

Back to the market: UK issues new green gilt

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The UK Treasury (ticker: UKT) announced the issuance of a new green gilt with March 2037 maturity and 4.625% coupon (ISIN code GB00BVP99905).[1] The bond was placed via syndication and priced on 10 March with a 10.75bp spread over benchmark (UKT 4.25% 2036s); broadly in line with the March 2037 point on an interpolated yield curve. The GBP 6.25bn transaction was launched on the back of a strong order book above GBP 80bn, implying a 12.8x bid-to-cover ratio.

The two previously issued green gilts (2033 and 2053 maturities) have a combined amount outstanding of around GBP 70bn, currently accounting for 3.3% of total UK gilts (excluding index-linked bonds). With the latest issuance this share will increase to almost 3.6%. Moreover, it will further expand a green gilt curve, which can act as benchmark for the broader market.

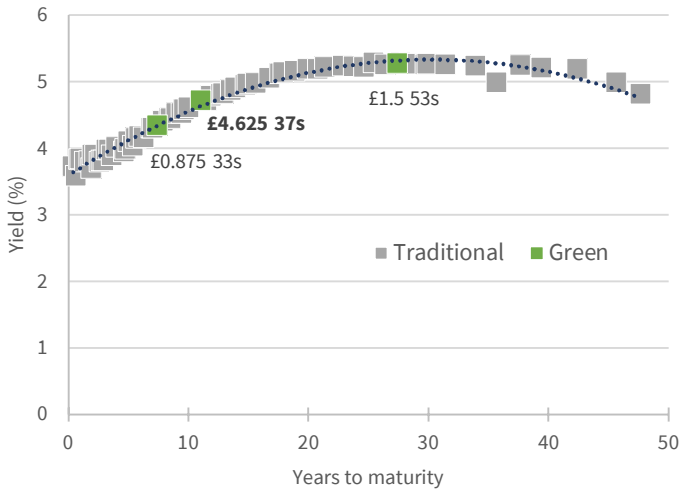
The new gilt is issued under an updated financing framework which has added nuclear projects to the eligible expenditure, indicating a shift in the market stance towards nuclear power since the first framework was published in 2021.[2] But it is seen as controversial by some investors.[3]

A primary motivator for issuers to use green securities is if they can be issued at lower yields in the primary market, therefore directly lowering borrowing costs.

A precise analysis of this 'greenium' in the gilt market is challenging; there are no directly comparable twin bonds, and the existing bonds have a range of coupon and cash prices which can impact market dynamics.

Looking at current market pricing (see Figure 2), we found little signs of differentiated pricing in the secondary market.

Figure 1. UK gilt yield curve with indicative pricing for new green gilt (highlighted in bold). Source: AFII, Bloomberg Finance L.P., accessed 10 Mar 2026.



Both the 2033s and 2053s seem to have been widening versus non-green bonds recently. However, in the primary market, it is reported that earlier green gilts were priced with positive greenium, which is also visible in our comparisons. This difference ultimately is what impacts funding costs for borrowers, and can support greater issuance.

[1] "Syndicated launch of 4⅝% green gilt 2037", UK DMO, 3 Mar 2026.
[2] "UK makes nuclear energy eligible under green financing rules", The Banker, 1 Dec 2025.
[3] "A £2 Billion Fund Shuns New UK Green Bonds Funding Nuclear", Financial Post / Bloomberg, 10 Mar 2026.

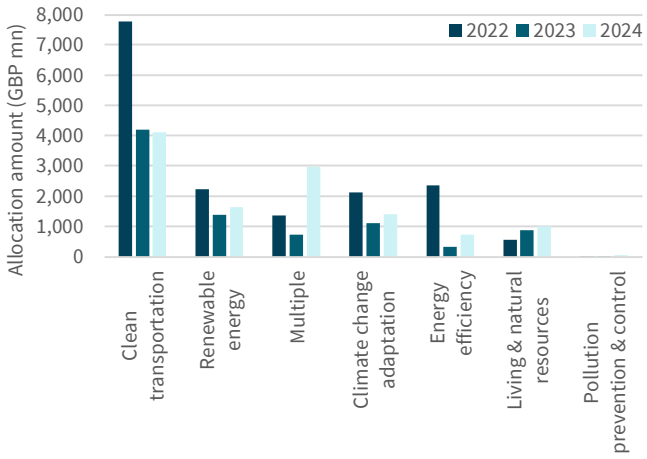
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UK Treasury green financing recap

