SOVEREIGNS

Putting sovereign labelled bond issuance into context

Jonas David* | 23 Jul 2026 | 7 minute read

SUMMARY

- Strong labelled bond issuance in H1 2026 masks a concentrated market with a share that is still relatively low in most countries.
- Refinancing is where investors have leverage to influence the borrowing decisions of governments and shape the market.
- A manageable amount of EUR 30bn matures by end-2027. Germany, Hong Kong, and Mexico are key issuers to watch due to sizable maturities.
- Bond markets are critical in raising capital for transition investment.

Sovereign issuance of new labelled bonds almost doubled in the first half of 2026, compared to the same period last year. This increase is notable against corporate issuance, which was broadly flat (see Figure 1), indicating governments see value in labelled bond issuance despite relatively low greeniums.[1]

With the six largest issuers accounting for 80%, issuance was highly concentrated in H1 2026 (see Figure 2). The United Kingdom (GBP 6.25bn + 3.25bn tap[2]) and France (EUR 10bn) were by far the largest issuers.[3]

While the increase in issuance is remarkable, the headline figures are only one part of the story. The major issuers still have a relatively low share of labelled bonds, while leaders like Chile stand out.[4]

The issuance of labelled bonds sends a market signal to investors and can help with engagement on sustainability topics, but more is required to support transition finance.

Figure 1. Labelled bond issuance in H1 2026 compared to H1 2025 by issuer type (in EUR, based on historical exchange rates). Source: AFII, Bloomberg Finance L.P., accessed 15 Jul 2026.

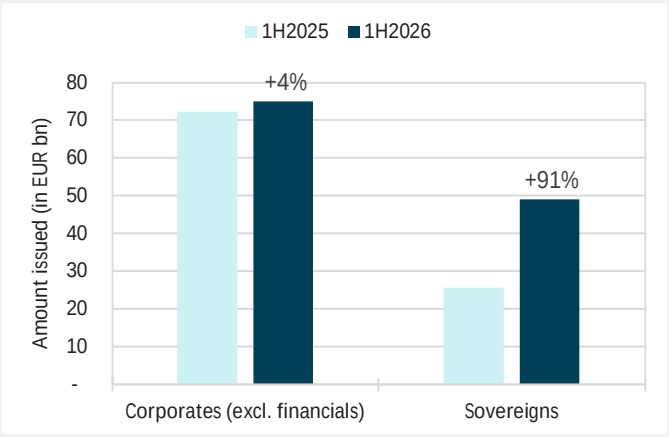
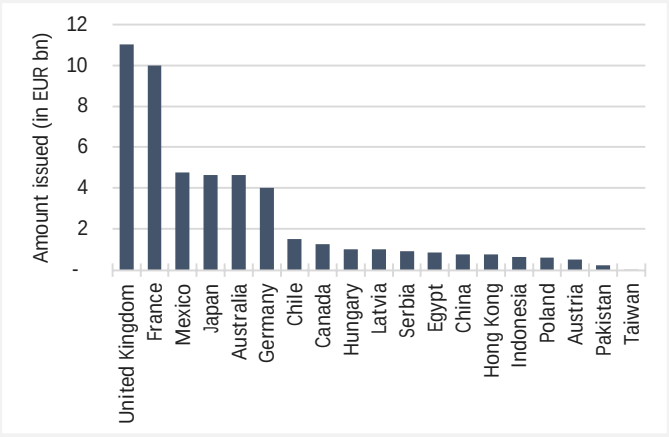


Figure 2. Labelled sovereign bond issuance in H1 2026, ranked by amount (in EUR, based on historical exchange rates).[1] Source: AFII, Bloomberg Finance L.P., accessed 15 Jul 2026.



