Sustainable Bond Market Snapshot

19 January 2026

Outlook 2026 – Europe's infrastructure drives green bond growth; transition finance rules have limited effect

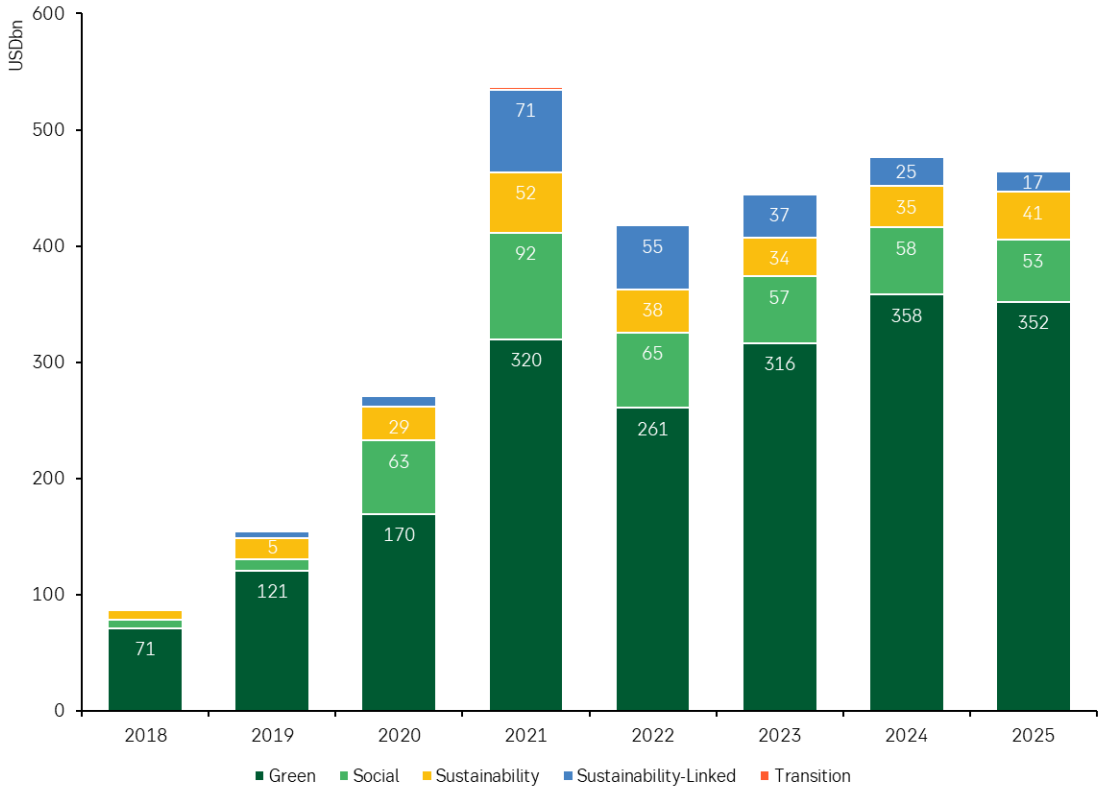
European sustainable bond issuance is expected to rebound in 2026, led by sovereigns, supranationals, and agencies amid rising energy security and infrastructure needs. Green bonds will hit record levels at USD 370bn, driven by SSAs (+8%) and corporates (+7%), while financials remain flat. Refinancing provides a $180bn issuance baseline. Efforts by standard setters to promote transition finance are unlikely to drive significant growth in sustainability-linked or transition bonds in 2026. European sustainable bonds issuance level in 2025

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European sustainable bonds issuance level in 2025

New issuance of green, sustainable, sustainability-linked and transition bonds in Europe reached USD 464bn in 2025, on par with 2024. Last year continued the trend which has seen social and sustainability bonds declining compared to the record setting year of 2021 when governments and EU institutions issued extraordinary amounts of social and sustainability bonds to address the outfall of the COVID pandemic. Green bonds also saw a small decline in new issuance.

