February 2026

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EU Green Bond Standard: A strong first year, but more to be done

- *Just over one year after the European Green Bond Standard (EUGBS) went into effect, the more than €22 billion in bonds issued have met with strong market reception, including consistent oversubscription and diverse issuer participation.*
- *Grid and renewable energy utilities lead early adoption, demonstrating the EUGBS's role in financing EU energy security and competitiveness objectives.*
- *Denmark's sovereign issuance sets an important example for the broader public issuer participation necessary to accelerate adoption and address the climate investment gap.*
- *Monitoring impact reporting quality and issuer alignment trajectories will be critical to assessing whether EUGBS delivers on its gold standard promise.*

Just over one year after the European Green Bond Standard (EUGBS) — a landmark regulatory framework for sustainable bonds — took effect in late 2024, more than €22 billion in issuances carry the "European Green Bond" or "EuGB" label.[1] That means these bonds meet requirements including EU taxonomy-aligned use of proceeds, mandatory external review and standardised reporting. Early momentum is encouraging, setting the scene for enhanced credibility and transparency in the green bond market. Yet as investments required to drive the energy transition accelerate, the standard captures only a small fraction of reported taxonomy-aligned investment thus far, signalling significant room for growth.

What has worked well

Issuance under EUGBS reflects strong market reception and a broad diversity of issuer types

The EuGB issuance volume of more than €22 billion has demonstrated strong investor appetite, with every transaction achieving robust oversubscription. These labelled bonds outperformed standard green-labelled bonds across primary and secondary markets, according to an ABN AMRO fixed-income analysis.[2]

The EuGB-labelled debt represented around 7% of the overall European green bond market in 2025 (Figure 1). The green bond market has matured for more than a decade supported by the well-established International Capital Market Association (ICMA)'s Green Bond Principles. The EUGBS capture of this share in the first year — despite its more stringent requirements — signals a strong start of this new standard.

The standard has attracted a broad diversity of issuers spanning sovereigns; sub-sovereigns and municipal entities; supranational and multilateral development institutions; financial institutions; and non-financial corporates, providing a robust foundation for market development (Figure 2). This breadth matters for investors seeking to build diversified sustainable fixed-income portfolios. As IEEFA has previously noted, the EUGBS applies to all issuer types, enabling investments in a wide range of future-proof sectors and activities.[3]

Compared with the wider market, however, energy and utility companies have been more prominent early adopters, accounting for half of total issuances and a large majority of corporate issuances. This reflects their inherently high readiness for EU taxonomy alignment, driven by their renewable energy businesses.

Figure 1: EuGBs gain early traction in a decade-old green bond market

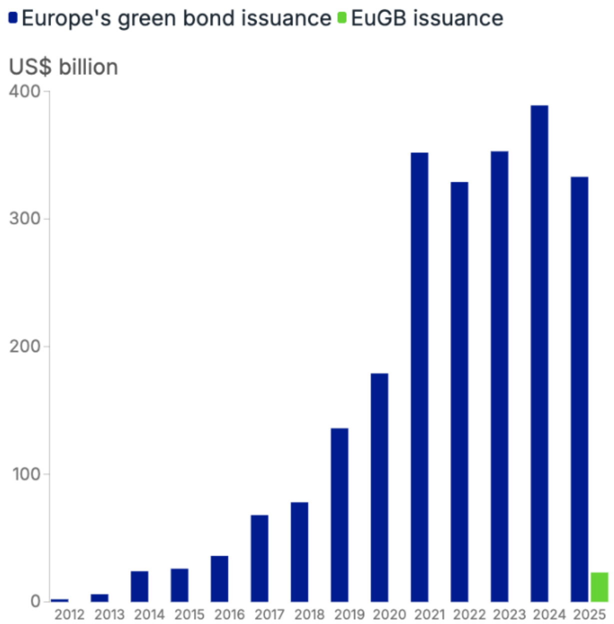
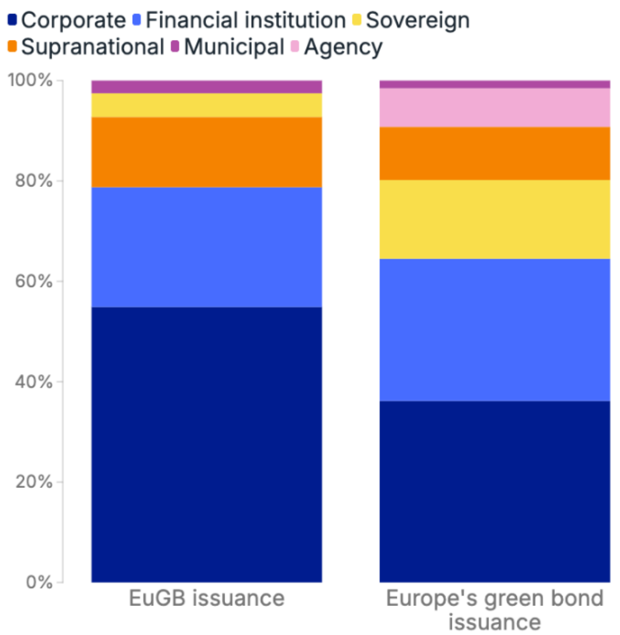


