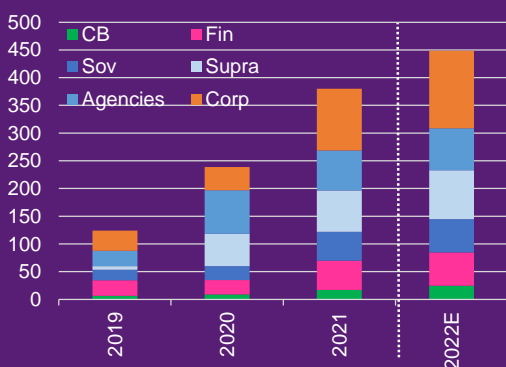


## Green Bonds Review

January 2022



### € issuance forecast for 2022 in ESG formats



Sources : Bloomberg, Natixis

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**Thibaut Cuilliere**

Tel. +33 1 58 55 80 56  
thibaut.cuilliere@natixis.com



**Radek Jan**

Tel. +33 1 58 55 14 68  
radek.jan@natixis.com



**Samy Lakhdari**

Tel. +33 1 58 55 24 45  
samy.lakhdari@natixis.com



**Bouchra Rhajbal**

Tel. +33 1 58 55 79 93  
bouchra.rhajbal@natixis.com



**Jennifer Levy**

Tel. +33 1 58 55 82 80  
jennifer.levy@natixis.com



**Cyril Regnat**

Tel. +33 1 58 55 82 20  
cyril.regnat@natixis.com

www.research.natixis.com

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# Towards another record year for G&S supply?

## Green & sustainable bonds issuance reached new highs in 2021

- We consider green, social, sustainability and sustainability-linked bonds as “green & sustainable” (G&S) in the entire document.
- Supply in G&S instruments reached new highs in 2021, above 760bn €-eq. in all currencies, including 390bn in €-denominated bonds. Therefore, the total outstanding in G&S bonds has reached 1.7trn €-eq at end-2021, a 70% increase vs end-2020 outstanding. More than half of those are €-denominated, but CNY and GBP are gaining market share in the total G&S outstanding.
- **Penetration rates of G&S instruments are still rising fast: they accounted for almost 26% of all non-sovereign €-bond issuance in 2021, vs 17% in 2020.**
- If 2020 was the year of Social bonds, 2021 was definitely the year of SLBs: issuance in those sustainability-linked bonds rose 11x vs 2020 and they accounted for 10 to 11% of the total G&S supply last year.

## What to expect for 2022 G&S supply ?

- We expect the **€-denominated G&S supply to grow by a further 18% this year, to reach €450bn from €390bn issued in 2021**. Hence, 2022 will show a marked slowdown given that some segments of the €-denominated G&S markets are already pretty mature (sovereigns, supranationals, agencies and municipalities) with limited potential coming from new comers and roughly stable funding needs.
- However, **financials and corporates € G&S supply will continue to display a robust growth** (+46%, +14% and +25% vs 2021 respectively for covered bonds, financials excluding covered bonds and corporate non financials).
- In **corporates**, we expect the **penetration rate of G&S in the €-denominated supply to reach 35% this year** vs 27% last year, with Autos, Oil&Gas and Industrials leading the supply growth, while SLB will continue to gain popularity in those sectors.
- In **Covered bonds**, the **share of ESG supply in 2022 is expected to reach 15-20% of the overall €-denominated supply, c.€25bn**. ESG Bank **Senior non preferred debts should represent the largest share (56%) of non secured ESG funding**, given the higher pricing advantage (Greenium) offered in the NPS segment.
- In **sovereigns**, we expect **2022 €-denominated supply to reach €60bn this year**, from around €50bn las year. We can add to this amount the green bonds that will be issued under the NextGenerationEU program, which could reach €40bn.

### Food-for-thought

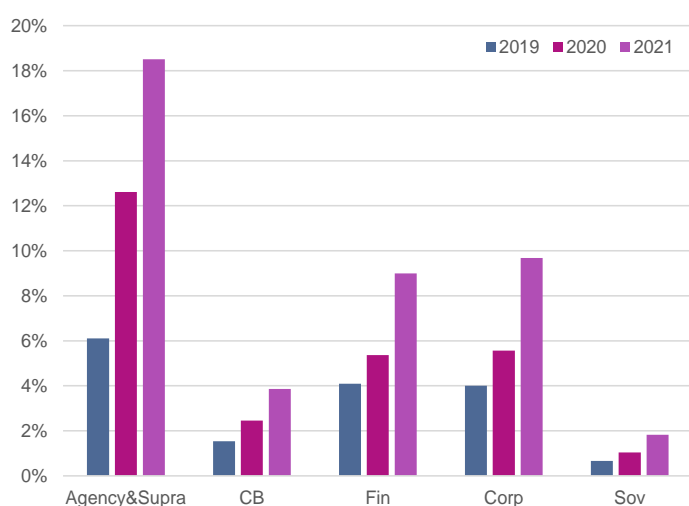


- What to expect for the supply in G&S bonds this year?
- What format will be the most popular in 2022 when it comes to G&S issuance ?
- Will one see a difference between taxonomy-compliant and non-compliant G&S bonds in the future?
- What could be the impact of normalizing central bank's policies on G&S issuance and on Greenium ?

## What to expect for Green & sustainable supply in 2022 ?

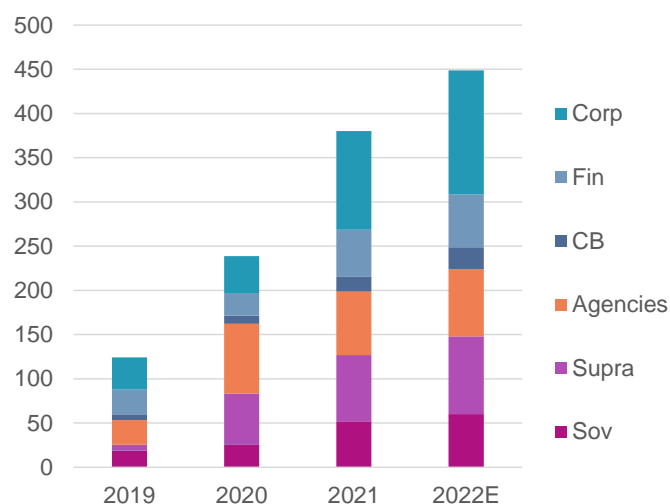
- Given the exponential supply issued in Green & Sustainable (G&S) formats over the last few years, the share of G&S bonds in €-debt outstanding has skyrocketed since 2019. As shown by the graph C1 below, **G&S bonds now represent almost 10% of €-debt outstanding in financials excluding covered bonds and in corporate (non-financials)**, while it already represents more than 18% of the total €-debt outstanding in agencies & supranationals.
- In some market segments, the penetration rate of G&S bonds is already **approaching maturity**, at least on primary markets: **almost 40% of all supranationals €-bonds issued in 2021 have been issued in G&S formats**, and those account for **37% of all agencies & municipalities new €-debt**.
- With redemptions stable for agencies in 2022 vs 2021 and even declining for supranationals, we do expect a limited increase in G&S issuance volumes in agencies and supranationals (+€10bn), although the EU NextGen program could create a substantial boost in H2-22 G&S volumes.
- On the sovereign side, the biggest contributors have already reached their G&S potential penetration rate (France, Germany, Netherlands, Belgium notably), and new expected comers (Greece, Portugal, Austria) will be of limited size. Therefore, we would expect G&S sovereign €-supply to reach €60bn in 2022 from €52bn last year.
- On the other hand, we expect G&S supply in financials and above all in corporates to continue to grow substantially this year, particularly in NPS and covered bonds for the former.
- In total, €-denominated G&S supply could reach €450bn this year, a 18% increase compared to 2021 (see chart C2 below).**