European sustainable bond issuance

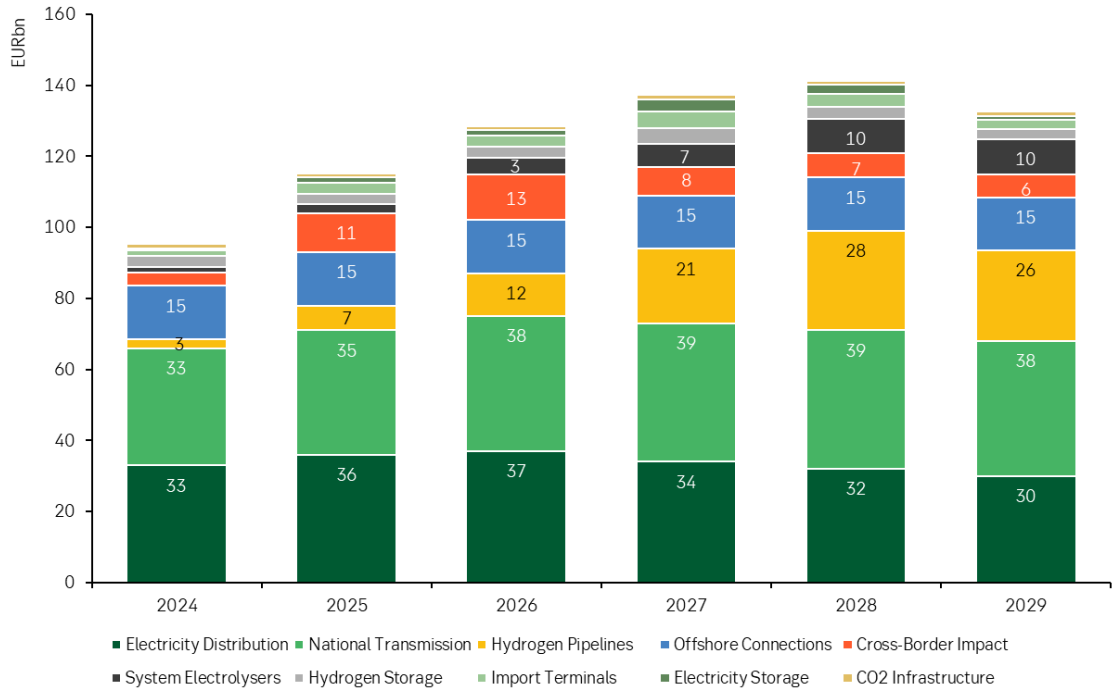


Source: BloombergNEF, SEB

Energy infrastructure investments poised to be catalyst for green bond market growth in Europe

Governments and corporates across Europe face mounting pressure from multiple fronts to accelerate investments in energy infrastructure. First, persistent geopolitical tensions—most recently in Venezuela and Iran—underscore Europe's reliance on energy imports and the urgent need to strengthen domestic energy supply. Second, the rapid buildout of AI-driven data centers is beginning to push electricity prices higher, signalling that Europe must expand its power generation and distribution capacity to remain competitive in the global digital economy. Third, the recent attack on power lines in Berlin, which left 45,000 people without power and heat during a severe cold spell, highlights the critical importance of reinforcing infrastructure resilience against physical and cyber threats. According to the recently announced EU Grid Package, investments in the EU's energy infrastructure alone need to increase by more than 40% by 2029 to support the integration of renewables and increase efficiency and resilience.