Figure 2: Types of Issuers of EuGBs and Europe's green bonds in 2025



Source: Environmental Finance Data, IEEFA.

EUGBS supports corporate financing aligned with EU energy security and competitiveness objectives

The relatively high concentration of EuGB issuance in the energy and utility sector reflects the role that the standard serves as a direct capital market funding channel for activities aligned with EU environmental objectives, which in turn support EU energy security and competitiveness. Utilities with established records of renewables growth, including Iberdrola and EDP,[4] have maintained leadership positions by adopting the standard. By clearly defining use of proceeds and links to transition plans, EuGBs help issuers more closely align their transition progress and reinforce the coherence of their sustainable finance strategies.

The investments required to achieve the long-term objectives for modernising electricity grid infrastructure remain substantial. Against the backdrop of decades of underinvestment, the European Commission's EU Grids Package envisages €1.2 trillion of investments by 2040 for electricity grids, with mobilising private capital key to bridging the gap.[5] The EUGBS presents a well-suited financing tool for this. Transmission system operators (TSOs) Terna, Elia and Eurogrid and distribution system operator Elenia have entered the market, issuing a combined €3.7 billion under the standard. In doing so, they have demonstrated sustainability credentials and attracted a larger investor base. These issuers are likely to be repeat participants to support sizeable capex plans, providing a clear proof of concept for other grid operators considering the standard.

For investors, grid network issuers should offer characteristics — such as stable cash flows, regulated revenue frameworks and long asset lives — that are typically consistent with long-dated fixed-income portfolio mandates. EuGB offerings built around alignment between EU policy objectives and fundable projects support a compelling investment thesis through lowered regulatory risk while delivering clear and measurable environmental outcomes.

Issuers with plans to transition away from carbon-intensive businesses can use the EUGBS to demonstrate progress. Italy's gas TSO Snam illustrates this approach by strengthening the transparency and integrity of environmental criteria applied to its sizeable investment programme, which aims to transform its fossil gas network into a low-carbon gas network. While only less than half of the company's capex programme is expected to be taxonomy-aligned,[6] EuGB issuance represents a positive step. Snam could build credibility through repeat issuance and a track record of increasing taxonomy-aligned capex over time.

Early-adopting public issuers provide an example for others

The presence of large, benchmark issuers is key for the uptake of the standard. The European Investment Bank, the EU's primary policy bank, is the largest EuGB issuer. The €3 billion transaction in April 2025 demonstrates that the standard can apply to issuers with complex project portfolios spanning various sectors and geographies.[7] Meanwhile, Denmark's September 2025 issuance — the only sovereign EuGB to date — represents a landmark transaction and provides a blueprint for other sovereigns considering the standard (see below).

Case Study: Denmark's EuGB sets the model for sovereign issuances

Denmark's DKK7 billion (€940 million) EuGB has established best practices through strong framework clarity, policy coherence and robust bond structures.