**C1: G&S penetration rate in €-debt outstanding by segment (as a %)**



Sources : Bloomberg, Natixis

**C2: Expected €-denominated G&S issuance for 2022 by segment (€bn)**

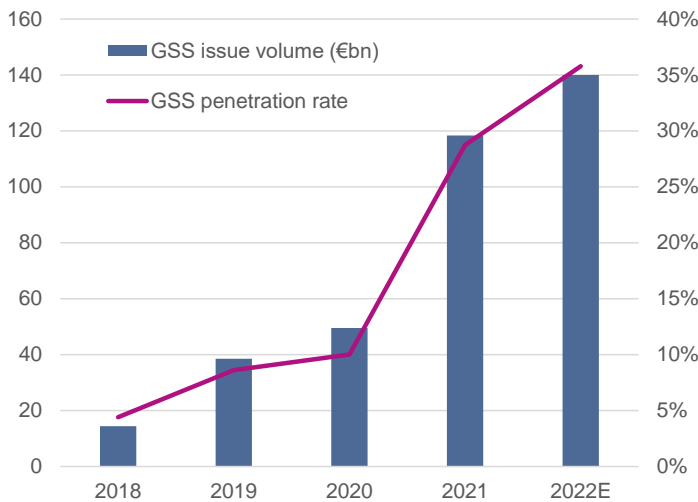


Sources : Bloomberg, Natixis

### What to expect for Corporate non-financials ?

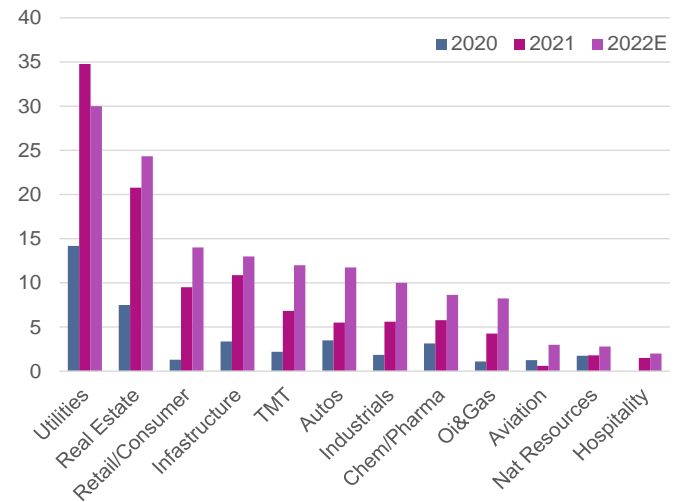
- The growth in corporate non financial G&S debt would explain a large part of the total growth in G&S €-issuance, with a **penetration rate in the corporate primary market that would grow to 35% in 2022 from 27% last year** (see chart C3 below).
- We expect the €-denominated G&S supply to **grow substantially in sectors such as Autos, Oil&Gas (twice as much as reported in 2021) and Industrials in general (+80%), largely on the back of SLBs gaining popularity** (but also Green assets for OEMs such as investments in EV).
- To a lesser extent, Retail/Consumer, Natural Resources, TMT and Chemicals/Pharma will also see a significant increase in G&S supply this year (40% to 75% supply growth expected vs 2021), while for more “mature” sectors in terms of G&S penetration such as Infrastructure, Real Estate and above all Utilities, we would expect a much slower growth in G&S primary volumes (15 to 20% growth expected for Real Estate and Infrastructure, reduction in Utilities’ G&S supply due to large early refinancing done last year and a mature G&S market).

**C3: Expected corporate G&S € issuance and penetration rate**



Sources : Bloomberg, Natixis

**C4: Expected € G&S corporate issuance for 2022 by sector (€bn)**



Sources : Bloomberg, Natixis

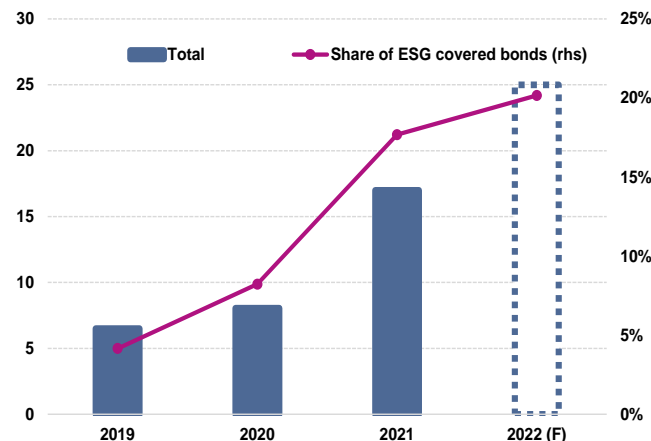
**What to expect for covered bonds ?**

- With €16.5bn of green and social covered bonds issued in 2021, covered bond issuances reached new record. Their share in the covered bond market has also increased significantly since 2019, representing 18% of covered bond issuance in 2021. The G&S market has still a strong potential for growth as it represents only 4% of the total euro benchmark outstanding covered bond market.
- For 2022, the share of ESG supply is expected to reach 15-20% of the overall covered bond supply, c.€25bn** (see chart C5 below left). That said, some issuers could still face some challenges with limited green housing stock to set up a green bond framework or some issuers could favour ESG senior debts rather than ESG covered bonds to reduce their funding costs.

**What to expect for financial excluding covered bonds?**

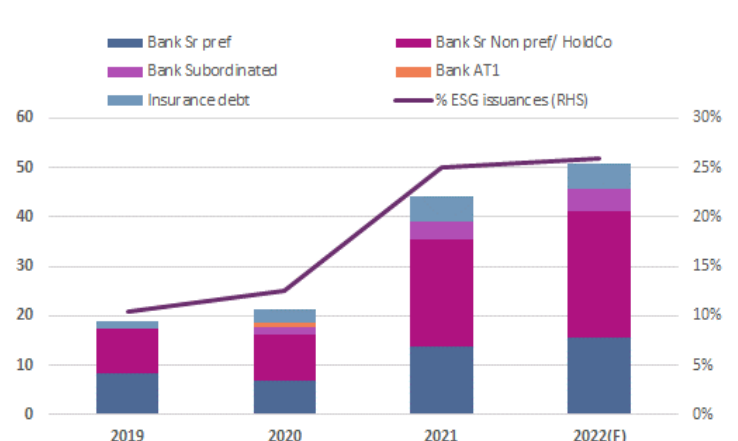
- The ESG bank senior bond market does not show any sign of weakness with its share doubling from 14% of total euro senior debt issuances in 2020 to 28% in 2021. The **ESG bank supply** (excluding covered bonds) will continue to grow, **expected to reach €46bn in 2022 (+€7bn vs 2021)**. ESG Bank Senior non preferred debts should represent the largest share (56%) followed by bank senior preferred debts (34%). **The pricing advantage that offers a ESG bond compared to a conventional deal coupled with stronger order books are among the factors which support the growth in this market.**
- Regarding the insurance segment, the share of ESG bonds in total issuance has more than doubled, representing around 41% in 2021. Generali launched the first ESG bond issued by a European insurer in 2019 under Tier 2 format. Other European insurers came after under senior and subordinated format with €1.5bn issued in 2019, €2.8bn in 2020 and €5.3bn in 2021 bringing the total outstanding to €9.6bn. **Insurance ESG supply will continue to grow in 2022 with an expected volume equivalent to €5bn** among senior and subordinated bonds.

**C5: Expected CB G&S € issuance and penetration rate**



Sources : Bloomberg, Natixis

**C6: Expected € issuance for financials excluding covered bonds**

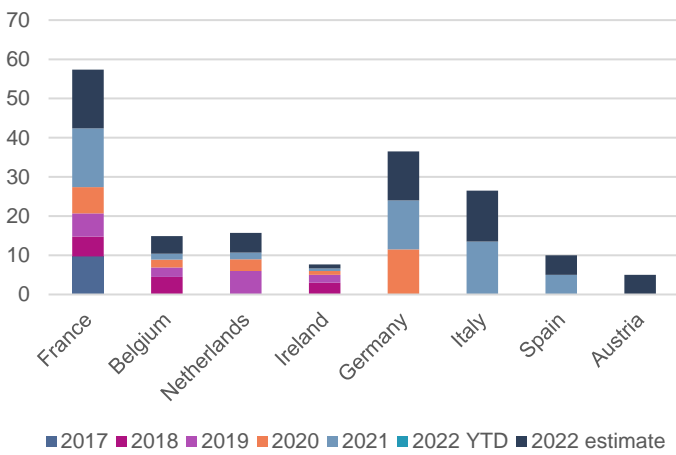


Sources : Bloomberg, Natixis

**What to expect for sovereigns ?**

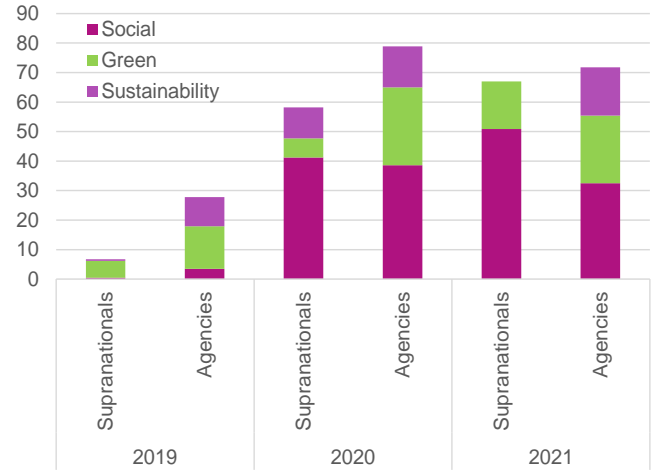
- 2021 was a big year for euro green sovereign bonds, around €50bn have been issued and the total outstanding passed the €110bn mark. But **2022 will be bigger, we expect slightly more than €60bn to be issued by eurozone countries this year**. We can add to this amount the green bonds that will be issued under the NextGenerationEU program, it could reach €40bn.
- Several new securities are expected to be launched by existing market players and some **new joiners will step in the green bond market**. In this regard **we expect Austria to launch its first green RAGB** somewhere in H1 2022. Among the usual suspect France, Belgium but also Germany and probably Italy will launch new securities while tapping existing ones. The Netherlands will continue to tap their existing benchmark for an amount that could reach €5bn this year in order to avoid scarce.
- The market will therefore continue to grow strongly in 2022 and for the first time green bond issuances could account for more than 5% of the total issuances of the Eurozone countries.**

