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Sustainable bond market in Europe – remarkably robust

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After years of rapid growth, sustainable finance has become more mature. Following the 2021 peak, sustainable bond issuance slowed but has proven remarkably stable in recent years, across all world regions.

Europe remains the leading market for sustainable bonds. Within the EU, sustainable bond issuance reached USD 289 bn in H1 2026, up 25% yoy. The outstanding volume climbed to EUR 2.5 tr at end-June (+12%), with green bonds firmly established as the largest segment.

Sustainable bond issuance in the EU is on track for a rebound this year. Significant volume growth (yoy) across all three main issuer sectors, a conducive regulatory framework and sizeable financing needs related to energy, infrastructure, resilience and climate adaptation should continue to support the market. At the same time, tight financing conditions and geopolitical tensions act as important headwinds.

After years of rapid growth, sustainable finance has become more mature.[1] Global issuance of sustainable bonds, the major segment, peaked in 2021 at USD 1,053 bn, and subsequently slowed due to higher interest rates, shifting political priorities, geopolitical tensions, and energy security concerns. Nevertheless, issuance remained remarkably stable across all regions in the following years (Figure 1; supranational issuers included based on their respective headquarters). This contrasts with other sustainable finance segments that have witnessed more volatility. For example, sustainable loan issuance dropped sharply in H1 2026[2] and sustainable funds even reported net outflows in 2025.[3]

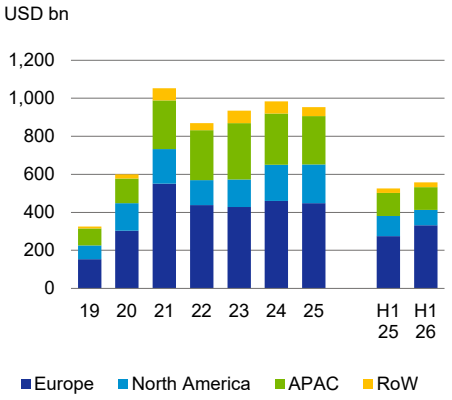
Thus, despite the market receiving less public attention after the initial enthusiasm, sustainable finance is very much alive. Even more, following an exceptionally hot summer across Europe, climate risks and adaptation have returned to greater prominence in the political debate. In her 2026 State of the Union address, European Commission President Ursula von der Leyen placed renewed emphasis on climate action, while framing the transition increasingly through the lens of resilience, economic security and competitiveness.

Against this backdrop, this note takes stock of recent developments in Europe, with a particular focus on sustainable bonds, to assess which factors are driving the market and what this means for the medium-term outlook.

[1] For more details, see also Walther, Ursula, and Jan Schildbach (2022). Sustainable finance – coming of age. Deutsche Bank Research. EU Monitor. September 2.
[2] IIF (2026). An $8 trillion market under pressure: sustainable debt in decline? May 28.
[3] Morningstar (2026). Global sustainable fund flows: Q2 2026. August 21.

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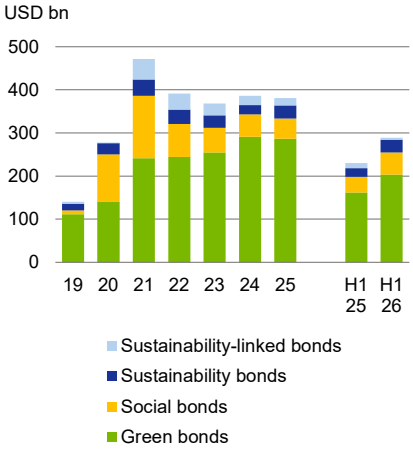
Europe continues to lead sustainable bond issuance 1



Note: Including supranational issuers

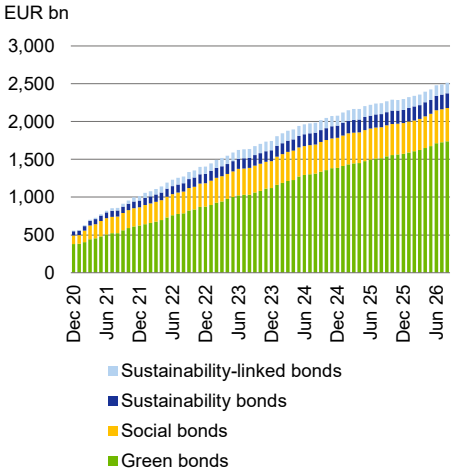
Sources: Dealogic, Deutsche Bank Research

Sustainable bond issuance in the EU - stable after 2021 boom 2



Sources: Dealogic, Deutsche Bank Research

Outstanding sustainable bonds in the EU - green bonds account for nearly 70% 3



Sources: ECB, Deutsche Bank Research

Europe remains the leading market for sustainable bonds

Europe on average accounted for nearly half of global sustainable bond issuance in the years 2019-25. In H1 2026, Europe's market share even climbed to 60%. This was driven by a combination of a supportive regulatory framework[4], strong growth across all sectors, and large investment needs in renewable energy and grid infrastructure. Overall, sustainable bond issuance represented a substantial 15.6% of total European bond issuance during Q2 2026. This is only marginally below the levels seen in 2021 and 2022.[5]