- **Clear use of proceeds.** The framework identifies 2024 eligible expenditures: DKK9 billion for railways, DKK6.2 billion for grids, DKK1.5 billion for renewables subsidies, DKK1.3 billion for sustainable land use. Estimated 2025 expenditures total DKK22.6 billion with the same category breakdowns. This clarity demonstrates strong coherence between green budgeting and green finance.
- **Strategic prioritisation.** The framework illustrates a preferred use of proceeds, which prioritise expenditures for grids, renewables and sustainable land use over clean transportation. In contrast with some major sovereign green bonds focused on clean transportation, Denmark's approach reinforces the bonds' environmental impacts, highlighting the catalytic role sovereign bonds can play in facilitating the energy transition aligned with national goals.
- **Template for state-owned TSOs.** Denmark's approach to support its state-owned TSO Energinet provides a model for other sovereigns with similarly structured TSOs that are not primary debt-issuing entities themselves, such as Ireland's EirGrid and Sweden's Svenska Kraftnät.
- **Twin bond structure with documented greenium.** The twin bond feature enables close pricing comparison between the EuGB and a conventional pair, whilst ensuring liquidity. The issue recorded a 1.5 basis points greenium at issuance, reflecting a modest but measurable investor preference for the EuGB designation.

What has not yet worked well

European Commission is missing as an issuer

The European Commission is one of the world's largest green bond issuers: As of early December 2025, its NextGenerationEU (NGEU) green bond programme had issued €78 billion, with €263 billion of expenditure pool identified as eligible for funding under the programme.[8] However, the European Commission has not adopted its own standard because the programme's green eligibility criteria were established before the EU taxonomy, resulting in a large portion of the NGEU green bonds not meeting the EUGBS.

As the NGEU programme concludes in 2026, the refinancing phase offers a chance to reconsider the standard, closing this important supranational market gap. The European Commission's approach to green financing will be key to maintaining its leadership in sustainable finance.

As of 1 August 2025, €16 billion (25%) of the €65 billion of allocated NGEU green bond proceeds was fully taxonomy-aligned; €58 billion (22%) of the €263 billion eligible expenditure pool was fully taxonomy-aligned.[9] While current NGEU bonds do not comply with the EUGBS, this taxonomy-aligned volume is substantial enough to represent a significant untapped opportunity for EuGB issuance. The European Commission should carefully craft a green bond framework for the post-2026 period and aim to facilitate the issuance of EuGBs — either at the EU or Member State level — that prioritise the refinancing earmarks of EU taxonomy-aligned investments already disbursed. This could guide supranational issuers in navigating complex multi-sectoral and multilateral projects and enable the European Commission to resume its role in setting a benchmark for the EuGB label while supporting market development in line with EU objectives.

EuGBs finance a limited share of taxonomy-aligned capex

Only a small fraction of taxonomy-aligned investment currently flows through the standard that was designed to support it. EUGBS issuance totalled €20 billion in the first year of the programme. Overall, the total reported EU taxonomy-aligned capex reached €273 billion in 2024.[10] And total taxonomy-aligned capex topped €700 billion from 2022–24. More than 600 companies invested in taxonomy-aligned capex in 2024.

In IEEFA's view, the EUGBS has the potential to benefit both investors and issuers through enhancing market credibility and transparency. The standard could help issuers credibly showcase to investors their sustainability credentials across four pillars: commitments, capital expenditure pipelines, green asset delivery and governance —[11] factors that credit rating agencies continue to view as key in investors' decision-making.[12] The standard can capture direct corporate bond issuance, as well as debt and equity financing through public entities and financial institutions. However, several bottlenecks remain:

- **Established green bond issuers continue to access the market primarily through ICMA-aligned green bonds**, favouring the flexibility of existing frameworks and established investor followings, as well as lower compliance risk and administrative burden. They may not consider the cost of capital benefits from EUGBS sufficient to offset additional costs.
- **Public issuer participation remains limited relative to the broader market**, leaving catalytic potential unrealised. Greater public sector adoption could expand volume, establish best practices and help crowd in private capital through co-financing.
- **Smaller issuers face disproportionate barriers**, even when underlying taxonomy-aligned projects are available. A challenge lies in tracing and tracking both company-level and project-level taxonomy alignments while linking these to ring-fenced proceeds. Detailed data collecting and reporting, and external verification add operational and administrative costs that can be material relative to small issuance sizes.