In 2021, the inaugural green gilt was issued (2033 maturity), followed shortly afterwards by a second one (2053 maturity). The book cover ratio for the initial issuances was 10x for the 2033 bond and 12.3x for the 2053 based on Bloomberg data. After the initial issuance of GBP 10bn and GBP 6bn, respectively, the two bonds have been frequently tapped through auctions – most recently in October 2025. The current amount outstanding in the two bonds is GBP 39.8bn and GBP 30.4bn, accounting for 3.3% of total UK gilts (excluding index-linked bonds).[4]

In November 2025, the UK Debt Management Office (DMO) published an updated green financing framework that outlines eligible expenditures.[5] The updated framework included nuclear energy was as a new category of eligible expenditure.[6] The Second Party Opinion (SPO) classifies the activities in the latest framework as 'dark green' overall, the highest category, and doesn't flag any weaknesses.[7]

Figure 2. Green bond proceeds allocation across categories by reporting year. Source: AFII, UK DMO.



Proceeds allocation

Three allocation reports have been published, for 2022/2023/2024 with details shown in Figure 2.[8] The latest was released in Oct 2024, and an update should follow in due course. So far, clean transportation has received the highest allocation, and will likely remain the largest category.[9]

Market pricing

When looking at the pricing of green bonds, market observers often look at the so-called greenium. We calculate this as the yield difference between conventional and green bonds, with a positive greenium indicating the green bond has a tighter yield. Some governments (e.g. Denmark and Germany) have issued twin bonds,[10] but in the case of the UK such a direct comparison is not

[4] Based on Gilts in Issue, as of 20 Feb 2026.
[5] "UK Government Green Financing Framework", UK DMO, 26 Nov 2025.
[6] Specifically, electricity and/or heat (including cogeneration) from nuclear fission: Support for the design, development, construction, commissioning, safe operation, lifetime extension, or supporting infrastructure of new or existing nuclear power generation assets. Also, research and development for future fission and fusion energy technologies.
[7] "Second Party Opinion: HM Treasury Green Financing Framework", S&P Global, 26 Nov 2025.
[8] The chart shows allocation by reporting year, which is not necessarily the year of the expenditures (e.g. 2022 reporting includes expenditures in 2021).
[9] "UK Green Financing Programme", UK DMO, 6 Mar 2026.
[10] A twin bond pair typically consists of bonds with the same financial terms (e.g. coupon, maturity), but one of them is a green bond and the other one a plain vanilla bond. Such bond pairs offer a unique opportunity to observe and analyse greeniums, as discuss in "Twin bonds: recap ahead of Denmark's EuGB issuance", AFII, 19 Sep 2025.

available. There are nevertheless ways to assess market pricing at issuance (e.g. interpolation between bonds) and over time (e.g. bonds with similar characteristics).

What ultimately matters for issuers is the pricing in the **primary market** due to the direct impact this has on borrowing costs. In practice, it is not always straightforward accurately to assess the greenium at issuance, particularly in the absence of a twin bond, as pricing is also influenced by other factors like the new issuance premium.

For the inaugural green gilt issuance in 2021, the greenium was reported to be approximately 0.025 percentage points (i.e. 2.5bp) according to HSBC.[11] This analysis was based on an interpolation between on-the-run bonds.[12] The subsequent 2053 green gilt priced slightly inside the benchmark (UKT-1bp).[13] If the green bonds priced inside vanilla bonds, this suggests a pricing benefit for the UK government, and therefore fiscal savings through green gilt issuance.

Meanwhile, a recent comprehensive study of sovereign greenium in the **secondary market** finds a small but statistically significant greenium of 2bp for advanced economies.[14] Looking at the gilt curve, there are a couple of bonds that can be used as reference to assess secondary market pricing of the two green gilts.

Looking at the UK's yield curve of almost 70 bonds, the various gilts were issued at different times. For example, the two green gilts were issued in 2021 when interest rates were low – they are now trading below par, which might impact investor preferences and relative market pricing too.