**C7: Expected sovereign G&S € issuance by country**



Sources : Bloomberg, Natixis

**C8: Trend in agency & supranationals € G&S issuance (€bn)**

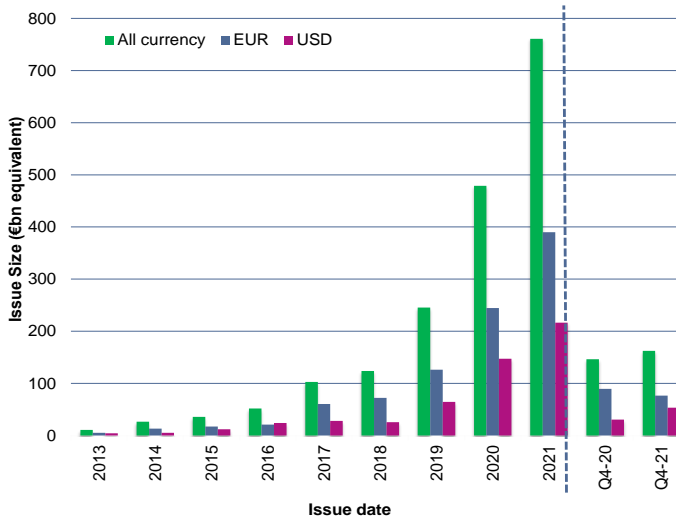


Sources : Bloomberg, Natixis

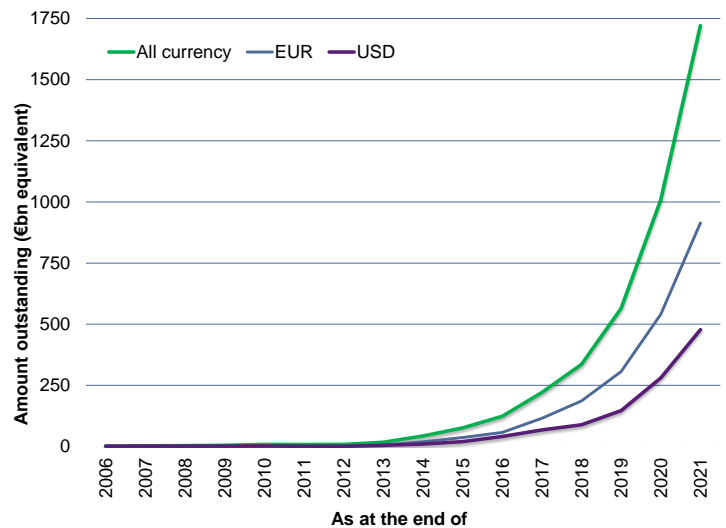
## G&S bonds: trends in new issuance and outstanding

- **G&S bond issuance rose by 10% in Q4-21 vs an already spectacular Q4-20 to 162bn €-eq, with a noticeable rise in USD supply (+75% vs Q4-20). €-denominated G&S supply actually decreased from €89bn in Q4-20 to €77bn in Q4-21, but this is due to a one-off** (€40bn supply in Q4-20 for the EU in Social bonds, €12bn “only” issued by the same EU in Q4-21 in Green format) effect.
- **The total outstanding of G&S bonds (graph G3) is now above 1.7trn €-eq, a 70% increase vs end-2020 levels.** The GBP-denominated market has seen its market share rising from 2.1% to 3.6% with the issuance of £16bn Green Gilt in 2021.
- **Green and SLB formats have gained popularity in Q4-21.** Green issuance increased in all segments and above all in financials, in Q4-21. SLB represented 15% of total G&S supply in Q4-21 vs less than 3% in Q4-20, and even 21% of €-denominated G&S supply.
- **Given that \$-denominated G&S issuance has been rising fast in Q4-21, US issuers concomitantly have gained market share in the G&S outstanding: the US has outpaced Germany as the 3<sup>rd</sup> country of domicile for G&S bonds, with a 22bn €eq rise in Q4-21. China is now ranked 6<sup>th</sup> above Spain,** driven by active G&S issuance from Chinese financial institutions in Q4-21 (ICBC, Bk of Changsha, Bk of Guizhou).

**G1: Green & sustainable bond issuance (by currency, €bn equivalent)**



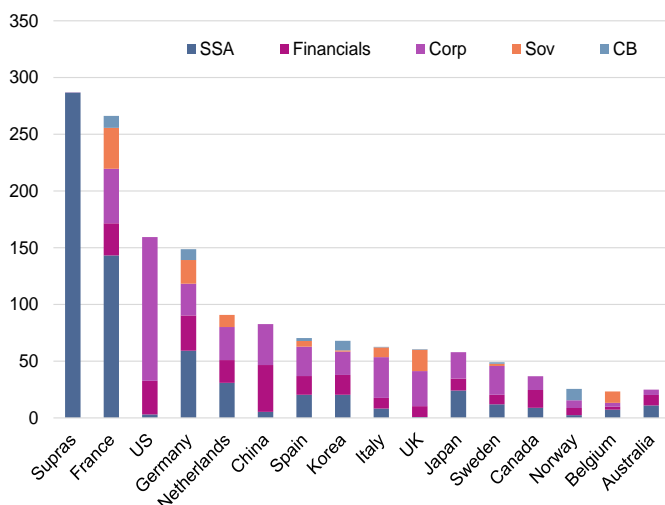
**G2: Outstanding of green & sustainable bonds (by currency, €bn eq)**



Sources : Bloomberg, Natixis

Sources : Bloomberg, Natixis

**G3: G&S bond outstanding (€bn at end 2021) by country of domicile and sector**



Sources : Bloomberg, Natixis

**G4: Green & sustainable bonds issuance by type (all currencies, €bn equivalent)**

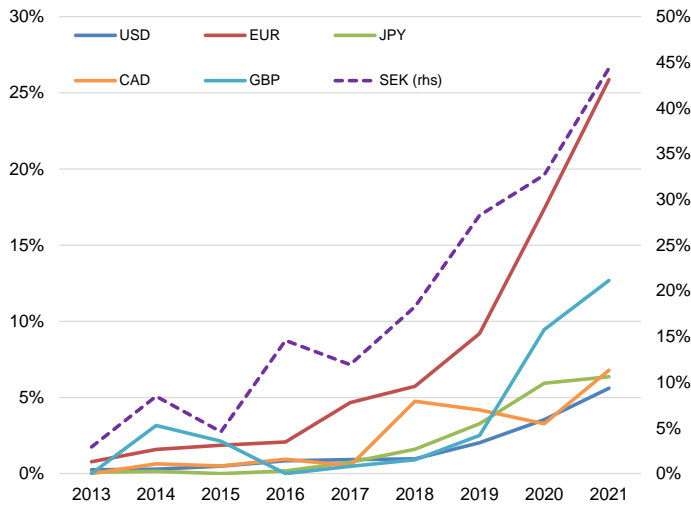


Sources : Bloomberg, Natixis

## Green & sustainable bonds: share of total debt outstanding

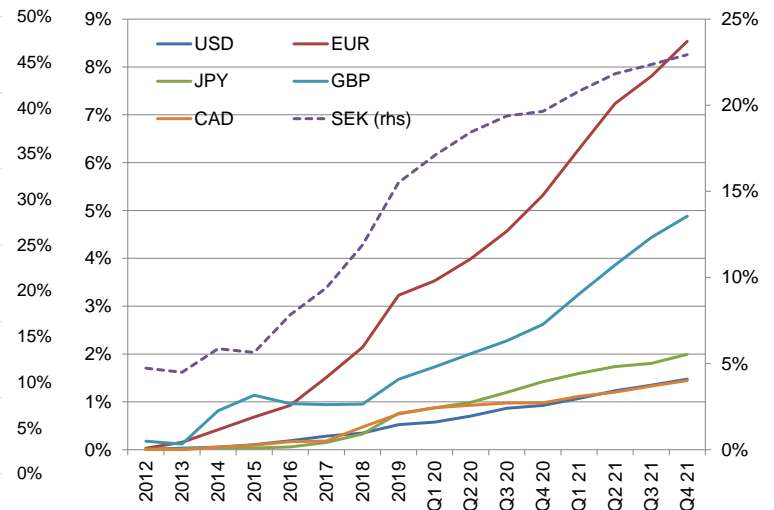
- The penetration rate of G&S issuance in total bond issuance (excluding sovereign debts) has also increased by 60% on average in 2021 vs 2020 (see chart G5): in €, G&S issuance accounted for almost 26% of all non-sovereign bond issuance, vs 17% in 2020. In USD, G&S issuance in Q1-21 accounted for 5.6% of all non-sovereign bond issuance vs 3.5% in 2020.
- In line with an increasing penetration rate for G&S bonds in total issuance, the share of G&S bonds in total debt outstanding is also rising fast. They now account for 8.5% of the total non-sovereign debt outstanding denominated in € (see chart G6), while the G&S penetration rate has reached 1.5% of USD and CAD outstanding ... which is still far below the benchmark market for G&S bonds, i.e the SEK market, for which the penetration rate is above 20%.
- Sector-wise (G7), the highest growth in € G&S outstanding has been reported in corporates, with €247bn outstanding as of end 2021 vs €135bn end 2020, fueled by the spectacular growth of the SLB formats (€43bn issuance in 2021 for corporates vs €64bn in Green corporate €-issuance).
- Country-wise, France still ranks 2<sup>nd</sup> in terms of G&S outstanding (185bn €-eq.) after supranational entities, while the US (103bn €-eq.) is now 3<sup>rd</sup> after having outpaced Germany (101bn €-eq.).

G5: Share of green & sustainable bonds in total bond issuance by currency, excluding sovereigns



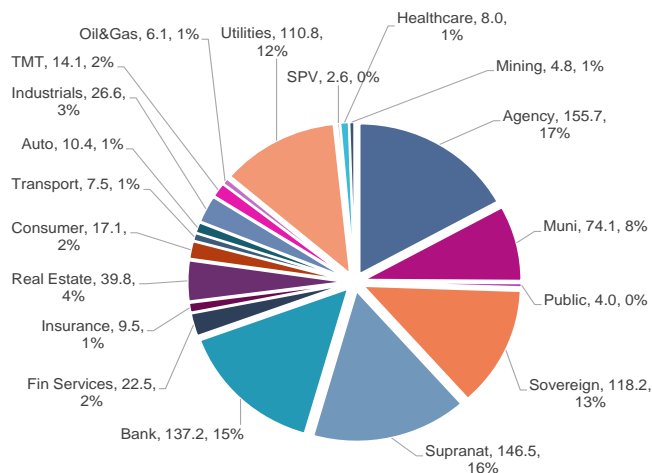
Sources: Dealogic, Bloomberg, Natixis. Note: SEK on the right-hand side.

