30.3%) against a modest global slowdown in GSS+ bond issuance (YoY -2.6%).

The 2025 issuer base narrowed: 36 deals were undertaken by 21 unique issuers, with several returning to market more than once during the year. There was only one debut GSS+ issuer in the Canadian market, which reinforces a pattern observed in previous years of this report series. This warrants continued efforts to broaden and diversify the issuer base.

Issuance amount remained concentrated in public-sector borrowers. By issuer type, Regional Government led at 23%, followed by Sovereign at 18% and by Public Pension Funds, Utilities and Power Generation at 13% each. Government of Canada remained the single largest individual issuer, accounting for approximately 18% of total GSS+ issuance.

Indigenous-led sustainability bond issuance was an important addition to the 2025 market, which points to a growing and credible channel to access Indigenous-led capital markets.

In terms of use of proceeds, clean energy (49%), clean transportation (21%) and green buildings (9%), together made up nearly 80% of disclosed allocations, suggesting that the market remains oriented towards climate mitigation.

Building on the recommendations set out in the First and Second Editions of this report and informed by the developments observed in 2025, we set out a few priority actions for policymakers and market participants.

1. **Sustain momentum in the taxonomy's development from roadmap to execution.** The methodology report draft published in July 2026 by Business Future Pathways provides a foundation for a Canadian taxonomy that is attentive to the country's economic context. An effective taxonomy, especially for the transition category, needs to go where the emissions are. Those sectors are the hardest to finance on sustainability grounds, and where the largest reductions are available. Labelled bonds are one of the key use cases for such a taxonomy. Because assessments against the EU Taxonomy and other regional taxonomies are already common, one practitioner noted, interoperability with those frameworks matters as Canada's taxonomy moves toward implementation. It reduces complexity for market participants and eases cross-border capital flows. A working taxonomy is expected to catalyze private-sector investment in Canada's low-carbon transition and support the long-awaited debut of transition bonds in the Canadian market.

2. **Build a centralised GSS+ bond database.** While commercial data providers already compile information on GSS+ bond issuance, access remains subscription-based. Canada could establish a publicly accessible, Canada-focused database, similar to Japan's Ministry of the Environment Green Finance Portal[15], to provide a common reference source for issuers, policymakers, researchers and the general public. Developed with input from market participants, the database could consolidate issuance information, post-issuance reporting and alignment with the forthcoming Canadian taxonomy.
3. **Strengthen issuer and investor literacy to broaden participation.** On the issuers' side, expanding literacy among smaller municipalities, Indigenous organisations and small and mid-sized businesses is essential to broadening the issuer base beyond a group of repeat issuers and strengthening the market's long-term resilience. Educational resources on structuring frameworks, securing second-party opinions and meeting reporting requirements can ease the capacity constraints that deter first-time issuers (Box 3. Practitioner Insights: Why the Labelled Market Stays Narrow). On the investors' side, stronger literacy makes it easier to compare labelled instruments, frameworks, and allocation and impact reports, which supports better-informed capital allocation. Investors increasingly seek decision-useful information that enables them to assess the real-world impact of sustainable bond proceeds. Capacity-building efforts should therefore help issuers measure and report outcomes, and investors assess them. For Indigenous-led issuers, targeted technical guidance developed in partnership with Indigenous financial institutions could help new issuers navigate framework development and bond issuance processes as the segment grows.
4. **Introduce federal subsidies to offset upfront issuance costs and incentivize more issuers, particularly smaller, first-time issuers, to enter the market.** Practitioners noted that the high costs of issuance discourage entities from pursuing green bond issuance even when their use of proceeds is eligible and straightforward. International precedents suggest a comparable Canadian mechanism could ease the cost barrier. Japan's Ministry of the Environment has subsidized green bond issuance costs, including external review and framework consulting fees, since 2018.[x] The subsidy is paid to approved service providers on a bond-by-bond basis, so issuers receive the service at reduced cost. This makes the model well-suited to smaller and first-time issuers. Singapore's Monetary Authority runs a Sustainable Bond Grant Scheme that instead reimburses the issuer directly for up to S$125,000 (approximately US$95,700) of pre- and post-issuance external review costs on qualifying GSS+ bonds.[xi] Because it is open to both first-time and repeat issuers, the scheme draws new entrants while also sustaining repeat issuance, anchoring a broader labelled bond market. A Canadian-specific GSS+ bond subsidy mechanism, drawing on these models, could lower entry barriers across the issuer base, especially smaller and first-time issuers, by absorbing upfront issuance costs.