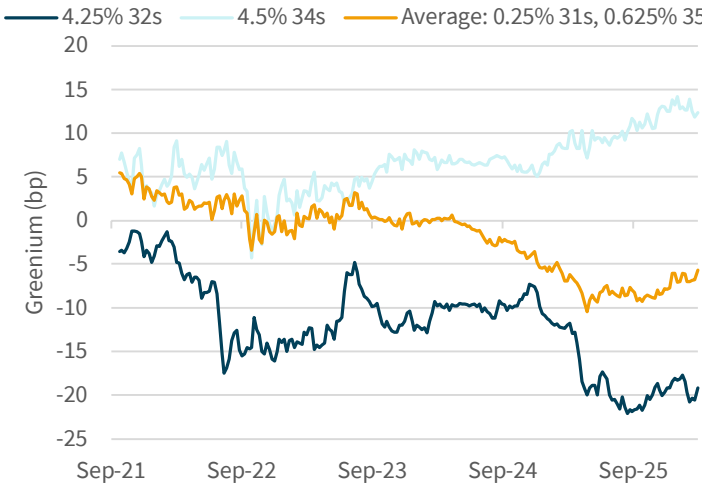
In the absence of a twin bond, other bonds with similar characteristics can act as a reference for yield comparisons (for an overview of bond specifications, see Table 1 in the Appendix).

Historical analysis

Figure 3 illustrates the yield differences between the 0.875% 33s green bond and a selection of different potential comparison bonds.

One factor making direct comparison hard, is coupon differences. The 4.25% 32s and 4.5% 34s both have high coupons and so trade around par. The green gilt has a low coupon and trades with a cash price around 80%.

Figure 3. Greenium estimates (0.875% 33s). Source: AFII, Bloomberg Finance L.P., accessed 4 Mar 2026.



[11] "How do the capital markets support the UK's Green Industrial Revolution?", HSBC, 8 Nov 2021.
[12] At 7.5bp over the June 2032 gilt, the issuer had achieved a 2.5bp greenium based on an interpolation of where the UK's on-the-run 2031 and 2035 bonds are trading (for further details: "UK debut breaks greenium records", IFR, 23 Sep 2021).
[13] Based on pricing announcement on Bloomberg.
[14] "The Sovereign Greenium: Big Promise but Small Price Effect", Panizza et al., Working Paper No. HEIDWP16-2025.

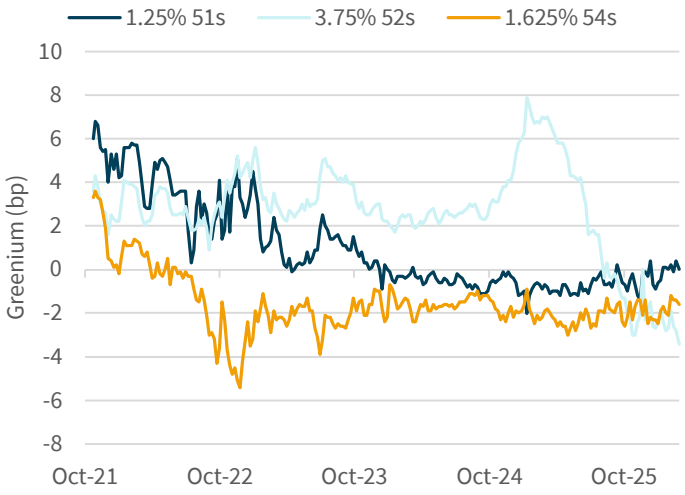
The 4.25% 32s were used as a benchmark at issuance but has a lower duration (5.4 compared to 7.0). The yield difference to the 2032s is negative and moving more negative in the past few years

The 4.5% 34s have similar duration as the green gilt but have over a year longer to maturity and a higher coupon. Accordingly, this is not an ideal comparison as the yield difference might be driven other factors (e.g. curve steepness, investor preference for bonds trading below par).

The green gilt has maturity exactly halfway between two low coupon gilts, the 0.25% 31s and 0.625% 35s, and so a comparison to the average of these two bonds offers a preferred calculation. Using a linear interpolation between these two bonds suggests a positive greenium for the first year after issuance and a negative one in recent years, meaning the yield of this green gilt was higher than the interpolated yield as of late.

Turning to greenium for the 1.5% 53s in Figure 4, there had been a persistent yield difference to the 3.75% 52s (the bond used as benchmark at issuance of the green gilt) until mid-2025 but this has turned since. However, it is not clear how much of this relative pricing was driven by green gilt sentiment and/or other technical factors. Looking at the 1.25% 51s and 1.625%, which have similar duration as the green gilt, there were signs of a positive greenium after issuance but not for long.