G6: Share of green & sustainable bonds in total bond outstanding by currency, excluding sovereigns



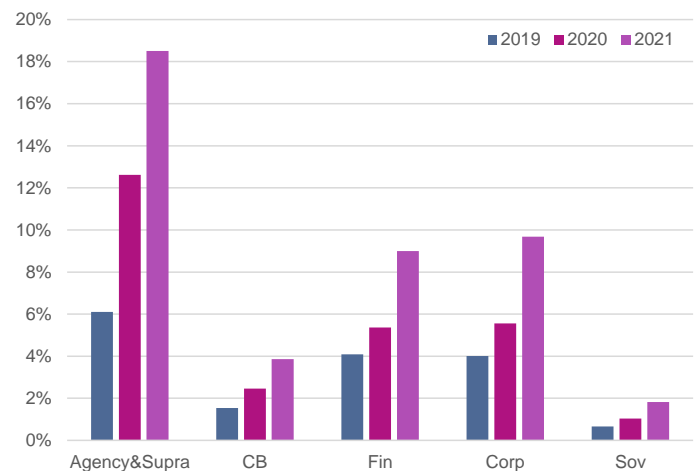
Sources: Dealogic, Bloomberg, Natixis. Note: SEK on the right-hand side.

G7: Outstanding of € G&S bonds by sector (in €bn) end-2021



Sources: Markit, Bloomberg, Natixis

G8: Penetration rate of G&S bonds in €-outstanding by segment

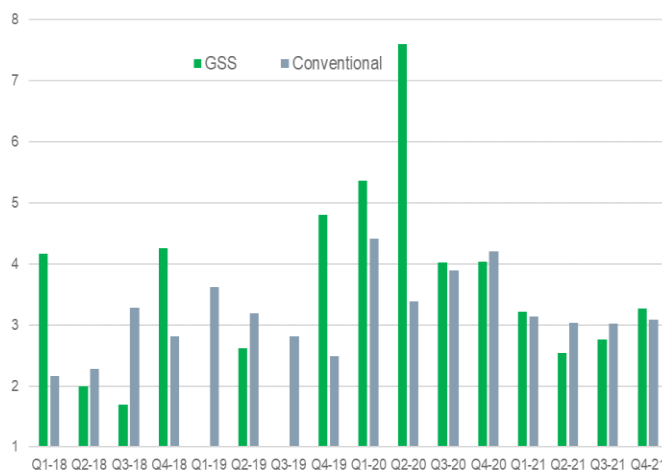


Sources: Bloomberg, Natixis

## Focus on €-denominated A-rated Corporate debt

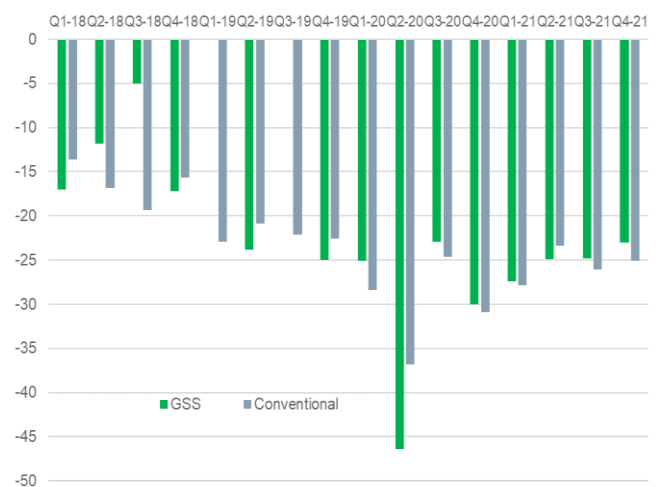
- **Oversubscription rates indicate the magnitude of investor appetite for bonds at the moment of their issuance.** While the investors' appetite for G&S bonds in this category significantly exceeded their demand for comparable conventional bonds between Q4-19 and Q2-20, both G&S and conventional bonds in this category were, on average, similarly sought after since Q3-20 and Q1-21. G&S bonds were slightly more sought-after during Q4-21.
- **Spread compression between the time of the IPT and the time of pricing is closely related to oversubscription rates. As part of the pricing process, bonds experience spread tightening. Stronger investor demand for a bond (reflected in higher oversubscription rates) results in a higher spread compression between the time of the IPT and the time of pricing.** Euro-denominated G&S A-rated corporate bonds exhibited lesser spread compression versus the IPT than their conventional peers in Q4-21.
- **New issuance premium (NIP) refers to the extra yield received by the buyer (paid for by the seller) for a newly issued bond relative to how other bonds from the same issuer trade in the secondary market at the time a new bond is priced.** To calculate NIPs, we built z-spread curves for each issuer in our sample and interpolated the secondary curve on the maturity of the newly issued bond.
- **The pricing in primary markets is consistently in favour of the G&S format** compared to conventional issuances with similar characteristics as **the average NIPs exhibited by G&S €-denominated A-rated Corporate debt are consistently lower** than the issuance premia displayed by similar bonds in a conventional format.
- **Moreover, several NIPs displayed by G&S issuances during Q4-21 were negative**, these are: **2024 Green bond** issued by **Hitachi Capital UK** (-7bp), 11-year **SLB** issued by **Henkel** (-1bp) while the 12-year Green CK Hutchison was priced with a tighter NIP than the Conventional 8-year CK Hutchison. Overall, A-rated G&S NIPs were lower (5bp) in Q4-21 than for conventional bonds (10bp).

**G9: Oversubscription: G&S vs Conventional Bonds**



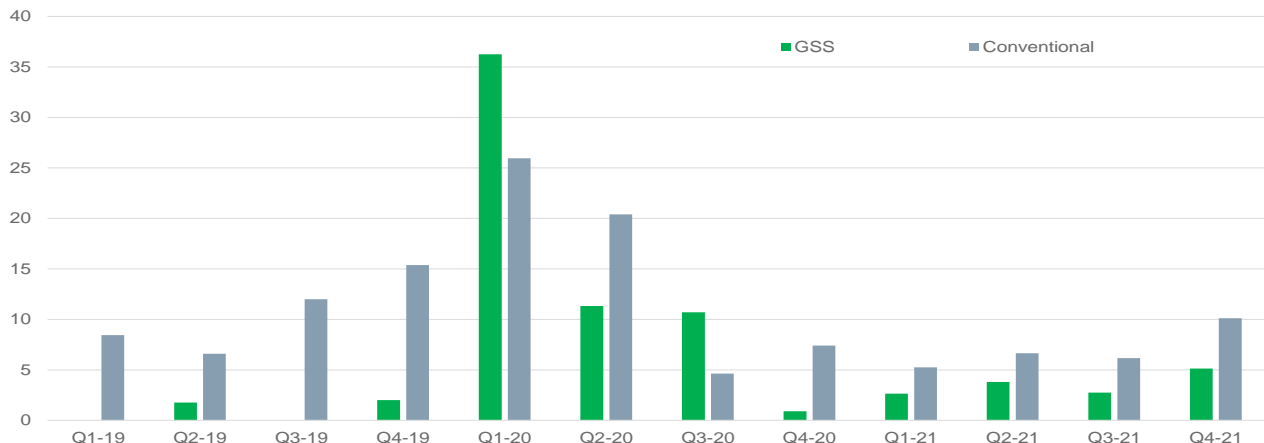
Sources: Bloomberg, Natixis

**G10: Spread – IPT: G&S vs Conventional Bonds**



Sources: Bloomberg, Natixis

**G11: New issuance premium (NIP): G&S vs Conventional Bonds**

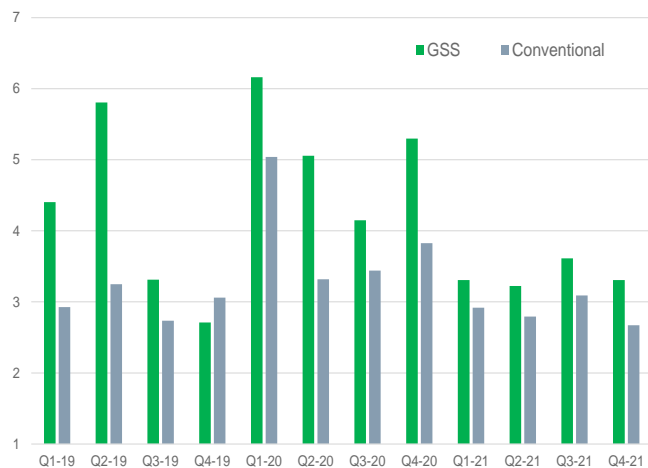


Sources: Bloomberg, Natixis

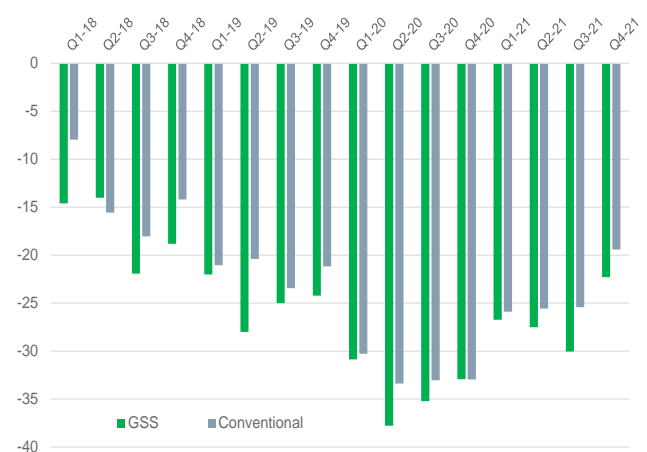
## Focus on €-denominated BBB-rated Corporate debt