Financial institutions have yet to use EuGB funding to scale green finance

In 2024, banks' taxonomy-aligned assets stood at €816 billion, representing a Green Asset Ratio of 2.8% out of €28 trillion in total covered assets.[13] While the alignment rate is low, the taxonomy-aligned portion creates an opportunity for financial institutions to use bond financing to match with aligned assets.

ABN AMRO stands out as a prominent early adopter, aligning issuance with existing green assets, primarily green mortgages. Deutsche Kreditbank shows a more targeted use-of-proceeds approach: Its EuGB is allocated only to solar and wind loans, directly contributing to financing the expansion of renewable energy capacity.

Yet financial institutions have yet to showcase transactions that focus on driving capital flow toward new loan portfolios that drive the energy transition. Doing so would unlock EuGB potentials and help credibly scale green finance.

Opportunities

As taxonomy-aligned activities continue to grow amid the investment gap, several opportunities exist to broaden the effective use of the EUGBS.

- **Convert existing bonds.** The European Commission has clarified that existing bonds can be converted into EuGBs, if they are fully aligned with the EU taxonomy.[14] This presents a significant opportunity for established green bond issuers to adopt the standard — even before refinancing, particularly for those that have already reported taxonomy-aligned capex and investments.
- **Consider innovative EuGB products.** The EUGBS — centred on use-of-proceeds taxonomy alignment, external verification and standardised disclosure — can apply beyond senior, plain-vanilla bonds. Terna's and Iberdrola's EUGBS-aligned hybrid instruments illustrate that the standard is agnostic to capital and debt structure. Also, combined sustainability-linked structures with EuGB could be a powerful tool to improve accountability.[15]

Meanwhile, policymakers should implement measures to support market development:

- **Develop taxonomy-aligned financial products.** Proposed Sustainable Finance Disclosure Regulation revisions position Article 9 funds —[16] with the highest sustainability ambition — as the natural home for EuGBs. The introduction of "pre-defined, positive and measurable" impact add-ons could strengthen the case for EuGB inclusion in impact portfolios. Efforts to credibly channel capital towards sustainable and impact investing could incentivise broader issuer participation. This could in turn support issuer-level access to funding and cost of capital benefits, which could potentially be more than sufficient to offset any administration costs over the long term.
- **Support smaller issuers.** Targeted policy support could address disproportionate barriers and broaden participation: workshops for taxonomy alignments and disclosures, support and subsidies for verification, and measures to improve access to taxonomy-aligned green loans where capital market channels remain limited.
- **Bring the standard international.** The EUGBS has applied beyond euro-denominated bonds, yet adoption remains limited to EU-based issuers. Attracting international issuers to adopt the standard would expand the investable universe, improve portfolio diversification and in turn forge cross-border capital flows towards credible green investments.

Watch next: Monitoring bonds' impacts

Impact reporting remains a critical — and still underdeveloped — pillar of the EUGBS. While the standard requires at least one impact report during a bond's lifetime, reporting quality, consistency and comparability may vary. For investors, assessing additionality is key to their green bond mandates. The central question is whether impact reports deliver useful insights into environmental performance or merely demonstrate formal compliance.

