PORTFOLIO ANALYSIS

Different shades of greenium: banks, utilities, and the price of transition

Kamesh Korangi*, Prahalad Prasad | 13 Aug 2026 | 8-minute read

SUMMARY

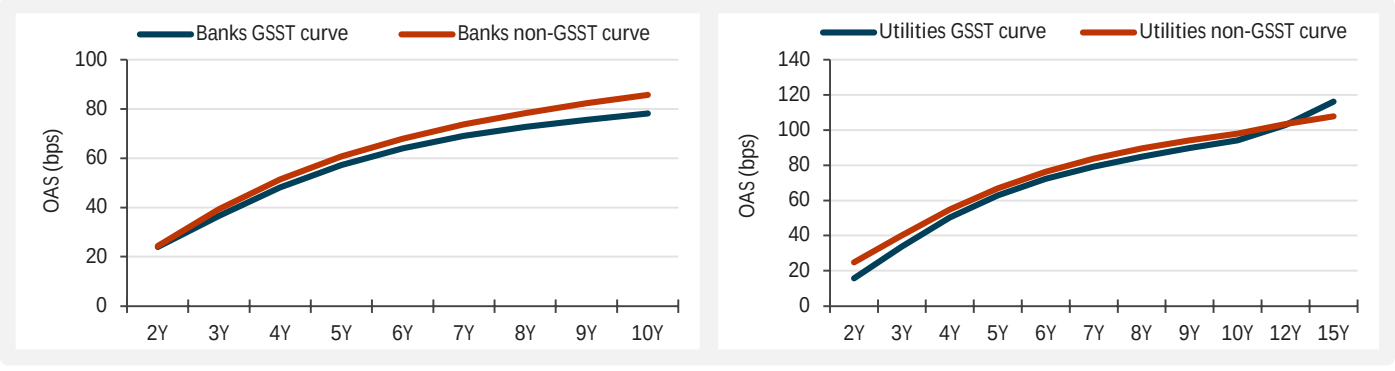
- Greenium matters as an indicator of market view, while GSST issuance trends are diverging across regions
- Using a curve construction approach, banks exhibit the strongest greenium, of up to 7.5bps tighter than comparable conventional bonds
- Utilities show a smaller and less consistent greenium – the effect is sector-specific and dynamic
- GSST bonds offer benefits beyond pricing, providing greater transparency on transition plans and supporting portfolio construction

One possible driver of the renewed surge in European green bond issuance this year is the greenium – the pricing benefit achievable for labelled bonds compared to conventional instruments.[1] The greenium continues to be of interest to fixed income market participants.[2,3] In this paper we expand on our previous analysis and explain why it matters.[4] To this end, we construct Green, Sustainability, Sustainability-Linked & Transition (GSST) and non-GSST curves for similarly rated EUR bonds within the banking and utilities sectors, to explore differences in how these respective curves trade and try to isolate the greenium.

These curves are shown in Figure 1. For A-rated banks, we find that the greenium reaches 7.5bps, while for BBB-rated utilities, the effect is more modest, generally ranging between 4-9bps across most maturities.[5] We explore the drivers behind this and find that Swedish banks and UK utilities tend to be overweight in GSST issuance, while US issuers in both sectors are overweight in non-GSST supply.

The paper also explores greenium's evolution over time. We conclude that greenium can indicate investor demand in secondary markets, and is more present in the banking than utilities sector. GSST bonds can also provide greater transparency compared to conventional issuance and are valuable additions to portfolios, as issuers provide better reporting on transition metrics, allowing for more varied strategies to be deployed.

Figure 1. GSST and non-GSST curves for banking and utilities sectors. Sources: AFII analysis, Bloomberg Finance L.P., accessed 6 Aug 2026.



[1] "European green bonds rebound to take share from 'greenhushed' US", Financial Times, 5 Aug 2026.
[2] "The greenium in high-rated euro bonds", Robeco, Mar 2024.
[3] "The greenium myth: do investors give up returns?", Amova Asset Management, 2 Jul 2026.
[4] "Transition credit review: shock and recovery, YTD 2026", AFII, 28 Jul 2026.
[5] Throughout this paper, we refer to a positive greenium as a situation where yields on GSST bonds are lower than non-GSST or conventional bonds.

*Author to contact: kko@anthropocenefii.org. See important disclaimer.

Introduction

European green bond issuance is poised to reach record levels this year.[6] The drivers behind this surge are varied, ranging from energy security fears, an increased focus on the energy transition, the stable EU regulatory environment, and the opportunity to capture greenium. This paper investigates the latter, and whether there is evidence of a pricing benefit in the banking and utilities sectors, both of which are currently powering the uptick in labelled bond issuance.

