ESG Investing

ESG Investing Awards 2026 Interview

Amova Asset Management

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Amova AM's Global Green Bond Fund was launched as the first dedicated green bond fund with the World Bank in 2010. It won 'Best ESG Investment Fund: Green, Social & Sustainability Bonds', at the ESG Investing Awards 2026.

Judges for the ESG Investing Awards 2026 said, *"The Amova Global Green Bond Fund focuses purely on green bonds demonstrating strong transparency, active management for impact and returns, and global diversification. It balances genuine ESG impact with competitive risk-adjusted returns in a maturing market"*.

Interview

Matthew Clements, Editor at ESG Investing, talks to Steve Williams, head of EMEA global fixed income and a managing director at Amova Asset Management in London. They discuss the global market for green bonds, how they can form part of a diversified portfolio and how geopolitical risk and AI may impact the market going forward.

Steve Williams
Head of EMEA global fixed income / managing director

amova Asset Management

Green bonds are often associated with climate goals, but the broader context seems to be shifting. How are factors like energy security and geopolitical developments influencing the case for investing in green bonds today?

The green bond story has clearly moved beyond climate change. What we are seeing now is a shift toward energy security and strategic infrastructure. The Russia–Ukraine conflict and rising tensions involving Iran have highlighted how exposed countries remain to external energy supply, forcing governments to prioritize domestic and resilient energy systems. This dynamic is not new, following the 1973 oil embargo, President Nixon launched Project Independence to reduce reliance on imported energy, with a strong push toward nuclear power.

Today's environment echoes that period, but with renewables and electrification playing a far larger role. Decarbonization is no longer just about climate, it is increasingly about energy independence and national resilience. That shift materially broadens the appeal of green bonds beyond ESG-focused investors to those focused on infrastructure, security, and long-term economic stability.

There's a lot of focus on AI as a technology theme, but less on the infrastructure behind it. Why is rising energy demand and digital infrastructure relevant for green bond investors?

AI is often seen purely as a technology theme but in reality it is an infrastructure and energy story. The build-out of data centres is extremely power-intensive and is already running into constraints around grid capacity, permitting, and power availability. This creates a direct linkage between AI expansion and green bond financing, rising electricity demand requires investment in generation, grids, and storage, which are core use-of-proceeds for green bonds.

AI does not just create demand for chips, it creates demand for power, and that power has to be financed in the bond market. Renewables and battery storage are now critical infrastructure supporting the digital economy, which introduces a structural demand driver for green bond investors that is anchored in long-term technological growth rather than policy cycles.

Some investors still worry that investing sustainably means giving up returns. How should investors think about that today, particularly in relation to the so-called 'greenium'?

We think the greenium was largely a 2010 to 2020 phenomenon, driven by a scarcity of labelled supply. As the market has scaled, that dynamic has faded, and the greenium has broadly compressed. Our analysis shows a modest premium in Europe but, in some cases, a discount in USD-denominated issuance. The key point is that green bonds are no longer driven by a label premium, they are driven by traditional fixed income factors.

Going forward, currency exposure, duration positioning, and security selection will be the primary drivers of performance. It is also worth noting that the green bond market has significantly outperformed the Global Aggregate index over the last five years. Green bonds are no longer priced as a niche product, they behave like the broader bond market, and that is a sign of maturity rather than weakness.

Where do you see green bonds fitting within a broader fixed income allocation, particularly as traditional investment grade indices become more concentrated?

Green bonds are increasingly relevant from a portfolio construction perspective, particularly given the rising concentration in traditional investment grade indices. As hyperscaler capex continues to scale over the next five years, a growing share of corporate bond indices is likely to be tied to AI-related investment, increasing single-theme concentration risk.

Green bonds offer a different issuer base including sovereigns, supranationals, utilities, and infrastructure, with cash flows linked to real assets rather than technology capex.

Green bonds are no longer just about impact, they are about diversification in a world where traditional indices are becoming increasingly concentrated. Their role is shifting from a purely values-based allocation to a core diversification tool within fixed income portfolios.

Green bonds have evolved from a niche ESG allocation into a core part of how economies are financing energy, infrastructure, and electrification, the story today is less about altruism and more about diversification and resilience.

With so many labelled bonds coming to market, how do you distinguish between those that genuinely deliver impact and those that may fall short? What role does active management play in that process?

As the market has grown to over $6 trillion and continues to expand, the dispersion in quality across labelled bonds has increased, making active management increasingly important. Investors need to look beyond the label and assess use of proceeds, issuer-level strategy, and disclosure quality. At the same time, regulation is becoming a key swing factor. The EU's CSRD framework is raising reporting standards but also introduces additional costs and complexity, particularly for non-European issuers, and creates divergence with the US where reporting requirements are less stringent. There is a risk that overly burdensome regulation could slow issuance or create cross-border friction. There has to be a balance, enough regulation to ensure credibility, but not so much that it slows the market's growth. In this environment, active management and issuer engagement are critical to identifying genuine impact and managing risk effectively.

It has been said that transition bonds will be the next big growth area in ESG fixed income. Do you agree?

Transition bonds remain a relatively small part of the broader sustainable debt market and sit within the wider sustainability category rather than the pure green segment. One of the key challenges is the lack of global standardization. Japan has been a leading issuer of transition bonds, but largely under its own domestic framework rather than the EU taxonomy, which limits comparability across markets. Transition bonds are an important bridge, but the lack of common standards means investors need to be selective.

As the market evolves, transition finance will likely play a bigger role, particularly for harder-to-abate sectors, but for now it remains a fragmented segment that requires careful analysis.

How do you see the current global macro backdrop and monetary policy will impact green bonds?

From a macro perspective, policy uncertainty remains an important overlay. There is an assumption that Kevin Warsh may be dovish, but in practice he is relatively traditional in his framework. One area to watch is his focus on trimmed-mean PCE, which is currently running materially below headline inflation. The risk is that a policymaker focusing on that measure could conclude that inflation is under control sooner than the broader data would suggest.

While inflation could rise if tensions with Iran escalate again, with oil prices now nearing $70 the broader trend points to easing inflation from here. This tension is highly relevant for fixed income markets, including green bonds.

To learn more about sustainable fixed income, Amova Asset Management's new investment guide is available to download **here**.

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