Overall, the report's findings point to a market that slowed in 2025, with fewer issuers and no SLB activity, even as the supporting frameworks and reporting practices remained robust. The 2025 slowdown reflects broader macroeconomic headwinds including U.S. tariff-induced volatility, slower GDP growth and a slower pace of rate cuts than 2024's rate-cutting cycle. Looking ahead, developments including progress on Canada's sustainable finance taxonomy and the increasing role of Indigenous-led issuers could support renewed issuance, though the timing and scale of any recovery remain uncertain.

15 See: Japan's Ministry of the Environment's "Green Finance Portal"

APPENDIX: NOTE ON DATA AND METHODOLOGY

Canadian GSS+ bond data in this report is compiled from Bloomberg deal-level terminal data for bonds issued by Canadian-domiciled entities, regardless of currency of issuance. Data was extracted in June 2026. The authors manually cleaned, verified and refined the data where required, and calculated each bond's use of proceeds by category from the issuer's allocation and impact reports, aggregating the results across issuers on a USD basis to produce the category shares in Section 5.

Reopenings and taps of existing bonds are counted in the year the reopening takes place and are therefore excluded from the original bond's issuance-year total. To illustrate, a 2025 bond reopened in 2026 is not included in the 2025 figures; conversely, a 2024 bond reopened in 2025 contributes the reopening amount to the 2025 figures.

Because the underlying Bloomberg data is reported in USD, all figures in this report are presented in USD, to ensure consistency and direct comparability with the global and regional figures cited below. Amounts denominated in currencies other than USD are converted at a single average annual rate for the year of issuance, taken from the U.S. Federal Reserve's G.5A Foreign Exchange Rates (Annual) release.[16] Using one rate per year rather than deal-date spot rates, avoids the effects of intra-year currency movements on annual totals and year-over-year comparisons, at the expense of some transaction-level precision.

Global and regional GSS+ issuance figures are drawn from the Climate Bonds Initiative (CBI) Sustainable Debt Global State of the Market reports for 2024 and 2025 and represent aligned issuance; Canadian figures are not screened against CBI's proprietary "aligned" screening methodology, so comparisons of scale are indicative rather than exact. Issuer type classifications follow the taxonomy established in the 2024 edition of this report.

Practitioner insights presented throughout this report draw on consultations with a small number of Canadian sustainable fixed income practitioners, including sustainable fixed income investors, debt capital markets advisors, and underwriters, conducted through both live interviews and structured email interviews. Consistent with the terms of the interview process, all practitioner insights are presented on an unattributed basis and do not represent the views of any single organization.

16 See Foreign Exchange Rates - G.5A

ENDNOTES

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ii Government of Canada, "Canada's Climate Competitiveness Strategy," Budget 2025, Chapter 1, Section 1.3, November 2025.

iii Bank of Canada, *Financial Stability Report*—2025.

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x Japan Ministry of the Environment, "Financial Support Programme for Green Bond Issuance (Subsidy Project)," List of Notification of Decisions to Grant the Subsidy | Financial Support Programme for Green Bond Issuance, etc. (Subsidy Project) | Green Finance Promotional Policies | Green Finance Portal"

xi Monetary Authority of Singapore, "Sustainable Bond Grant Scheme"