To explore whether there is a greenium, we utilise a curve construction approach. Other approaches are also possible and are outlined in the Appendix.

Curve construction method

First, we derive the GSST and non-GSST curves for the two sectors by plotting where all the labelled and non-labelled issuance within a given universe is trading, holding currency and rating constant. The two curves can then be compared to assess any potential greenium. While this approach is less directly comparable than twin bonds or paired bonds,[7] it is less restrictive and can therefore incorporate a much larger sample.

Analysis of greenium often focuses on primary markets: i.e., whether an issuer can achieve a lower issuance spread by printing a GSST bond versus a conventional one. This perceived funding cost benefit can be difficult to identify, especially at an issuer-specific level. Exploring a larger universe of secondary market bonds allows us to see whether the broader market is ascribing value to GSST bonds and whether holding these securities can be beneficial for investors. Secondary markets also reflect current market conditions and if outstanding GSST securities have greeniums, they are likely to be present in the primary market, too.

Curve construction – banks and utilities

Our analysis centres on benchmark size EUR bonds issued by corporates (including financials). To scope out the universe, we utilise Bloomberg's LECPTREU Index (EUR Corporate Unhedged), which includes fixed-rate EUR investment grade bonds. We focus on banking and utilities, as these are the sectors with the most GSST issuance outstanding in the index. To isolate the impact of the GSST label on bond pricing, we focus on one rating bucket per sector: A for banks (A+/A/A- equiv.) and BBB for utilities (BBB+/BBB/BBB- equiv.).

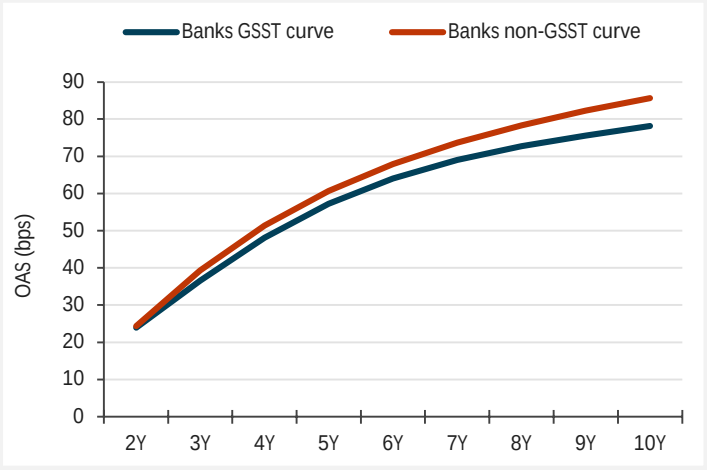
Banks

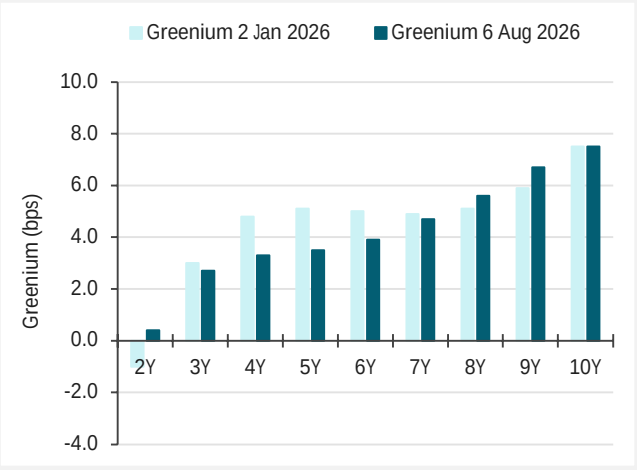
The LHS of Figure 2 below highlights the current GSST and conventional curves of A-rated bank bonds in the index. The GSST curve is trading slightly tighter, with the largest greenium of 7.5bps at the 10yr point.

The RHS illustrates how the greenium has changed across the curve since the start of 2026. In shorter tenors (3-6yr), the greenium has seen a 1-1.5bp decrease, while marginally increasing in longer maturities (8-10yr). This marginal underperformance in the short-end of the curve could reflect broader market moves, as the short-end moves with rate hike expectations.

[6] Total global issuance is projected to exceed the $673bn sold in 2024, when issuance in Europe totalled $385bn, as per "European green bonds rebound to take share from 'greenhushed' US", Financial Times, 5 Aug 2026.
[7] "Twin bonds: recap ahead of Denmark's EuGB issuance", AFII, 19 Sep 2025.