ABN AMRO sets a strong example of transparency in green bond impact disclosure by reporting detailed project-level metrics and a clear methodology for calculation. The ABN AMRO case illustrates how the composition of an eligible green portfolio could influence bonds' climate impact (Table 1). In 2024, the bank reported overall avoided emissions of 84.3 tonnes of CO_2 per €1 million invested. Yet beneath this headline figure lies a stark variation in impact across its portfolio. Renewable energy investments, accounting for around 10% of the allocated proceeds, exhibit avoided emissions of 744.8 tonnes of CO_2 per €1 million invested, while residential green buildings, accounting for the remaining 90%, avoid only 1.7 tonnes per €1 million invested. This 400x differential underscores the importance of granular disclosure. The total outstanding signed loan amount has a significantly lower impact, at 25.5 tonnes of CO_2 per €1 million. Further bond issuance would dilute its overall impact, if no new renewable energy loans are disbursed.

Table 1: ABN ARMO's green bond impacts differ substantially by project category

(As of 31 December 2025)	€ billion	Tonnes of avoided CO_2 emissions per € million
Residential green buildings — allocated	9.3	1.7
Renewable energy — allocated	1.2	744.8
Total green bond allocated amount	**10.5**	**84.3**
Residential green buildings — signed and unallocated	25.9	1.7
Renewable energy — signed and unallocated	nil	n/a
Total signed amount	**36.3**	**25.5**

Sources: ABN AMRO report,[17] IEEFA.

Key impact monitoring dimensions include:

- **Standardisation and comparability**: Are issuers using harmonised, outcome-oriented metrics that enable peer comparison?
- **Scope and lifecycle coverage:** Do impacts reflect the full environmental lifecycle of financed activities, rather than isolated or point-in-time indicators?
- **Methodological transparency:** Are assumptions, data sources and calculation methodologies disclosed in sufficient detail to enable independent verification?
- **Contribution to broader environmental strategy:** Can issuers articulate how bond proceeds improve fundamental environmental credentials, covering both the refinancing component and the impacts reported under a gradual or portfolio approach?

Best practices around disclosures for early adopters will help establish market norms. These would allow investors to assess whether EuGBs could lower the issuer's climate-related credit risk, differentiating whether the EUGBS functions as a signal of transition planning quality — or represents one-off issuances without substantive risk management. Investor due diligence and stewardship will determine whether impact reporting evolves toward substantive environmental accountability.

Endnotes

[1] Green bond data from this note is extracted from Environmental Finance Data, accessed on 29 January 2026. Please refer to Environmental Finance Data's methodology. The labelled EuGBs are screened by filtering "European Green Bond" under "bond sub-label".
[2] ABN AMRO. ESG Strategist – EuGBs outperform regular green bonds. 26 November 2025.
[3] IEEFA. Driving green finance with Europe's new label. 16 December 2024.
[4] IEEFA. Europe's clean power leaders: How green financing is enabling renewable growth. 20 June 2024.
[5] European Commission. Communication on European Grids Package COM(2025) 1005 final. 10 December 2025.
[6] IEEFA. Collector of labelled debt: Snam's net-zero transition plan has much to prove. 27 January 2025.
[7] IEEFA. European Investment Bank sets example with EU Green Bond issuance. 14 April 2025.
[8] European Commission. NextGenerationEU Green Bonds Allocation and Impact Report 2025. 10 December 2025.
[9] *Ibid*.
[10] European Commission. The EU Taxonomy's uptake on the ground. 6 November 2025.
[11] IEEFA. Will Europe's new standard help or hinder green bond market growth? 19 February 2024.
[12] Moody's. Credible transition plans boost investor confidence and support access to finance. 15 October 2025.
[13] European Commission. The EU Taxonomy's uptake on the ground. 6 November 2025.
[14] European Union. Commission notice on the interpretation and implementation of certain legal provisions of the European Green Bond Regulation. 6 November 2025.
[15] IEEFA. Sustainability-linked bonds: Why Europe can reignite the market. 24 July 2025.
[16] European Commission. Legislative proposal to review the Sustainable Finance Disclosure Regulation (SFDR). 20 November 2025.
[17] ABN ARMO. Green Bond Allocation & Impact Report 2024. September 2025.

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The Institute for Energy Economics and Financial Analysis (IEEFA) examines issues related to energy markets, trends, and policies. The Institute's mission is to accelerate the transition to a diverse, sustainable, and profitable energy economy. www.ieefa.org

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