



NextGenerationEU: European Commission successfully issues first green bond to finance the sustainable recovery

Brussels, 12 October 2021

The European Commission has today issued the first NextGenerationEU green bond, thus raising €12 billion to be used exclusively for green and sustainable investments across the EU. This represents the world's largest green bond issuance ever. With NextGenerationEU green bonds, the EU is set to become the world's largest green bond issuer by far, providing a significant boost to sustainable finance markets as well as funding a greener EU recovery from the pandemic. With the strong oversubscription rate and excellent pricing conditions today's issuance represents a promising start to the NextGenerationEU green bond programme of up to €250 billion by end-2026.

The 15-year bond due on 4 February 2037 was more than 11 times oversubscribed, with books exceeding €135 billion. A wide range of investors expressed interest in the bond.

Commissioner in charge of Budget and Administration, Johannes **Hahn**, said: *"Today's issuance is a strong start for the NextGenerationEU green bond programme. Set to turn the EU into the world's biggest green bond issuer, it is a powerful signal of the EU's commitment to sustainability. Our future is green and it is extremely important that we seize the opportunity to clearly show to investors that their funds will be used to finance a sustainable European recovery."*

Today's issuance followed the adoption of the NextGenerationEU Green Bond framework earlier in September. The framework, which is fully compliant with the Green Bond Principles of the International Capital Market Association (ICMA) - a market standard for green bonds - reassures investors that the funds mobilised will be used for green investments. The Commission's reporting on the use of proceeds and on the environmental impact of the expenditure financed by NextGenerationEU Green Bonds will be subject to independent review.

The funds from the NextGenerationEU green bond issuances will be used to finance green and sustainable expenditure under the Recovery and Resilience Facility. Eligible investments from the already approved plans include a research platform for energy transition in Belgium, or the construction of wind power plants on land in Lithuania.

A minimum of 37% of every Recovery and Resilience Plan has to be devoted to the green transition, with many Member States striving to do more.

This is the fifth syndicated transaction since the start of the NextGenerationEU funding operations in June 2021. In addition, the Commission performed the first NextGenerationEU bond auction at the end of September. These operations have so far enabled the Commission to raise €68.5 billion in long-term funding through bonds.

In addition, the Commission has so far issued some €14 billion of EU-Bills following the start of the EU-Bills auctions in mid-September 2021.

In the course of 2021, the Commission expects to raise some €80 billion in bonds, to be complemented by short-term EU-Bills, as announced in the [funding plan](#) published in June 2021 and updated in September 2021.

As announced in September in [its detailed issuance calendar for 2021](#), the Commission plans to hold one more syndicated transaction by the end of the year, in November. The Commission will also be holding auctions of both EU-Bills and bonds on a regular basis.

Background

NextGenerationEU is a temporary recovery instrument of more than €800 billion in current prices to support Europe's recovery from the coronavirus pandemic and help build a greener, more digital and more resilient Europe.

To finance NextGenerationEU, the European Commission – on behalf of the EU – will raise from the capital markets around €800 billion between now and end-2026. This will translate into borrowing

volumes of an average of roughly €150 billion per year.

To raise the necessary funding under the best possible market conditions, the Commission has started to implement [a diversified funding strategy](#).

This strategy relies on a mix of long- and short-term issuances via syndicated and auction formats to enable the Commission to raise funds flexibly and on the most advantageous terms under prevailing market conditions.

Technical section

First NextGenerationEU green bond

The 15-year bond carries a coupon of 0.40% and came at a re-offer yield of 0.453% providing a spread of -8 bps to mid-swaps, which is equivalent to 31.6 bps over the 15-year Bund due in May 2036 and to -4.6 bps compared to the 15-year OAT due in May 2036.

The final order book was over €135 billion, which meant that the bond has been over 11 times oversubscribed. This marks the largest green bond orderbook ever in global capital markets, and the largest green bond ever issued.

The joint lead managers of this transaction were Bank of America Securities Europe S.A., Credit Agricole Corporate and Investment Bank S.A., Deutsche Bank AG, Nomura Financial Products Europe GmbH, TD Securities. Co-leads were Danske Bank A/S, Intesa Sanpaolo S.p.A. and Banco Santander S.A.

Investors' profile

By Geography:

UK	29.0%
Nordics	12.0%
Benelux	11.0%
France	11.0%
Germany	10.0%
Italy	9.0%
Other Europe	7.0%
Rest of World	4.0%
Iberia	4.0%
Asia	3.0%

By Investor Type:

Fund Managers	39%
Bank Treasuries	23%

Insurance and Pension Funds	16%
Central Banks / Official Institutions	13%
Banks	8%
Hedge Funds	1%

For more information

[Q&A First Green Bond](#)

[Press release Green Bond framework and updated funding strategy](#)

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[EU as a borrower website](#)

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