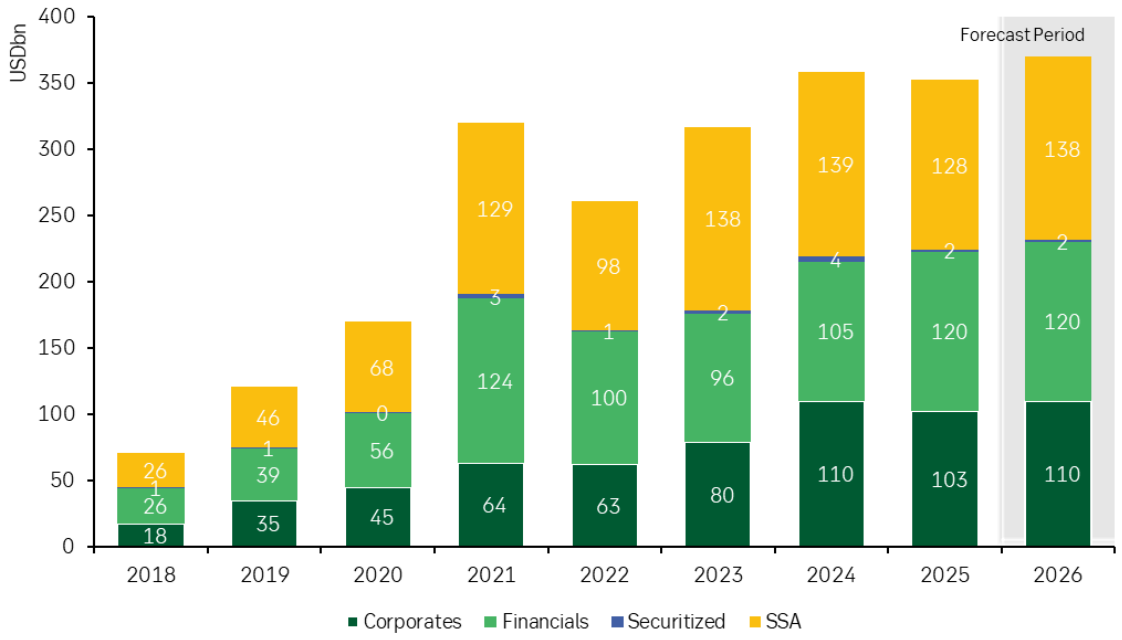
EU energy infrastructure investment needs



Source: European Commission 2025[1], SEB

Taken together, these factors are expected to drive modest but meaningful growth in 2026, culminating in a record year for annual green bond issuance across Europe. The bulk of this expansion will be related to sovereign, supranational, and agency financing (SSAs) alongside with corporate green bonds including from entities that own and operate energy infrastructure. A good example here is Amprion's issuance of three green bonds totalling EUR 2.6bn on 7 January in which SEB participated. SSAs are projected to increase their green bond issuance by approximately 8%, while corporates will follow closely with a 7% rise. In contrast, issuance from financial institutions is anticipated to remain broadly flat compared to 2025 levels.