Within the EU, sustainable bond issuance levelled off at around USD 380 bn in the years 2022-25 (Figure 2). This year saw a strong start with issuance reaching USD 289 bn in H1 (+25% yoy), despite headwinds from rising interest rates and heightened geopolitical tensions. Admittedly, most of this expansion stems from already established issuers, with only a limited share of new market entrants.[6]

All in all, market size continues to grow significantly. At the end of June 2026, the outstanding volume of sustainable bonds in the EU stood at EUR 2.5 tr, up 12% yoy (Figure 3). To put this into perspective, this is by and large the same amount as all outstanding government bonds of Germany or Italy, and substantially more than all corporate bonds issued in the EU-27 (EUR 2.1 tr at end-2025). Hence, over a relatively short time, sustainable bonds have become an important, integral segment of the overall European fixed-income market.

Green bonds are the dominant category, accounting for 75% of issuance in 2025. They are structured in a similar way to conventional bonds except for a clause stating that proceeds will be used for green investment. Two-thirds of proceeds in 2025 were used for renewable energy and energy efficiency projects, green buildings, clean transportation, sustainable water management, and pollution prevention and control.[7] The new European Green Bond Standard (EU GBS) seems to provide a tailwind to green bond issuance in the EU. The voluntary standard has been in force since December 2024 and mandates that at least 85% of proceeds are used in a taxonomy-aligned manner and also foresees mandatory external verification. Around 10% of green bonds were issued under the EU GBS in the first half of the year, up from 3% in the same period last year.[8]

Social bonds had notably been used to finance coronavirus pandemic-related response measures but their importance has since diminished. Their share dropped to 12% of total issuance last year (compared to a peak of 39% in 2020, which included a meaningful share of supranational issuance). Sustainability bonds that combine green and social uses of proceeds retained a relatively stable share of 8%. By contrast, sustainability-linked bonds, where the issuer commits to a sustainability target, fell to only 4%. This indicates a certain investor preference for use-of-proceeds instruments, i.e. green, social, and sustainability bonds. Likewise, it reflects investor concerns about transparency, level of ambition and potential "greenwashing" in the case of the more general targets of sustainability-linked bonds.

[4] For more details on political and regulatory initiatives in Europe and beyond, please see Deutsche Bank Research (2026). Climate and Sustainability Quarterly: Have we reached a new tipping point? August 6.
[5] AFME (2026). ESG finance report. Q2 2026. July 9.
[6] Fitch (2026). Sustainable finance mid-year review: Momentum returns to labelled debt markets, nuance deepens. August 24.
[7] S&P Global (2026a). Sustainable bonds outlook 2026: European green bond issuance will stabilize. February 26.
[8] S&P Global (2026b). Sustainable bond outlook midyear 2026: Stability in a maturing market. August 27.

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However, the pattern differs across the largest issuer countries in the EU.

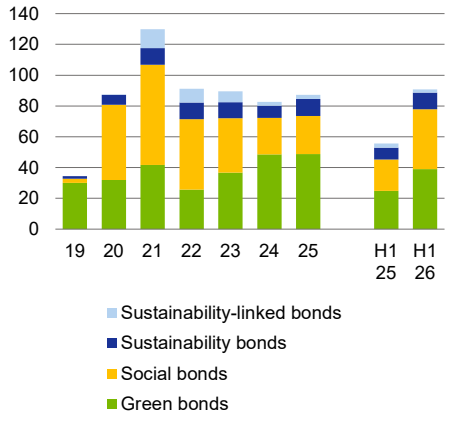
— France is the biggest issuer, with average annual sustainable bond issuance of nearly USD 90 bn in the years 2022-25. Social bonds remained a relevant category in the post-pandemic years, similarly to the Netherlands (Figures 4 and 5), not least due to a significant role of government-linked issuers. Moreover, both countries saw a strong first half of this year, with issuance volumes already surpassing the full-year 2025 level, driven primarily by a surge in green bonds, and in France also social bonds.

— Germany is the second-biggest issuer. Most remarkably, from 2022 to 2025, sustainable bond issuance was consistently above the 2021 level, reaching around USD 80 bn p.a. (Figure 6). This sets Germany apart from the international trend of declining issuance after the boom in 2021. Green bonds are the dominant category that made up 88% of issuance in 2025.

— Italy is the third-largest market and recorded sustainable bond issuance of USD 31 bn last year (similar to the Netherlands). However, issuance has been shrinking since 2023, with H1 2026 even weaker than H1 2025 (Figure 7). The decline was in part due to sharply lower amounts of sustainability-linked bonds, which had previously played a considerably larger role in Italy than in the other major EU markets. This had been driven first and foremost by a large utility company that last year essentially ceased issuing such bonds. The decision also contributed to a further fall in volumes by the corporate sector.