- **Investor appetite for G&S BBB-rated corporate debt far exceeds their demand for similar conventional bonds as G&S bonds in this category exhibit, on average, a higher oversubscription rate in all but three quarters since the beginning of 2019. It was the case again in Q4-21, particularly for inaugural G&S issuance** (above 4x oversubscribed) from Maersk (10Y Green), ASTM (3-tranche SLB), Atos (8Y SLB), Via Outlets (inaugural 7Y €-bond in Green format), except for KPN (1.5x oversubscribed only).
- **A stronger investor demand for G&S bonds has been reflected in higher oversubscription rate vs conventional bonds in Q4-21** (3.3x vs 2.7x respectively, see chart G12) **as well as in sharper tightening in spreads at launch vs IPT** (22bp for G&S bonds, 19bp on average for conventional BBBs priced in Q4-21, see chart G13 below).
- **Moreover, G&S newly issued BBB-rated corporate bonds have been consistently offering less New Issue Premium (NIP) than their conventional counterparts since Q3-18.** In Q4-21, G&S BBBs offered on average 8bp NIP, compared to 13bp for conventional BBBs (see chart G14 below). However, the pricing of G&S BBBs has been affected by increasing uncertainties surrounding markets (China, Fed tightening risk on the back of higher inflation, new restriction measures related to Delta and Omicron waves).
- Finally, **BBB corporate newly issued G&S bonds performed better than conventional BBB priced in Q4-21 in the secondary market:** the average spread vs swap has tightened by 5pb for the former since issuance, while it has compressed by only 2bp for the latter. The **only exception is Atos:** the recently issued 8Y SLB has widened by 30bp vs swap on the back of the significant profit warning reported 11<sup>th</sup> Jan 2022 (2021 revenues are down by 2.4% excluding FX effects vs an expected stability; operating margin came at 4%, 2pp below the management's target; FCF is negative for 2021 by €420mn while the company was expecting a positive figure previously). Nevertheless, it is worth mentioning that the 8Y SLB issued by Atos has actually outperformed the conventional Nov 28 comparable (+45bp) since its issuance (+30bp).

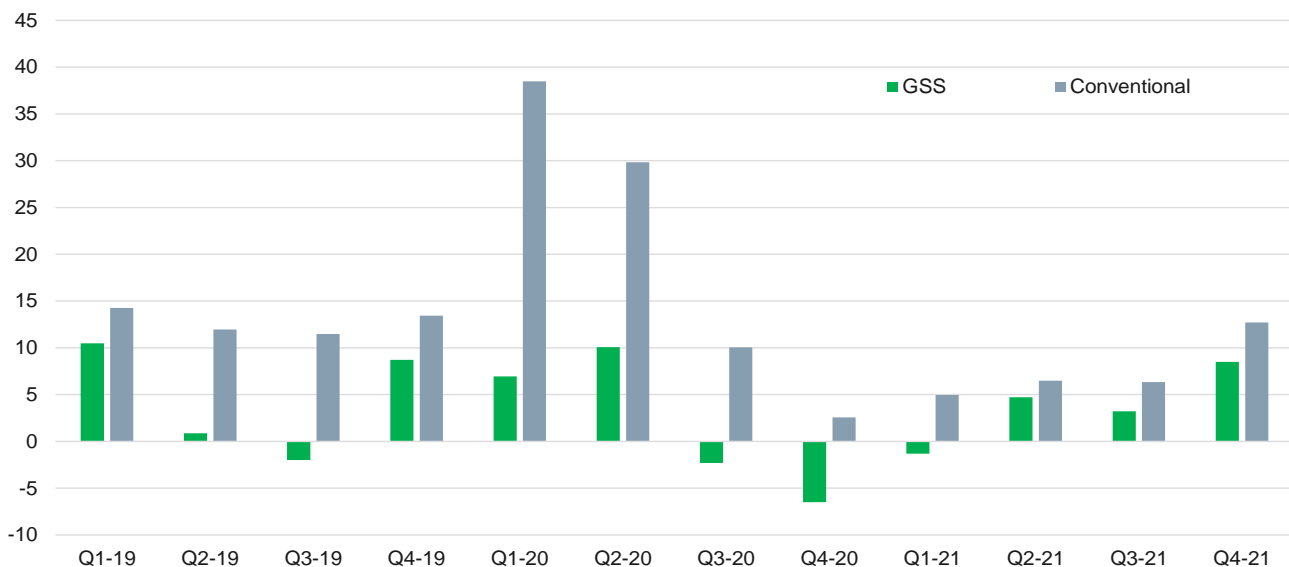
**G12: Oversubscription: G&S vs Conventional Bonds**



**G13: Spread – IPT: G&S vs Conventional Bonds**



**G14: New issuance premium (NIP): G&S vs Conventional Bonds**

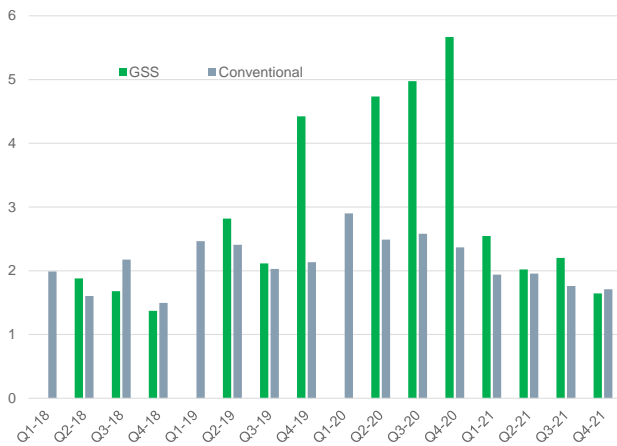


Sources: Bloomberg, Natixis

## Focus on €-denominated Senior Preferred Financial debt

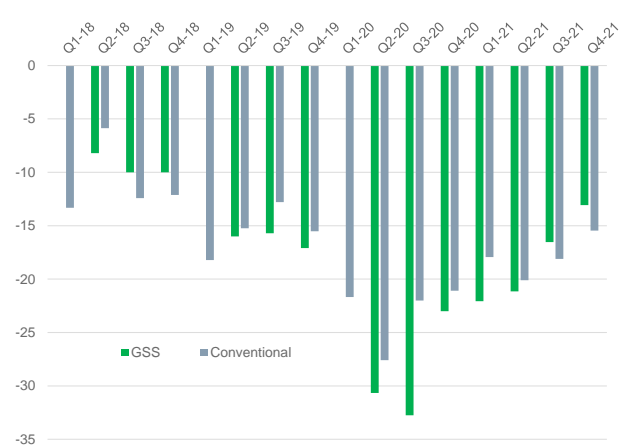
- During this quarter, new issuers joined the ESG senior preferred market: 5 out of 6 deals were inaugural (Piraeus Bank, Iccrea Banca, Landsbankin and Caixa Central de Credito Agricola). The ESG deal which benefited from the higher investor appetite this quarter was Deutsche Pbb's green deal. The order book reached €1.4bn for a deal amounting to €500m (BTC 2.8x). The issuer favored the senior format instead of the Covered bond one to refinance green buildings.
- During this quarter, Investor appetite for G&S bonds is slightly below the demand seen for similar conventional bonds in this category as G&S bonds exhibit, on average, a lower oversubscription rate compared to previous quarter.** This lower average Bid To Cover Ratio for ESG Senior Preferred bonds could be explained by the transaction issued by Landsbankin (BTC x1) and Caixa Central de Credit Agricola (x1.13). This difference in oversubscription rates between G&S and conventional bond format in this category has become particularly pronounced throughout 2020 and much more attenuated throughout 2021.
- €-denominated G&S Senior Preferred Financial bonds experience, on average, slightly lower spread compression versus the IPT than their conventional peers.** Although this was the case in every observed quarter since Q2-19, the opposite is true for Q3 and Q4-21.
- Following negative G&S NIPs displayed in Q1-21, **average G&S NIPs returned to positive territory but were below the level of premia displayed by conventional bonds.** That said, some G&S issuances displayed rather high NIPs: for instance 5-year green bond from Landsbankin (c.15bp).