[1] "The Sovereign Greenium: Big Promise but Small Price Effect", Panizza et al., Working Paper No. HEIDWP16-2025; "Twin bonds: recap ahead of Denmark's EuGB issuance", AFII, 19 Sep 2026.
[2] The second tap of the green gilt (4.625% 2037s) is not included in H1 2026 data as it was announced at the end of June, but the auction cut-off and settlement date were in early July. For an analysis of the initial issuance, see "Back to the market: UK issues new green gilt", AFII, 10 Mar 2026.
[3] See Table 2 in the appendix for an overview of all new bonds. Taps of bonds initially issued before 2026 are not included here (e.g. Italy's EUR 5bn reopening of its 2046 green bond in January 2026), but are included in the later analysis based on amounts outstanding.
[4] For an analysis of Chile's latest SLB issuance, see "New biodiversity SLB underpins Chile's leading role", AFII, 7 Jan 2026.

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

Introduction

Green, Social, Sustainability, and Sustainability-linked (GSSS) bonds have become an important part of the fixed income market and give investors a way to support the transition. In the first half of 2026, sovereigns issued an equivalent of EUR 49bn of new labelled bonds – almost twice as much as in the same period last year.

In this note, we look beyond the headline figures. As governments are sizable debt issuers in general and regularly tap existing bonds, the share of labelled bonds relative to total bonds outstanding provides relevant insights on the progress on sustainable finance across countries.

On a forward-looking basis, the maturity profile indicates opportunities to engage with issuers on the role of labelled bonds in supporting growth opportunities related to the energy transition and other sustainability objectives. As bonds mature, they are usually refinanced through new issuance – we therefore explore relevant considerations in the context of labelled bonds.

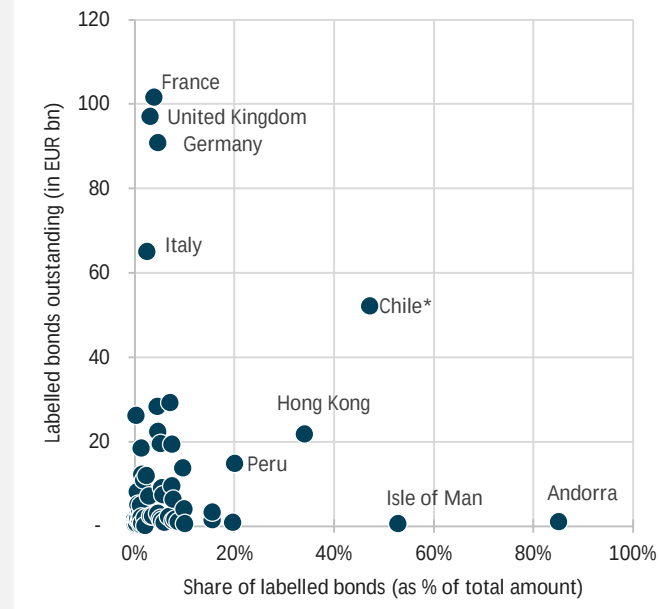
The share of labelled sovereign bonds

Overall, there are 60 sovereigns with labelled bonds outstanding, ranging from the largest issuer with over EUR 100bn to small issuers with less than EUR 100mn.

While absolute amounts matter for country weights in benchmark indices, they are less useful for a comparison across countries as the size of the economies and their debt markets vary. To compare the relevance of labelled debt across markets, Figure 3 shows the share of labelled bonds (as % of total bonds outstanding[5]) in addition to the amounts.

The three largest issuers (i.e. France, United Kingdom, Germany) combined account for around 38% of total labelled sovereign bonds, but their shares of labelled bonds are below 5% due to the size of their overall bond markets.

Figure 3. Labelled sovereign bond outstanding (in EUR, based on historical exchange rates) and share of labelled bonds. Source: AFII, Bloomberg Finance L.P., accessed 15 Jul 2026. *) excluding inflation-linked bonds



Meanwhile, Chile stands out as a country with a high amount and share of labelled bonds, underpinning its role as a leading issuer, with the target to have 40-50% of bonds in labelled format.[6] Some small markets (i.e. Andorra and Isle of Man) have a very high share of labelled bonds, but this is a result of a few bonds only. Overall, there are 25 countries with more than 5% of their bonds in labelled format. Figure 6 in the appendix provides an overview across countries.

