

To: Long Term Investments & Sustainable Finance PG  
From: Luca Motta  
Date: 19-10-2023  
Reference: ECO-LTI-23-090

Subject: ESMA finds no systematic existence of a 'Greenium' for sustainable bond categories

## Summary

On 6 October 2023, ESMA published a [study](#) to analyse whether, in the European sustainable debt market, issuers benefit from an ESG pricing effect or '[greenium](#)', which is based on the logic that investors are willing to pay extra or accept lower yields in exchange for a sustainable impact. This study is one of the steps taken by ESMA to address financial stability concerns and monitor ESG market developments.

The study suggests that the yield of ESG instruments is lower than for conventional instruments, considering all other factors equal. Therefore, investors would be willing to forgo returns because of three reasons:

- 1) preferences for sustainable finance instruments (intrinsic motivation).
- 2) demand and supply equation mismatch.
- 3) perceived reduced overall risks of the issuer.

By using dataset of listed bonds (360.000 bonds from EEA issuers as of March 2023 – including inactive ones), authors of the study formulated the following conclusions:

- **there is no systematic existence of a 'greenium' for sustainable bond categories.**
- ESG bond issuers benefitted from yield discounts in the past due to their issuer characteristics, however this trend does not continue in the present.
- public ESG commitments do not have effects on bond yields overall.
- financial stability concerns remain small; this may have potential implications for sustainable financing needs.