**G15: Oversubscription: G&S vs Conventional Bonds**



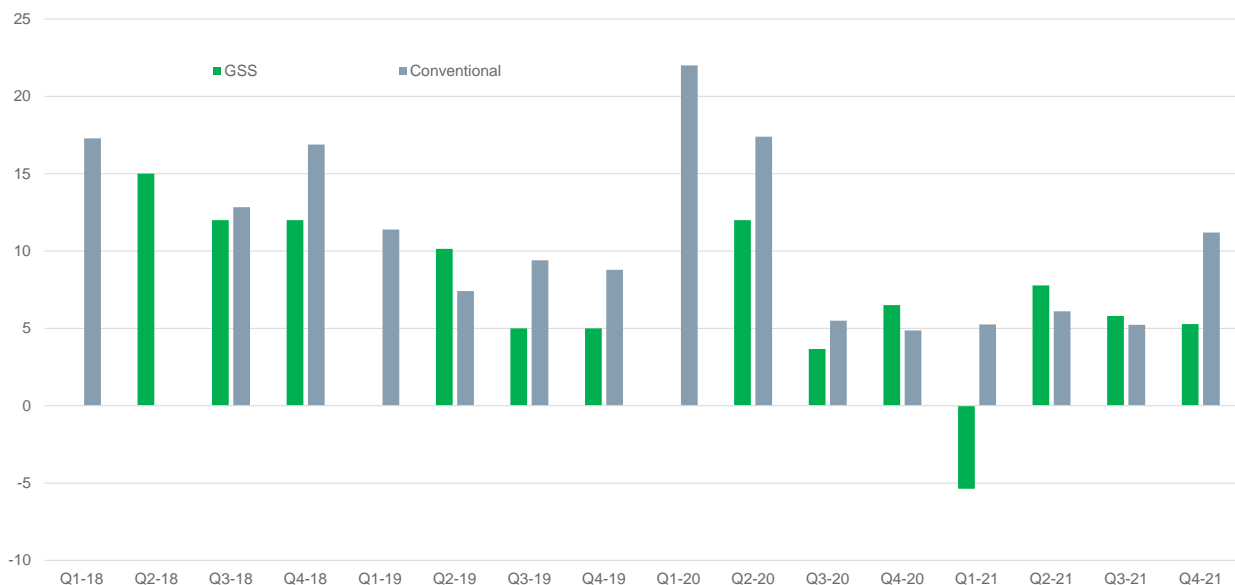
Sources: Bloomberg, Natixis

**G16: Spread – IPT: G&S vs Conventional Bonds**



Sources: Bloomberg, Natixis

**G17: New issuance premium (NIP): G&S vs Conventional Bonds**

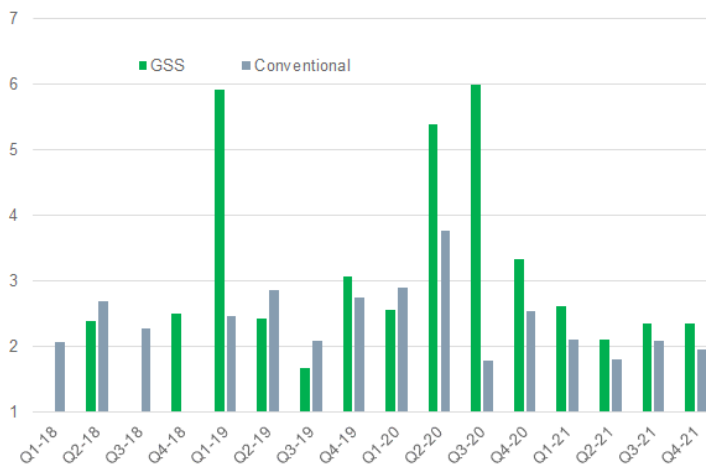


Sources: Bloomberg, Natixis

## Focus on €-denominated Senior Non-Preferred Financial debt

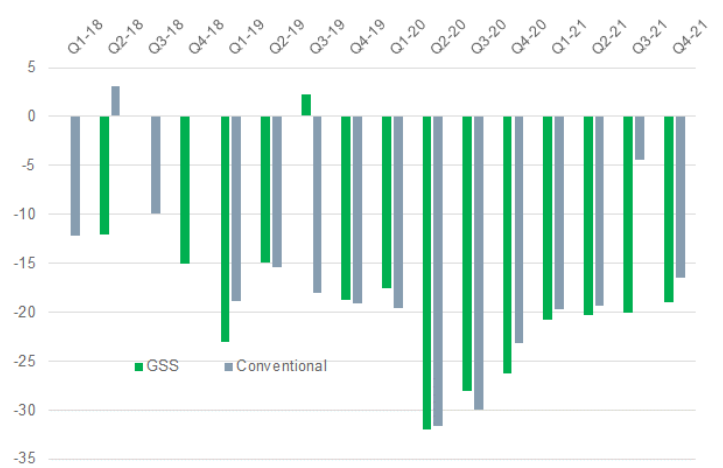
- **Kutxabank SA** joined the ESG Senior non preferred market this quarter with an inaugural €500m green bond issuance. Over 2021, the ESG Non preferred market was supportive with a volume of €19.35bn vs €14.95bn for ESG preferred senior.
- **In terms of investors' appetite for G&S bonds, Q4-21 was in line with last quarters since Q1-20 with an oversubscription rate for G&S bonds above their conventional peers (2.35x vs 1.97x on average in Q4-21 respectively). The oversubscription rate normalized over 2021 around 2.35x vs 3.85x in 2020 on average, but remained higher than for conventional bonds.**
- **Since Q4-20, G&S issuances achieved higher average spread compression versus the IPT than their conventional peers (-19bp vs -16.5bp on average in Q4-21).**
- **G&S bonds in this category consistently display, on average, a lower NIP than their conventional peers in every observed quarter. The average NIPs displayed by G&S bonds in this category stood at 9bp vs 17bp for conventional issuances in Q4-21.**
- **NIPs displayed by G&S bonds remained below their conventional peers although they increased over 2021 from negative in Q1-21 to 9bp in Q4-21. This trend continued in Q4-21: 6-year green bond from BNPP displayed NIP around 3bp and 5-year green bond from KBC Group displayed NIP of 4bp while some of their conventional peers displayed larger premia, for instance 5-year Rabobank (30bp) and 7-year Nordea (18bp).**