[5] Including local-currency government bonds and international bonds (e.g. emerging markets issuing in EUR or USD).
[6] "Ministerio de Hacienda informa su plan de financiamiento 2026", Ministry of Finance Chile, 5 Jan 2026.

Changes in this share partly indicate that some governments prioritise labelled bonds – a market signal to investors and an opportunity for engagement on sustainability policies – but they also reflect maturities rolling off and overall debt growth, making refinancing choices an important driver, as discussed later.

Changes over a 1-year period (see Figure 4) are more susceptible to noise, particularly for smaller issuers with only few bonds, as some mature and new ones are issued over time. Still, it can provide some insights in combination with longer-term data (see Figure 5). For instance, Hong Kong[7] and Peru have significantly increased their share of labelled bonds since 2021, but show diverging trends as of late. Meanwhile, Japan has advanced the role of transition bonds.[8]

Figure 4. Top/bottom changes in share of labelled sovereign bonds over one year. Source: AFII, Bloomberg Finance L.P., accessed 15 Jul 2026. *) excluding inflation-linked bonds

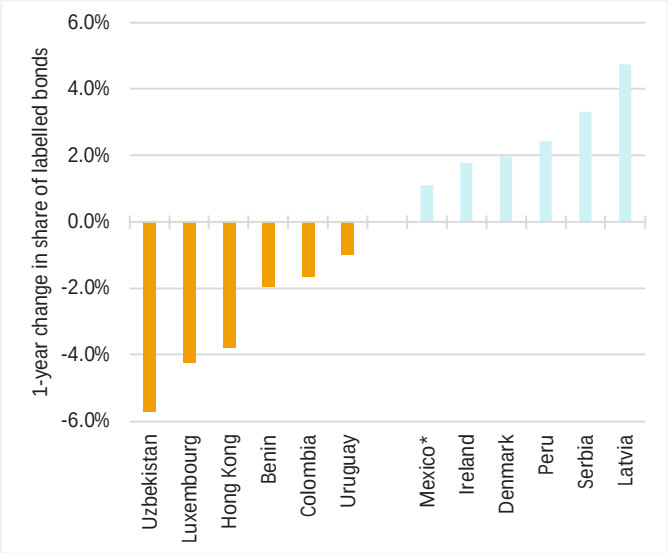
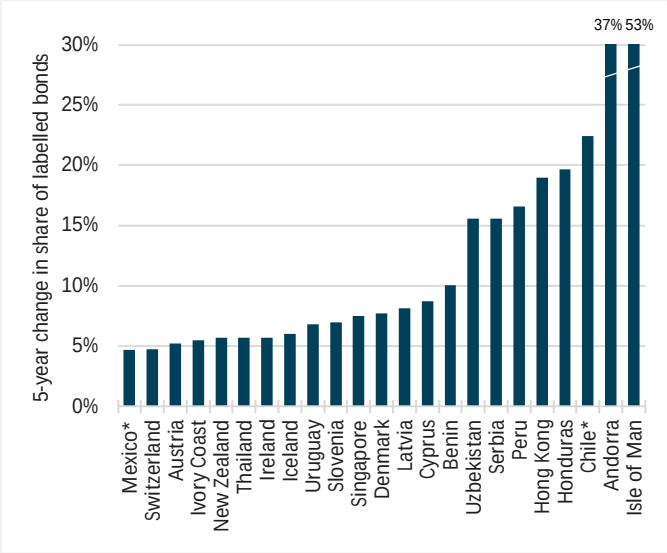


Figure 5. Largest increases in share of labelled sovereign bonds over five years. Source: AFII, Bloomberg Finance L.P., accessed 15 Jul 2026. *) excluding inflation-linked bonds



A government's decision to issue labelled bonds is an active choice that sends a market signal to investors, indicating commitment to sustainability objectives and related transparency through reporting. Therefore, establishing a clear strategy on the role of such bonds as part of the overall issuance is an important policy tool and can help to broaden the investor base.[9]

Some countries have seen strong interest from new investors for their inaugural issuances. For instance, Chile's first EUR green bond in 2019 attracted 64 new accounts out of 139, around 46%.[10] Also, when Uruguay issued its Sustainability-Linked Bond (SLB) in 2022, 21% of the 188 investors were new holders of their debt.[11]