Figure 2. LHS – banks GSST and non-GSST curves. RHS – greenium as of 2 Jan 2026 vs 6 Aug 2026. Source: Bloomberg Finance L.P., accessed 6 Aug 2026.





A closer look at the constituent banks behind these curves can reveal the possible drivers of greenium. In this case, a notable difference between the GSST and non-GSST universe is the proportion of Swedish and US banks represented, respectively. Swedish bank bonds form 12% of the GSST bond population, while representing only 2% of the conventional universe. The opposite is true for US banks, where the proportions are 2% and 14%, respectively. Table 1 shows the top five regions for GSST and non-GSST issuance in the population. It also highlights the issuers that contribute most to the greenium difference.

Table 1. % share of top five countries, banks GSST and non-GSST issuance in LECPTREU Index. Source: AFII analysis, Bloomberg Finance L.P., accessed 6 Aug 2026.

Country	% share GSST	Country	% share non- GSST
FR	16.1%	FR	28.8%
NL	16.1%	GB	14.0%
ES	13.2%	US	14.0%
SE	12.2%	ES	10.0%
GB	8.8%	NL	7.6%

The larger share of European banks issuing GSST bonds is unsurprising and is perhaps a response to regulation and strong investor demand for labelled instruments, as evidenced by the greenium. US banks could themselves respond to this investor bid by issuing in GSST format. We argue that it is this difference in regional composition that drives greenium for this universe.

Utilities

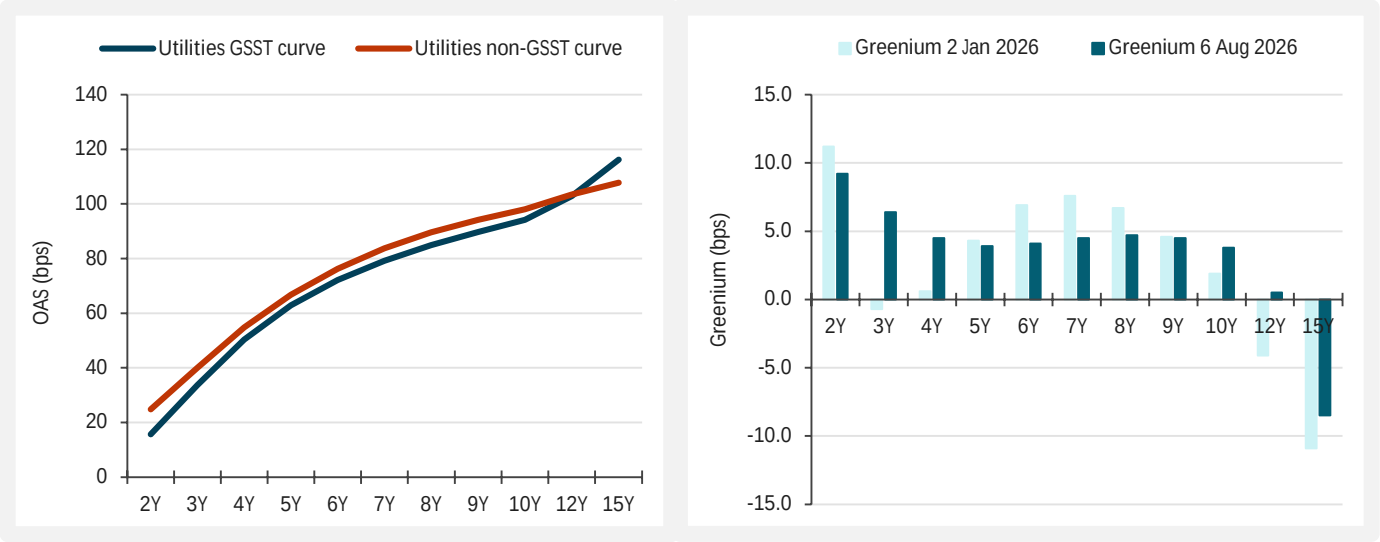
Figure 3 LHS shows the curves of BBB-rated utilities bonds in the LECPTREU index. It reveals a modest greenium across the curve.

Unlike the banking GSST population, which is almost entirely made up of green bonds, the utilities labelled universe includes a sizable proportion of SLBs and transition bonds. Once these are removed, there is less greenium in evidence.[8]

Examining the greenium over time (as per the RHS of Figure 3) shows a mixed picture, with greenium increasing significantly in some shorter tenors (3-4yr), while falling in the 6-8yr part of the curve.