**G18: Oversubscription: G&S vs Conventional Bonds**



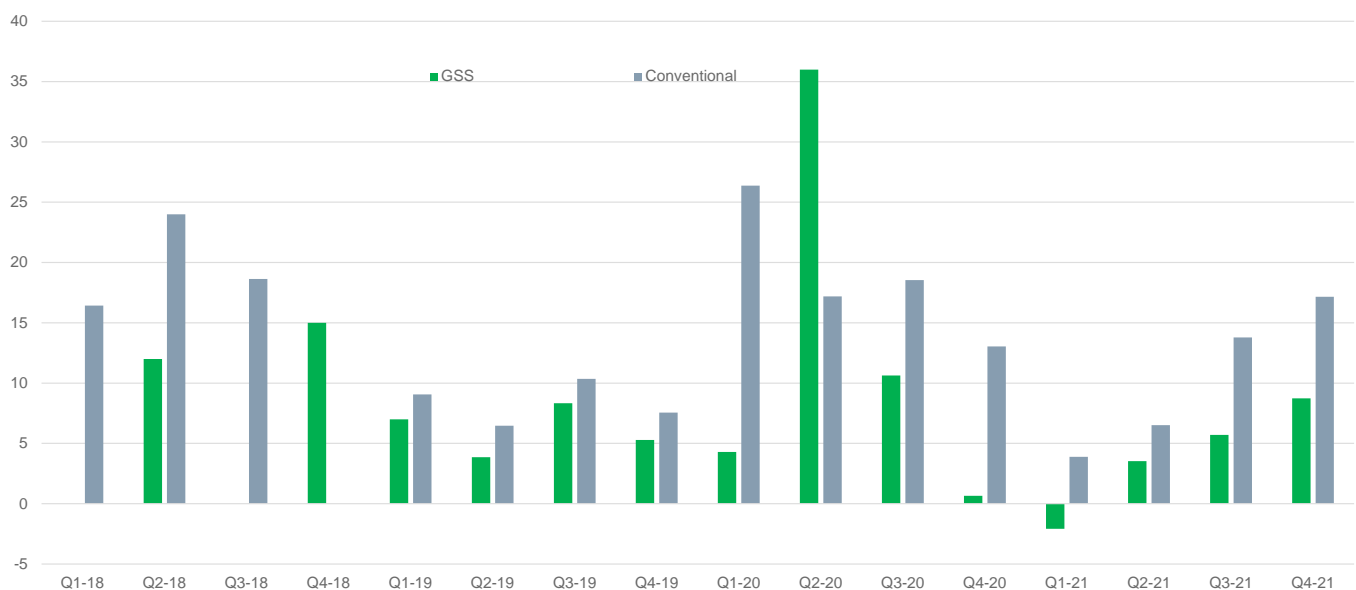
Sources: Bloomberg, Natixis

**G19: Spread – IPT: G&S vs Conventional Bonds**



Sources: Bloomberg, Natixis

**G20: New issuance premium (NIP): G&S vs Conventional Bonds**

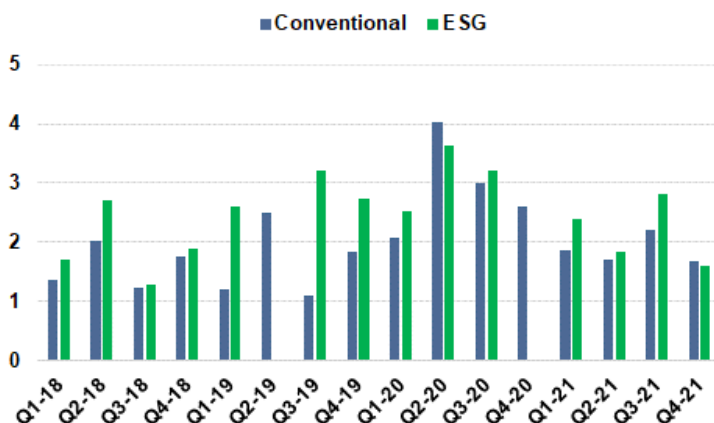


Sources: Bloomberg, Natixis

## Focus on €-denominated Covered bonds

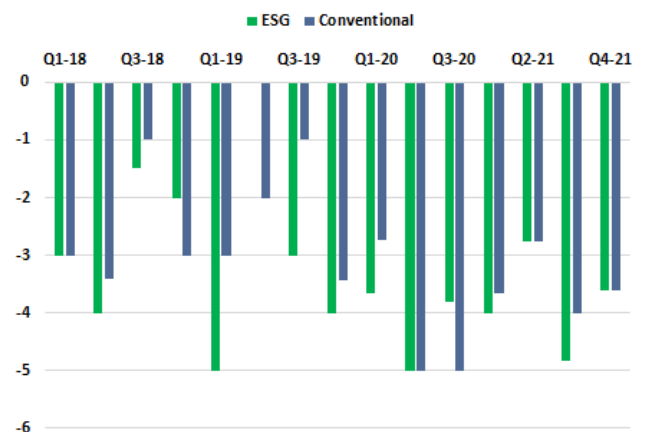
- **With €17bn of green and social covered bonds issued YTD**, 2021 supply is now clearly ahead of 2020 levels. Green covered bonds amounted to €12bn, still representing the bulk of the ESG covered bonds. Their share increased from 63% in 2020 to 71% in 2021. ESG share in the covered bond market has increased significantly since 2019, representing 18% of covered bond issuance YTD (vs 5% in the same period in 2019 and 9% in 2020). By country, the largest **ESG issuers in terms of outstanding issue volume are in France (30%)**, closely followed by Norway (21%) and Germany (21%). Norway represents 21% of the ESG market while only seizing a 9% market share of the global covered bond market, just as South Korea represents 11% of the ESG market but has only issued ESG covered bonds. As a result, key covered bond players such as Canada are still absent from the ESG segment.
- Q4-21 ESG covered bond issuances reached €3.8bn and represented 22% of Q4-21 CB issuances. This quarter also saw the arrival of a new entrant in the ESG covered bond market: **Yorkshire Building Society**, the third largest building society in the UK which issued a 7Y €500m Social covered bond at ms+ 9bp. **Kookmin Bank** chose to launch the first-ever Korean green covered bond with a 5Y €500m soft bullet transaction. Proceeds are used towards nine green eligible categories, from renewable energy and energy efficiency to green buildings, sustainable water / wastewater management and pollution prevention and control. South Korea strong presence in the ESG market was confirmed with **KHFC** issuing a 7Y €550m Social covered bond at ms+19bp, in line with initial guidance. France (**Société Générale SFH** 5Y €1.5bn) and Norway (**Sparebanken Vest Boligkreditt** 5Y €750m) have also asserted their leadership position in the ESG market in 2021 with issuances yielding BTC superior to 2.1x.
- With an average subscription ratio of 1.6x, investor demand for ESG covered bonds remained strong this in Q4-21. That said, conventional covered bonds benefited from a slightly higher BTC (1.7x for Q4-21). Indeed, our comparables were mainly eurozone covered bonds, benefiting then from the ECB's support. Regarding the new issue concession, ESG and conventional covered bonds offered roughly the same pick up vs their respective secondary curve.
- In terms of performance, **ESG covered bonds perform roughly the same way than conventional peers after launch** (-0.1bp vs -0.3bp respectively).

**G21: Average BTC: G&S vs Conventional Bonds**



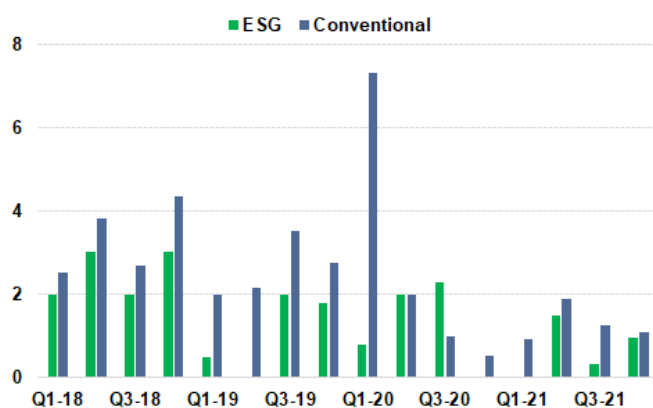
Sources: Bloomberg, Natixis

**G22: Spread – IPT: G&S vs Conventional Bonds**



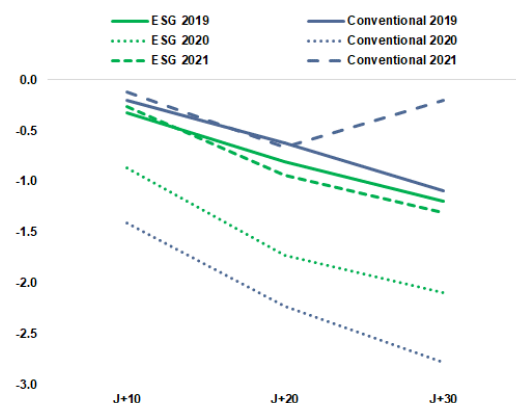
Sources: Bloomberg, Natixis

**G23: New issuance premium (NIP): G&S vs Conventional Bonds**



Sources: Bloomberg, Natixis

**G24: Performance of new issues (1 month): G&S vs Conventional Bonds**

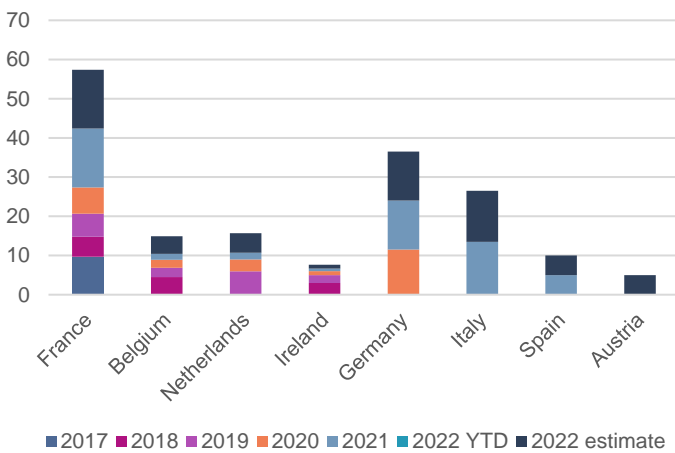


Sources: Bloomberg, Natixis

## Focus on Eurozone sovereign debt : more than 5% of the issuances?

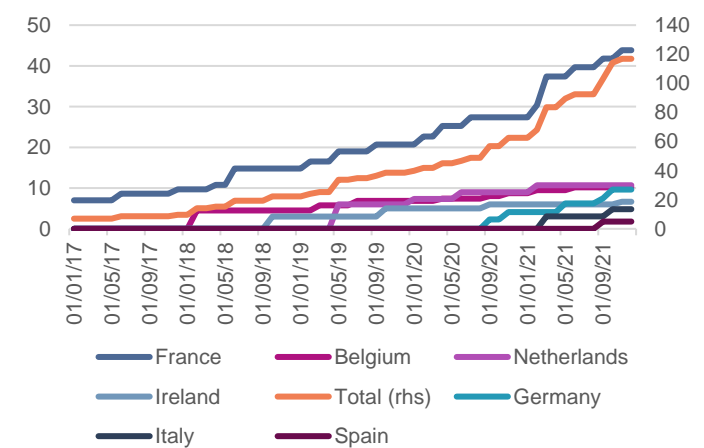
- Despite a slowing down in issuances, Q4-21 was decent in green bond issuances: around €13.7bn was issued, with a €5bn tap of the Italian benchmark and also a tap of the IRISH green bond for €0.65bn.
- 2021 was a big year for euro green sovereign bonds**, around €50bn have been issued and the total outstanding passed the €110bn mark. **But 2022 will be bigger: we expect slightly more than €60bn to be issued by eurozone countries this year.** We can add to this amount the green bonds that will be issued under the NextGenerationEU program, it could reach €40bn.
- In the meantime, other Supras or Agencies such as EIB, KfW or SGP are likely to issue similar amounts in 2022**, respectively 3bn, 5bn& 10bn of EUR Green bonds. On the Social side, Cades will be pretty active once again with €15bn of bonds issuance this year.
- Several new securities are expected to be launched by existing market players and some **new joiners will step in the green bond market**. In this regard, **we expect Austria to launch its first green RAGB** somewhere in H1 2022. Among the usual suspect France, Belgium but also Germany and probably Italy will launch new securities while tapping existing ones. The Netherlands will continue to tap their existing benchmark for an amount that could reach €5bn this year in order to avoid scarcity.
- The market will therefore continue to grow strongly in 2022 and for the first time green bond issuances could account for more than 5% of the total issuances of the Eurozone countries**, and this number is obviously bigger if one adds the EU supply. Most importantly, the 5% penetration mark will be reached in a year of important supply. In fact, we expect total Eurozone sovereign issuance to be almost as high as in 2021.
- Despite those growing supply numbers, **we still expect a strong demand for green bonds and we do not expect the greenium to vanish in 2022, although it could be lower (around -2/-3bp).**

G25: Current Eurozone greenbond market (€bn)



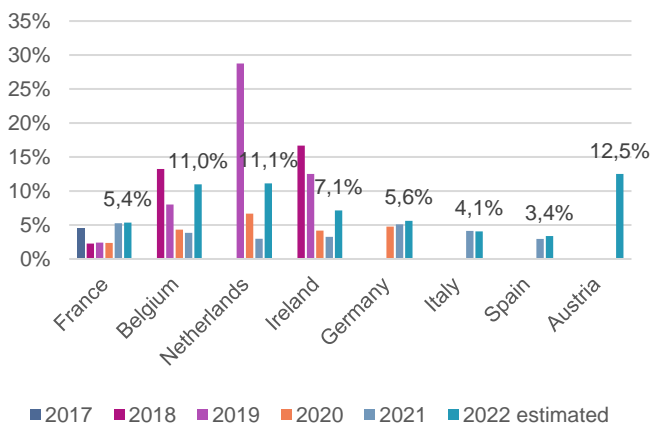
Source: Natixis

G26: Outstanding of eurozone green bonds (€bn)



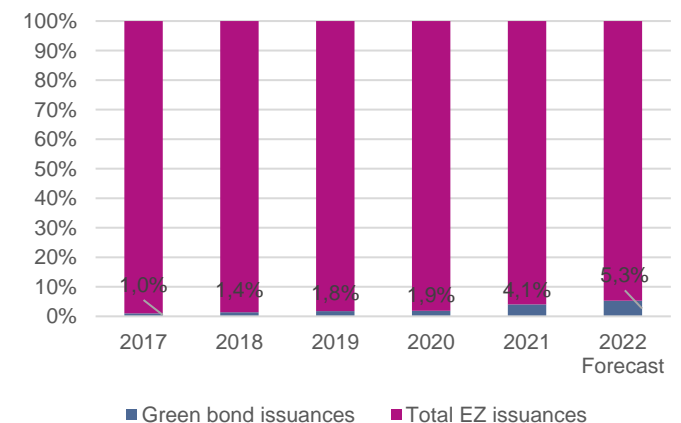
Source: Natixis

G27: Percentage of the total issuance program



Source: Natixis

G28: Green bond issuance in percentage of total EZ issuances



Sources: Bloomberg, Natixis

## Focus on Corporate Greenium

- The Greenium has expanded since October 2021 in the €-denominated Corporate G&S market, from -2bp to -4.5bp. This was particularly the case in the global widening in credit spreads end of November (see chart below).