[7] For details on the recent issuance, see "Hong Kong: green and infrastructure bonds new issues", AFII, 7 May 2026.
[8] For details on the recent auction, see "JCTB: latest auction shows greenium is back", AFII, 4 Jun 2026.
[9] "Sovereign ESG Bond Issuance - A Guidance Note for Sovereign Debt", IMF, Mar 2023.
[10] "Green bond of the year, sovereign - Republic of Chile", Environmental Finance Bond Awards 2020.
[11] "Uruguay Issues Global Sustainability-Linked Bond, with IDB Support", IDB, 24 Oct 2022. For a review of targets after latest reporting, see "Uruguay SLB update after latest reporting", AFII, 3 Jun 2026.

Looking ahead: upcoming maturities

Governments regularly evaluate the market demand for new bond issuances, including amounts, currencies, tenors, and labels. As maturing bonds are often refinanced by new ones and issuers face trade-offs between different instruments, investors have an opportunity to actively shape the market and support its growth.

Looking at labelled bonds, an equivalent of around EUR 30bn will reach maturity by end-2027 (see Table 1). Due to sizable redemptions, Germany, Hong Kong and Mexico are key markets to watch. Overall, the amount of upcoming maturities looks manageable relative to the size of issuance in H1 2026. If governments want to increase the share of labelled debt, however, they need to adjust their funding activities beyond the rollover of existing bonds.

Table 1. Labelled bond maturities in H2 2026 and 2027 (in EUR, based on current exchange rates). Source: AFII, Bloomberg Finance L.P., accessed 15 Jul 2026.

	Q3 2026	Q4 2026	Q1 2027	Q2 2027	Q3 2027	Q4 2027	
Andorra			500				500
Canada					311		311
Chile			2,310				2,310
Egypt		451					451
Fiji		2					2
Germany						10,500	10,500
Hong Kong	258	3,800		750	873	278	5,960
Hungary			1,252		83		1,335
Iceland				50			50
Indonesia		7				15	22
Mexico	585		1,105	1,439	1,400		4,529
Philippines				280			280
Poland	1,000						1,000
Romania						118	118
Slovenia					243		243
South Korea		700					700
Uzbekistan		274		600			874
	1,843	5,235	5,167	3,119	2,911	10,912	29,186

Refinancing of labelled bonds

When labelled bonds mature and require refinancing, a government has essentially two options: issue another labelled bond or a conventional one. In general, rolling over debt is a common debt management exercise but it implies some additional considerations for Use-of-Proceeds (UoP) bonds.

In practice, money is fungible: capital is not raised for specific green or social projects, but matched to eligible expenditures as defined in financing frameworks. Let us think about the implications using a hypothetical example:

If the proceeds of a 10-year green bond were matched to the construction of a 20-year investment project (e.g. a renewable energy plant), a question arises as the bond matures. Since the construction is largely a one-off cost and the same expenditure should not be matched against green bonds more than once, a follow-up green bond would need fresh eligible expenditures instead.

However, this is not how the largest issuers operate in practice as they usually do not match a bond to a single long-lived asset, but to a pool of eligible expenditures drawn from the annual budget. Because a rolling

programme needs a recurring pipeline of eligible expenditure, and the same expenditure cannot be matched twice, UoP issuance gravitates towards regular spending.

Established market mechanics of UoP bonds may therefore bias them towards refinancing the government's recurring green budget rather than mobilising additional, long-term capital for transition investment. This sharpens, rather than resolves, the question of additionality – and could, over time, temper the role of sovereign UoP bonds in financing the transition relative to the expectations sometimes attached to them.

This bias is most pronounced for large issuers: the annual-flow matching described above is a function of fiscal scale, and only the biggest budgets offer a deep enough pipeline of recurring green expenditure to sustain it. Smaller issuers face a different, in some ways opposite, challenge. Rather than an abundance of recurring budget lines, they often contend with a scarcity of eligible expenditure that meets international standards, alongside the fixed costs of a framework and external review that weigh more heavily on a small issuance. Accordingly, a single labelled bond maturing may find little fresh eligible expenditure to roll into.