[8] The OAS spread at the 5yr tenor for Green bonds alone is 65bps (population size 121). Looking at GSST more broadly (population size 147) gives an OAS of 63.4bps, with a greenium of 2bps for Green only vs 5bps for GSST. The SLBs and Transition bonds from Snam and Enel largely drive the better greenium for GSST vs Green only. Source: Bloomberg Finance L.P, accessed 10 Aug 2026.

Figure 3. LHS – utilities GSST and non-GSST curves. RHS – greenium as of 2 Jan 2026 vs 6 Aug 2026. Source: Bloomberg Finance L.P., accessed 6 Aug 2026.



Within utilities issuance, we see similar regional trends to banks – US utilities only form 2% of GSST supply, rising to 17% for non-labelled issuance. Meanwhile, UK issuers are slightly overweight in GSST bonds, forming nearly 15% of labelled issuance in the population, compared to 10% of non-labelled issuance. Much of the UK's GSST utilities supply comes from the water sector, which has experienced significant credit stress in recent years. The sector has underperformed by 3bps YTD,[9] compared to gas and electric industries within the broader utilities sector. With UK water companies largely issuing GSST bonds, the sector underperformance is likely reducing the greenium in our analysis.

Table 2. % share of top 5 countries, utilities GSST and non-GSST issuance in LECPTREU Index. Source: AFII analysis, Bloomberg Finance L.P., accessed 6 Aug 2026.

Country	% share GSST	Country	% share non- GSST
DE	25.6%	FR	21.6%
IT	23.8%	IT	18.6%
GB	14.5%	US	16.8%
FR	13.5%	DE	12.5%
ES	9.1%	ES	11.4%

Wider impacts of greenium

Watching the greenium in secondary markets can help portfolio managers understand the importance the market assigns to climate or transition factors. Thus far, we have found a greenium in the banking and utilities sectors, which could potentially explain the recent uptick in GSST issuance. However, all labelled bonds need to be understood in their broader context, not solely from a pricing perspective. The wider impact GSST bonds can have on providing greater transparency is also appealing to investors and a possible demand driver. Non-labelled bonds that raise funds for very similar purposes do not have such regular reporting requirements, while GSST bond reporting is widely available to all investors (not just holders of the bond). If these updates were hidden from public view, the information would likely become more valuable and possibly increase the demand for labelled instruments (and therefore raise the greenium).

[9] For GSST utilities, 6bps of tightening vs 3bps in water industry group. The duration is also longer at 9 years vs 6 years.

When it comes to portfolio construction, GSST bonds can offer better metrics – especially for climate/transition-aligned portfolios. This allows for different risk positions to sit in a portfolio relative to a benchmark. A portfolio overweight in GSST bonds compared to a benchmark allows for concentrated positioning in other issuers, which may have a weaker transition or climate risk profile. This enables investors to remain invested in selected higher-emitting issuers. Rather than excluding these companies outright, such issuers can be influenced to provide greater transparency,[10] an impact that may be less achievable through passive exclusion strategies alone.

The greenium observed in secondary markets differs from that achieved in primary markets. Secondary market pricing serves as an important indicator for primary issuance, and recent outperformance of GSST bonds in secondary markets can drive more substantial capital flows in primary. Secondary markets are often driven by liquidity and technical factors, meaning there are not often large capital flows to take advantage of any mispricing. However, secondary market valuations serve as an important signal of investor demand, helping shape primary market pricing where flows can ultimately influence issuers' cost of capital and allocation decisions.

Conclusions

In this paper, we explore whether greenium is driving an increase in European green bond issuance. We present a curve construction approach to calculate greenium, by comparing GSST and non-GSST curves within the same sector, after controlling for rating and currency. This approach is aimed at sectors where there are a considerable number of green bonds.

Banking and utilities were the two sectors selected due to their larger population size of GSST bonds. For A-rated banks, GSST bonds trade tighter than conventional bonds, with greenium reaching as much as 7.5bps at the 10yr tenor. In BBB-rated utilities, the effect is more modest, generally ranging between 4-9bps across most maturities. This is influenced by the composition of the labelled bond universe. European issuers, particularly Swedish banks and some UK utility issuers, are overrepresented in GSST markets, while US issuers remain concentrated in conventional issuance. This is likely in part due to variations in investor appetite in these regions.

For investors, the value of GSST bonds extends beyond pricing. While any secondary market premium is dynamic and not guaranteed, labelled bonds provide greater transparency on capital expenditure and transition plans, supporting more informed credit analysis and portfolio construction. As a result, GSST bonds should be viewed not only as a potential source of relative value, but also as an important tool for assessing and allocating risk within fixed income portfolios.

[10] For strategies on how to engage with issuers, please see "Bondholder engagement toolkit", AFII, 5 Dec 2025.