European Green bond issuance by sector

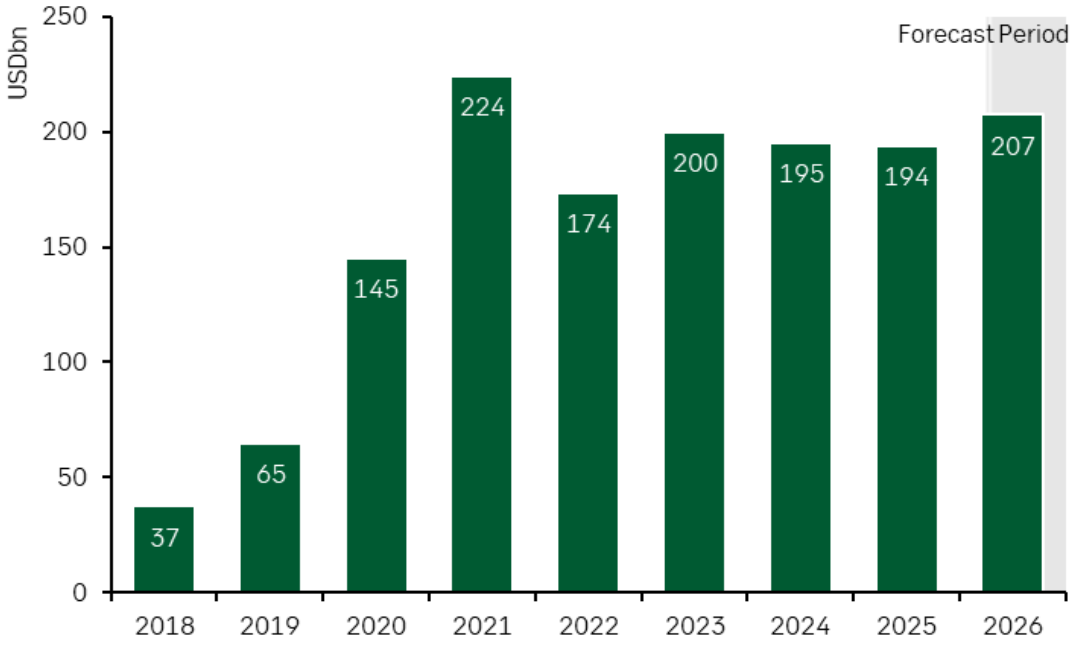


Source: BloombergNEF, SEB

European SSA sustainable bond issuance return to growth

Public institutions face mounting pressure to secure funding for energy reliability, security, and affordability—factors that should support higher sustainable bond volumes, in particular green bonds. Notably, KfW has announced plans to issue EUR 15bn in green bonds this year, up from EUR 14bn in 2025 and well above its original EUR 10bn target for that year. Similarly, the EU and other major institutional borrowers have signalled their intention to expand borrowing in 2026, reinforcing expectations of a strong issuance pipeline.

European SSA green bond issuance

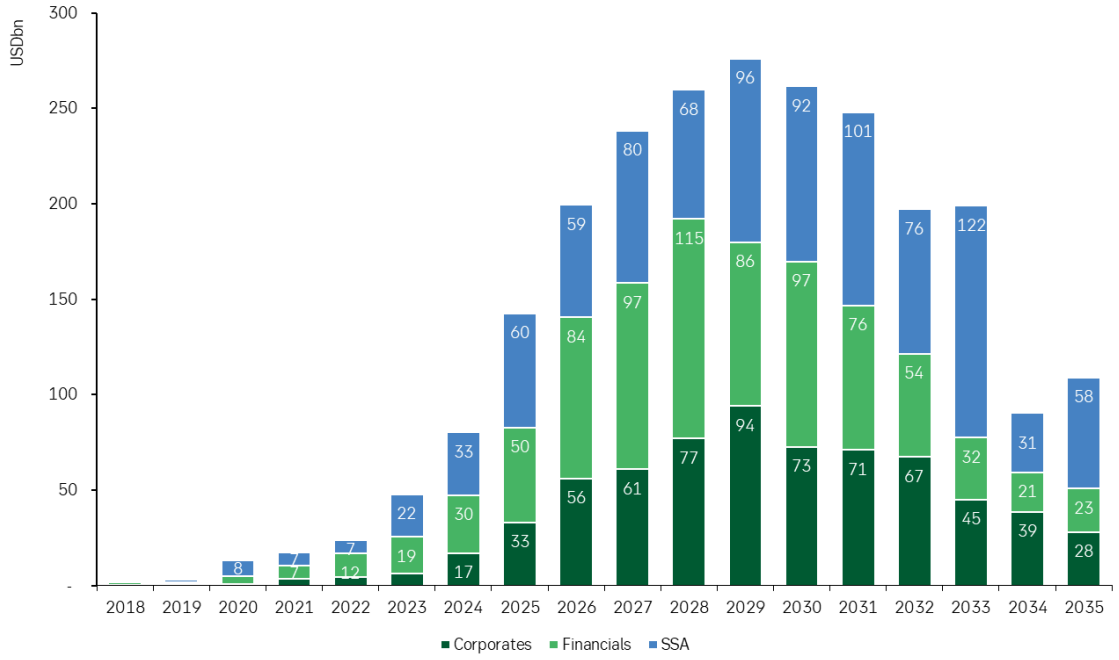


Source: BloombergNEF, SEB

Refinancing of sustainable bonds provides USD 180bn issuance baseline

A large share of sustainable bond issuance in Europe this year will refinance existing debt. Around USD 200bn in sustainable bonds will reach maturity this year. More than 40% of sustainable bonds reaching maturity in 2026 are from financials, with the remaining 60% coming from equal parts corporates and SSA. Assuming an 80% refinancing rate, this alone could provide USD 160bn in new sustainable bond issuance in Europe this year.