SLBs could address some of these issues: as general purpose bonds, their proceeds are not ring-fenced to specific expenditures, so they do not depend on a recurring pipeline and escape the bias described above. However, new issuance requires up-to-date sustainability-performance targets. As sovereign SLBs reach their observation dates, this might require updates to SLB frameworks and performance targets.

Conclusions

Sovereign issuance of labelled bonds increased in H1 2026, but is concentrated among a few issuers, and the share relative to total bonds outstanding is low for most of the largest issuers. The approximately EUR 30bn of labelled bond maturities through end-2027 look manageable and allow investors to shape the market, since maturing bonds are typically rolled into new issuance. For investors this means:

- Engage at the refinancing window: Each redemption is a point at which issuers revisit tenor, currency and label. Signalling demand for labelled formats beforehand – starting with the largest maturities in Germany, Hong Kong and Mexico – can influence whether bonds are refinanced in labelled or conventional format.
- Track the share, not the amount: Absolute labelled issuance figures can mask shifts in the share of labelled bonds, depending on overall debt dynamics. The multi-year trajectory is a better gauge of commitment: recognise issuers raising it (e.g. Chile), and engage those letting it drift.
- Assess what the label finances: For large sovereigns the risk is that use-of-proceeds merely relabels the recurring annual budget with limited additionality; for smaller ones it is programme sustainability, as scarce pipelines make labelled maturities harder to roll.

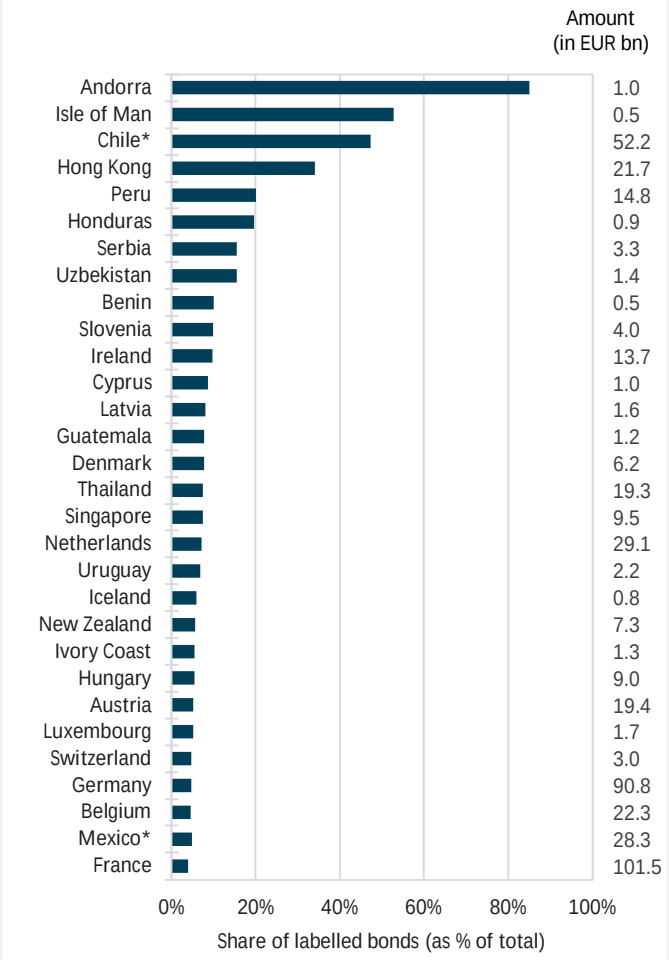
To unlock transition growth opportunities at the country level, investors need to move from observing the market to shaping it: map the labelled bond maturities they hold, engage debt management offices ahead of the H2 2026 - 2027 windows, and make labelled-share trajectory and framework quality part of the investment decision. This is where issuers' intentions become visible, and where engagement makes the most difference.

Appendix

Table 2. Labelled bond issuance in H1 2026. Source: AFII, Bloomberg Finance L.P., accessed 15 Jul 2026.