Appendix

Greenium is defined as "*the difference in yield between a green bond and a comparable conventional bond*".[11] Ascertaining its existence has often been difficult, as there is rarely a case where a GSST and non-GSST bond share identical characteristics (size, maturity, coupon, issue date etc.). This makes finding a perfect comparison almost impossible.[12] We briefly discuss existing methods to calculate the greenium below.[13]

Existing methods

Twin bond method

Comparisons are most possible with sovereign twin bonds: a pair of bonds with identical financial terms, where one bond is conventional and the other green, allowing for a much more direct comparison and assessment of greenium. Twin bonds have been issued by Denmark, Germany, Japan, and Colombia, as covered in our previous research.[14]

However, corporate issuers do not utilise this structure, making the twin bond approach much more difficult to apply outside of sovereign issuance.

Regression method

Using a fixed effects panel regression model, bond spreads can be decomposed to find the impact of a label, using a binary indicator along with traditional indicators such as credit rating, duration, maturity, and seniority. The trend and significance of the coefficient for the green binary variable can aid this analysis. However, this is data intensive and residual error terms might not be independent, which creates biased interpretations of the coefficients.[15]

Issuer/cross-paired method

Another method is to find an equivalent security to an existing GSST bond, by using the bonds of the same issuer or peers. For the same issuer, the seniority and maturity of labelled and non-labelled debt rarely match, as issuers do not cluster their bonds in close tenors (to space out maturity profiles and reduce refinancing risk). Therefore, interpolating the curve requires significant assumptions. Meanwhile, the cross-paired approach takes peers of the issuer and finds better matching bonds to interpolate. However, this can result in bonds of different liquidity, age, and credit quality, as peers will not be an exact match.

[11] P.3, "The greenium in high-rated euro bonds", Robeco, Mar 2024.
[12] "So what is a greenium and how do we get to it?", ING THINK, 9 Jun 2021.
[13] While there are likely other methods for calculating greenium, a full review of existing methods is out of scope for this paper.
[14] "Twin bonds: recap ahead of Denmark's EuGB issuance", AFII, 19 Sep 2025.
[15] A simple fixed effects regression model (i.e. snapshot, not over time) can take the form $OAS_{i,k} = \alpha + \beta \cdot Green_i + \beta \cdot ModDur_i + \beta \cdot Maturity_i + \beta \cdot SNP_i + \beta \cdot Sub_i + \varepsilon$ where the $OAS_{i,k}$ is the spread of bond i for an issuer k. Within-transformation is applied where the mean values for each of these variables for an issuer is subtracted from the bond values, which allows for comparison between same bonds of the issuer. In banking (383 bonds, 41 issuers) it finds a greenium of 5.18bps (p-value of 0.064) which is not significant at a 5% threshold.

Version log

Date	Comment
13 Aug 2026	Document published

Important disclaimer:

This report is for information and educational purposes only. The Anthropocene Fixed Income Institute ('AFII') does not provide tax, legal, investment, accounting, or any regulatory or regulated advice or services. This report is not intended to provide, and should not be relied on for, tax, legal, investment, accounting, or regulatory or regulated advice or services. Nothing in this report is intended (i) as investment advice, as an offer or solicitation of an offer to buy or sell, or as a recommendation, endorsement, or sponsorship of any security, company, issuer, or fund or (ii) to express a particular investment proposal in respect of a financial instrument or an issuer, or (iii) to propose a particular investment decision in respect of a financial instrument or an opinion as to the present or future value or price of any financial instrument or (iv) to recommend or suggest any investment strategy.

AFII is not responsible for any investment decision made by you. You are responsible for your own investment research and investment decisions. This report is not meant as a general guide to investing, nor as a source of any specific investment recommendation. Unless attributed to others, any opinions expressed are our current opinions only. AFII does not take into account your own circumstances or assets and AFII assumes no direct or indirect responsibility or liability for any investment decisions you make, and you remain fully responsible for your own research, legal and regulatory compliance, and decisions.

Certain information presented may have been sourced from third parties. AFII believes that such third-party information is reliable, and has checked public records to verify it wherever possible, but does not guarantee its accuracy, timeliness or completeness; and it is subject to change without notice. Any reference to an issuer's creditworthiness or likelihood of positive or negative performance in the current or future market is purely observational and should not be taken as a recommendation, endorsement or advice in relation to such issuer or its securities. AFII is a non-profit organisation that provides fixed income investors with the insights and tools they need to align their portfolios with ambitious climate and nature targets.

For more information about the Institute, please visit www.anthropocenefii.org.