

MARKET COMMENTARY

Germany successfully places last green Bund in 2024

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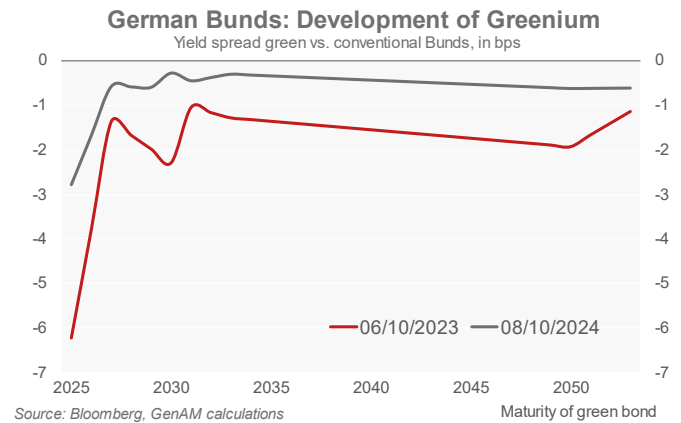
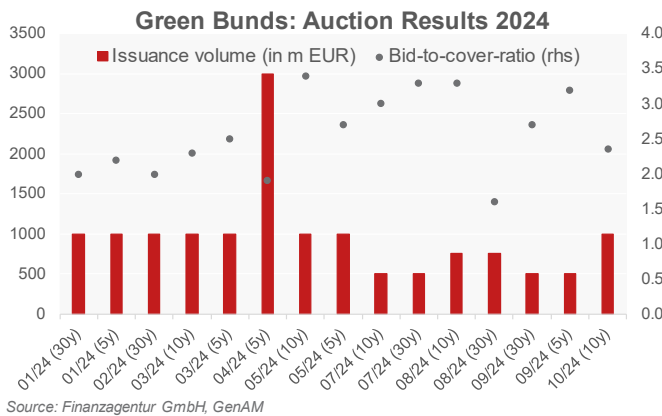
- Germany tapped the 10-year green Bund by EUR 1bn today. The Finanzagentur has thus finalised the issuance of green bonds in 2024.
- As with previous auctions, the supply met with solid demand. The Bid-to-Cover-Ratio of 2.4 was slightly below the annual average of 2.6. Overall, Germany increased the volume of green bonds in circulation by EUR 17.5bn in 2024.
- This means that Germany remains the euro area leader in green bond issuance. At over EUR 73bn, Germany has now slightly more outstanding green sovereign bonds than France.
- The trend towards a reduction in the greenium continued during the year, although green bonds still generally have a positive greenium. However, with a few exceptions, it is now in the low single digits.

Last issuance of a green Bund in 2024. Germany tapped the green Bund (Germany 2.3\$ 02/2033) once again today. The previously outstanding volume of 9 billion was increased by a further billion to 10 billion. As in the previous auctions, the offering met with very solid demand. At 2.4, the bid-to-cover ratio was only slightly below the annual average of 2.6. The average yield was 2.16%. The issuance of green bonds originally announced for November was cancelled, as the volume targeted for the year as a whole has already been achieved with the current issuance. Overall, Germany has thus increased the volume of outstanding green bonds by EUR 17.5bn (slightly more than in 2023: EUR 17.25bn). The average original maturity was just over 14 years. With one exception – EUR 3bn were issued via syndication in June - all bonds were placed at auctions.

Germany strengthens its position as the most active issuer in the euro area. This means that Germany remains the most active issuer of green sovereign bonds in the eurozone. In total, the volume of green bonds outstanding now exceeds EUR 73bn. There are currently eight green bonds, and further expansion to create a complete green yield curve has been announced for the coming years. This means that Germany now also has a slightly higher outstanding volume than France.

Greenium remains positive but tends to fall in a maturing market. Regarding the greenium, the diversity of euro area issuers remains high. The greenium remains generally positive, but the trend is towards a further decline over time. This shows that the market is stabilising and becoming increasingly mature. Most euro area countries have already issued green bonds. This reduces the dependence on a small number of issuers and enables investors to diversify further. The development of the greenium is particularly evident in the case of green Bunds. Due to the twin concept, all green Bunds are always based on a conventional Bund with matching features. In particular, the twin bonds have identical coupons and maturities. However, the green bonds are issued slightly later and have a smaller outstanding volume. Hence, the twin concept makes it easier to determine the greenium and increases the transparency for market participants.

Greenium to persist in future. As the chart below shows, the greenium (except for the bond maturing in 2025) is below 1 bp (at the beginning of 2023, the average greenium was still 5 bp). This reflects not least the steadily increasing supply of green bonds across the entire public sector. However, we do not expect the greenium to disappear completely. Due to the greater transparency of how the proceeds are used, green bonds have a higher value than conventional bonds. In this respect, a greenium can be expected in the future.



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