Country	Ticker	Pricing date	Maturity	Coupon (in %)	Currency	Amount outstanding	Label	ISIN
Australia	ACGB	19/05/2026	21/06/2036	5.0	AUD	7,500,000,000	Green	AU3TB0000291
Austria	AUST	08/01/2026	29/01/2036	0.8425	CHF	175,000,000	Green	CH1522175699
Austria	AUST	25/02/2026	17/03/2051	1.095	CHF	175,000,000	Green	CH1538712303
Austria	AUST	27/04/2026	20/05/2041	1.0525	CHF	100,000,000	Green	CH1523562028
Canada	CAN	03/02/2026	01/03/2036	3.25	CAD	2,000,000,000	Green	CA135087U360
Chile	CHILE	07/01/2026	14/04/2036	3.875	EUR	1,500,000,000	SLB	XS3272223762
China	CGB	28/05/2026	04/06/2029	1.42	CNY	3,000,000,000	Green	HK0001302964
China	CGB	28/05/2026	04/06/2031	1.56	CNY	3,000,000,000	Green	HK0001302972
Egypt	EGYPT	13/05/2026	20/05/2034	7.625	USD	1,000,000,000	Social	US03846JAJ97
France	FRTR	14/04/2026	25/06/2037	3.80	EUR	10,000,000,000	Green	FR0014017Z10
Germany	DBR	03/03/2026	15/05/2041	2.60	EUR	4,000,000,000	Green	DE000BU3F007
Hong Kong	HKINTL	07/05/2026	14/05/2034	3.00	EUR	750,000,000	Green	HK0001302741
Hungary	REPHUN	07/01/2026	25/03/2038	4.875	EUR	1,000,000,000	Green	XS3269555234
Indonesia	INDON	23/04/2026	28/04/2033	2.89	JPY	4,500,000,000	Green	JP536000CS49
Indonesia	INDON	23/04/2026	30/04/2036	3.23	JPY	2,000,000,000	Green	JP536000DS48
Indonesia	INDON	19/05/2026	29/05/2033	4.50	EUR	600,000,000	Sustainability	XS3385337723
Japan	JGB	26/01/2026	20/12/2030	1.60	JPY	299,900,000,000	Green	JP1470041S18
Japan	JGB	13/03/2026	20/12/2035	2.10	JPY	299,900,000,000	Green	JP1480041S33
Japan	JGB	25/05/2026	20/03/2031	1.90	JPY	250,000,000,000	Green	JP1470051S56
Latvia	LATVIA	03/06/2026	10/06/2033	3.50	EUR	1,000,000,000	Sustainability	XS3395907705
Mexico	MEX	12/01/2026	16/05/2031	3.875	EUR	2,000,000,000	Sustainability	XS3265539729
Mexico	MEX	12/01/2026	16/05/2036	4.875	EUR	1,750,000,000	Sustainability	XS3265540909
Mexico	MEX	12/01/2026	16/05/2040	5.375	EUR	1,000,000,000	Sustainability	XS3276212035
Pakistan	PKSTAN	14/05/2026	15/05/2029	2.500	CNY	1,750,000,000	Sustainability	CND1000BBWB3
Poland	POLAND	06/02/2026	13/02/2031	2.22	JPY	62,700,000,000	Green	JP561600DS24
Poland	POLAND	21/05/2026	05/06/2036	1.6425	CHF	240,000,000	Green	CH1564488612
Serbia	SERBIA	28/04/2026	06/05/2038	4.875	EUR	900,000,000	Green	XS3363425466
Taiwan	TGB	27/01/2026	30/01/2056	1.50	TWD	400,000,000	Green	TW000A152017
United Kingdom	UKT	10/03/2026	07/03/2037	4.625	GBP	9,500,000,000	Green	GB00BVP99905

Figure 6. Labelled sovereign bond outstanding (in EUR, based on historical exchange rates) and share of labelled bonds. Source: AFII, Bloomberg Finance L.P., accessed 15 Jul 2026. *) excluding inflation-linked bonds





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