Figure 4. Greenium estimates (1.5% 53s). Source: AFII, Bloomberg Finance L.P., accessed 4 Mar 2026.



What becomes clear from this analysis: absent a twin bond with the same financial terms, it is more difficult categorically to observe and analyse a greenium in the market.

Performance in times of market stress

The 'mini budget' crisis[15] in September 2022 is an event that can be used to assess how different bonds reacted in a period of market stress. During that time, the 10-year and 30-year benchmark spiked by 130-150bps.[16]

While there was little differentiation at the long end of the yield curve, the greenium proxies for the 0.875% 33s (see Figure 3) that had previously been positive turned negative, suggesting the green gilts experienced more pressure during that time. We have conducted broader analysis on green bonds in times of market stress that suggest they can recover more quickly,[17] although this doesn't seem to have occurred in the UK gilt market after this market event.

[15] For details see "UK Financial Crisis of 2022: Retrospective Diagnosis and Policy", Centre for Macroeconomics (CFM), 27 Oct 2022.
[16] Peak in the second half of September 2022, relative to 15 September 2022. By the end of the month, yields settled at level around 90bps and 34bps higher.
[17] "Green bond comeback: one month after 'Liberation Day'", AFII, 20 May 2025.

Conclusions

With the new green gilt issuance, the UK DMO shows commitment to green financing instruments, accounting now for almost 3.6% of total gilts (excluding index-linked bonds). Historically, clean transportation was responsible for the highest share of expenditures, and it will likely remain the largest category. We note nuclear energy has recently been added as an eligible category to the financing framework, indicating a shift in the market stance towards nuclear power since the first framework was published in 2021. But it is seen as controversial by some investors.

Looking at market pricing, in the absence of a twin bond structure, it is hard to make categorically conclusions. Comparing the secondary pricing of the previously issued green gilts to a selection of potential comparables gives mixed results. The 2053s seem to have been gently underperforming non-green gilts since issuance. Using a linear interpolation, there had a been signs of a positive greenium for the 2033s in the year after issuance, but this has turned negative since 2022.

However, in the primary market, it is reported that previous green gilts were priced with positive greenium, which ultimately is what impacts funding costs for borrowers.

Appendix

Table 1. Comparison of select gilts. Source: AFII, Bloomberg Finance L.P., UK DMO, accessed 4 Mar 2026.

ISIN	Issuance date	Maturity	Coupon	Green gilt	Price	Yield to maturity	Modified duration
GB00BMGR2809	13/11/2020	31/07/2031	0.25%		82.5	3.88%	5.3
⋮							
GB0004893086	25/05/2000	07/06/2032	4.25%		101.4	4.00%	5.4
GB00BMV7TC88	11/01/2023	31/01/2033	3.25%		94.6	4.16%	6.1
GB00BVP99780	30/10/2025	07/03/2033	4.125%		99.7	4.17%	6.0
GB00BM8Z2S21	22/09/2021	31/07/2033	0.875%	Y	79.0	4.20%	7.0
GB00BPJJKN53	12/10/2023	31/01/2034	4.625%		102.3	4.28%	6.6
GB00BQC82C90	12/06/2024	31/07/2034	4.25%		99.4	4.33%	7.0
GB00B52WS153	17/06/2009	07/09/2034	4.5%		101.2	4.32%	7.0
⋮							
GB00BMGR2916	09/09/2020	31/07/2035	0.625%		71.1	4.41%	8.9
GB0032452392	27/02/2003	07/03/2036	4.25%		98.0	4.50%	8.1
GB00BVP99905		07/03/2037	4.625%	Y			
GB00BZB26Y51	09/11/2016	07/09/2037	1.75%		74.6	4.62%	10.0
GB00BLH38158	28/04/2021	31/07/2051	1.25%		44.6	5.21%	18.9
GB00B6RNH572	28/09/2011	22/07/2052	3.75%		79.6	5.18%	15.2
GB00BM8Z2V59	22/10/2021	31/07/2053	1.5%	Y	46.2	5.21%	19.1
GB00BPCJD997	25/01/2023	22/10/2053	3.75%		78.8	5.21%	15.4
GB00BPSNBB36	24/01/2024	31/07/2054	4.375%		87.8	5.20%	15.2
GB00BJLR0J16	15/05/2019	22/10/2054	1.625%		47.1	5.19%	19.0

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