G29: New issuance premium (NIP): G&S vs Conventional Bonds

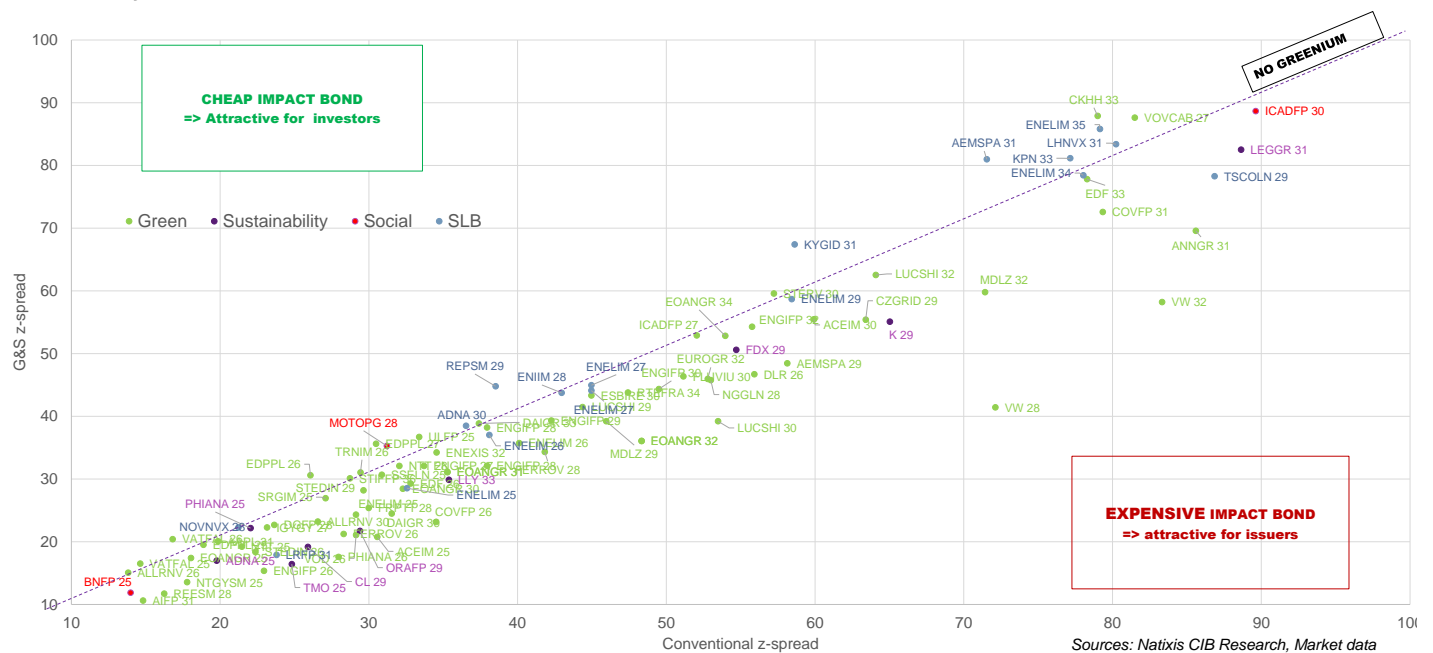


Sources: Natixis CIB Research, Market data

Sources: Bloomberg, Natixis

- 70% of secondary market Greenium are negative (i.e G&S Bonds trading tighter than their conventional counterparts) for corporate bonds in €, with the Greenium increasing with the maturity of the bond and its credit risk. SLBs continue to trade with a discount relative to other G&S bonds and even vs conventional ones, although some are showing a premium now (TSCOLN 29, LRFP 31, ATOFP 29).

G30: Secondary Market Greenium in €-denominated corporate non-financial bonds



Sources: Natixis CIB Research, Market data

Sources: Bloomberg, Natixis

# Natixis Research CIB

## Head of CIB Research



**Jean-François Robin**

+33 1 58 55 13 09

jean-francois.robin@natixis.com

## REAL ASSETS / ENR

### Head of REAL ASSETS / ENR Research- Strategist



**Thibaut Cuillière**

+33 1 58 55 80 56

thibaut.cuilliere@natixis.com

### Commodities

Base & precious metals



**Bernard Dahdah**

+44 20 321 691 31

bernard.dahdah@natixis.com

Oil, Natural Gas



**Joel Hancock**

+44 20 321 696 48

joel.hancock@natixis.com

### High Yield



**Kirill Talai**

+33 1 58 55 06 54

kirill.talai@natixis.com

### Hospitality



**Philippe Suchet**

+33 1 58 55 45 03

philippe.suchet@natixis.com

### Infrastructure, Green & Hybrids



**Ivan Pavlovic**

+33 1 58 55 82 86

ivan.pavlovic@natixis.com



**Radek Jan**

+33 1 58 55 14 68

radek.jan@natixis.com

### Infrastructure & Natural resources



**Benoît Maynard**

+33 1 58 55 90 24

benoit.maynard@natixis.com

### Real Estate



**Stéphanie Dossmann**

+33 1 58 55 14 31

stephanie.dossmann@natixis.com



**Jennifer De Almeida**

+33 1 58 55 26 18

jennifer.faucon@natixis.com

### Tech & data specialist



**Micaella Feldstein**

+33 1 58 55 80 83

micaella.feldstein@natixis.com



**Eric Benoist**

+44 20 32 16 93 97

eric.benoist@natixis.com

### Sales team France

Institutional investors

+33 1 58 55 80 36

Corporates / BPCE retail network

+33 1 58 55 81 80

### Sales team International

Austria/Zurich

+33 1 58 55 81 00

BeSwiLux

+33 1 58 55 83 96

Central Banks

+33 1 58 55 82 61

Germany

+49 69 91507 7300

Hong-Kong

+85 2 3900 84 32

Italy

+39 02 00 66 71 11

Netherlands

+33 1 58 55 08 43

Nordics

+44 203 216 9246

Spain/Portugal

+34 91 791 75 21

Singapore

+65 6228 5629

Tokyo

+81 3 3592 7550

UK & Ireland

+44 203 216 9249

US

+1 212 891 6281

**Macro & Financial Institutions Research**

**Head of Macro & Financial Institutions Research**



**Nathalie Dezeure**  
+33 1 58 55 99 93  
nathalie.dezeure@natixis.com

**Financial Institutions**

Banks / Insurance



**Bouchra Rhajbal**  
+33 1 58 55 79 93  
bouchra.rhajbal@natixis.com



Banks / Insurance

**Samy Lakhdari**  
+33 1 58 55 24 45  
samy.lakhdari@natixis.com

**Covered Bonds**



**Jennifer Levy**  
+33 1 58 55 82 80  
jennifer.levy@natixis.com

**Macro Economic**

**Head of Europe Macro Research**



**Dirk Schumacher**  
+49 699 7153 354  
dirk.schumacher@natixis.com

**Spain, Portugal, Greece, Eurozone**



**Jesus Castillo**  
+33 1 58 55 99 90  
jescastillo@natixis.com

**Real Estate**



**Sylwia Hubar**  
+33 1 58 55 35 59  
sylwia.hubar@natixis.com

**France, Belgium, Eurozone**



**Véronique Janod**  
+33 1 58 55 34 28  
veronique.janod@natixis.com

**Eastern Europe, Middle East and Africa**



**Lysu Paez Cortez**  
+33 1 58 55 43 22  
lysu.paezcortez@natixis.com

**Solutions Research**

**Head of Solutions Research**



**Cyril Regnat**  
+33 1 58 55 82 20  
cyril.regnat@natixis.com

**Credit**

**Inna Mufteeva**  
+33 1 58 55 52 04  
inna.mufteeva@natixis.com

**Investment Strategies & Cross Asset**



**Florent Pochon**  
+33 1 58 55 32 81  
florent.pochon@natixis.com



**Emilie Tetard**  
+33 1 58 19 98 15  
emilie.tetard@natixis.com

**Forex**

**Nordine Naam**  
+33 1 58 55 14 95  
nordine.naam@natixis.com



**Celine Clari**  
+33 1 58 55 82 50  
celine.clari@natixis.com

**Green & Sustainable**



**Hong My Nguyen**  
+33 1 58 55 85 27  
hongmy.nguyen@natixis.com

**Rates**

Euro : Derivatives



**Jean Christophe Machado**  
+33 1 58 55 51 79  
jean-christophe.machado@natixis.com

USD Derivatives / Vol / Stress Test



**Guillaume Martin**  
+33 1 58 55 38 79  
guillaume.martin@natixis.com

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