European sustainable bond issuance by year of maturity



Source: BloombergNEF, SEB

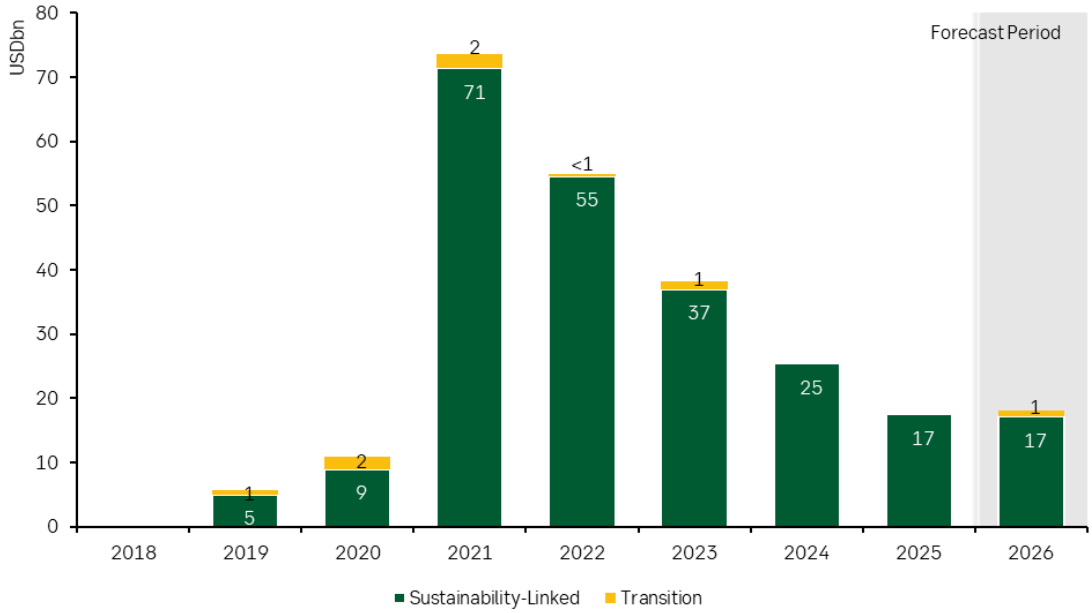
New rules on transition finance will have minor impact on sustainability-linked and transition bonds

There has been uncertainty among financial market actors about what should be counted as transition finance – specifically in relation to sustainability-linked and transition bonds. In 2025, several standard setting institutions have tried to tackle this problem. In October, ICMA and LMA published closely aligned standards on transition finance. This followed in November by the European Commission's proposal to overhaul the Sustainable Finance Disclosure Regulation (SFDR) included the creation of a dedicated category for 'transition' investment funds, under a new 'Article 7'.

As we outlined previously, Sustainability-Linked Bonds (SLBs) have seen a strong decline in recent years, in part due to concerns about materiality of key performance indicators, ambition of sustainability targets, data transparency and effectiveness of interest-rate step-ups to protect investors. Regulatory action on transition finance could help investors find a more suitable home for SLBs as an instrument for decarbonization in a fixed income portfolio. As experience from Japan and China suggests, transition bonds can also benefit from clearer guidelines.

However, the limited uptake of the UK's 'Sustainability Improvers' label launched in 2024 suggests that the EU may struggle to enforce eligibility criteria for climate transition funds without adding unnecessary complexity and stifling innovation. Still, the new standards may offer issuers in heavy-emitting sectors to reduce greenwashing risk by labelling their investments as transitional rather than green. Overall, we think that the new standards will only marginally improve the situation for sustainability-linked and transition bonds in the near-term.

European sustainability-linked and transition bond issuance



Source: BloombergNEF, SEB

The Sustainable Bond Market Snapshots are prepared by Sustainable DCM, Fixed Income and Sustainable Banking for bond issuers and investors. If you have any questions or would like to engage further do not hesitate to reach out to the sustainable DCM team on email sustainableDCM@seb.se or directly to benjamin.powell@seb.no, isabelle.tibbelin@seb.se, fredrik.vonplaten@seb.se, lars.eibeholm@seb.dk, gregor.vulturius@seb.se

[1] Investment needs of European energy infrastructure to enable a decarbonised economy - Publications Office of the EU