France - social bonds remain a relevant category 4

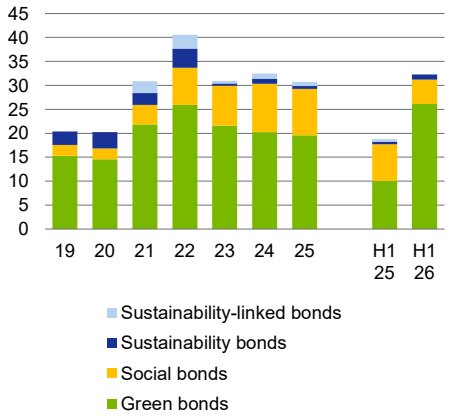
Issuance in USD bn



Sources: Dealogic, Deutsche Bank Research

Netherlands - relying on green and social bonds 5

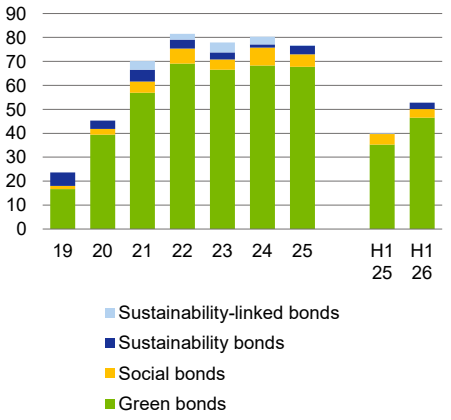
Issuance in USD bn



Sources: Dealogic, Deutsche Bank Research

Germany - green bonds dominate sustainable bond issuance 6

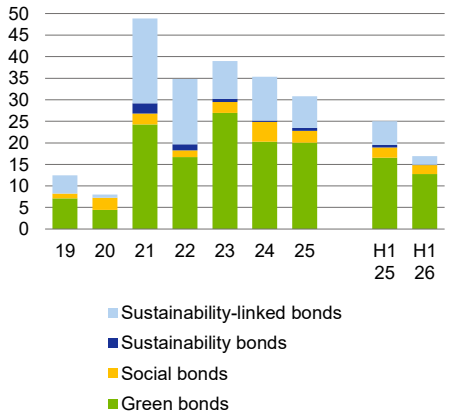
Issuance in USD bn



Sources: Dealogic, Deutsche Bank Research

Italy - sustainability-linked bonds enjoyed some popularity 7

Issuance in USD bn

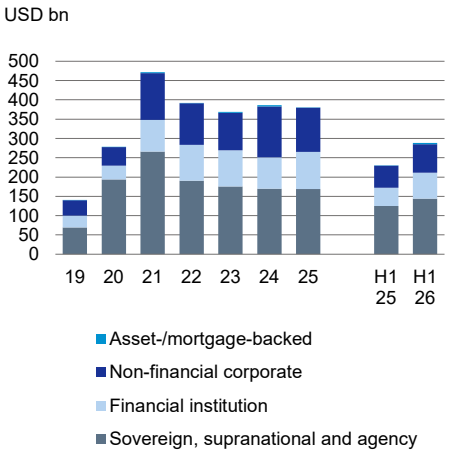


Sources: Dealogic, Deutsche Bank Research

By issuer type, the public sector has been a key driving force behind sustainable bond issuance in the EU (Figure 8). On average, it accounted for around half of the total issuance in the years 2019-25. This was similar in Germany (54%) and even more pronounced in France (61%). By contrast, financial and non-financial corporations were the primary issuers in Italy (70%) and the Netherlands (54%). Asset- and mortgage-backed issuance remains negligible in the EU, while this category is more prevalent in regions such as North America and APAC.



Sustainable bond issuance in the EU notably driven by the public sector 8



Sources: Dealogic, Deutsche Bank Research

Outlook

Following a strong first half, sustainable bond issuance in the EU is on track for a rebound this year. Significant volume growth (yoy) across all three main issuer sectors, a conducive regulatory framework, and sizeable financing needs related to energy, infrastructure, resilience and climate adaptation should continue to support the market. At the same time, tight financing conditions – with interest rates expected to rise further – and geopolitical tensions are important headwinds that could constrain growth. Yet the market overall continues to expand, and the ever-larger stock of outstanding paper also needs to be refinanced. Globally, maturing debt amounts to more than USD 500 bn annually from 2026 to 2030, peaking at above USD 700 bn in 2028.[9] Therefore, besides new issuers coming to the market, rolling over existing debt may turn into an increasingly relevant source of issuance over the next few years, in Europe as elsewhere.

Overall, the sustainable bond market has become more mature, with green bonds firmly established as its largest segment. The focus in Europe is gradually shifting towards energy security, resilience and competitiveness, while transparency and credible use of proceeds continue to be key for investors.

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[9] Fitch (2026).



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