

Joint Press release

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Berlin, 24 August 2020 Page 1 of 3

Germany to issue Green German Federal Securities from 2020

The Federal Republic of Germany is publishing its first framework for Green German Federal Securities today. The aim of these securities is to make Germany's "green" budget spending transparent while also strengthening the country's position in the area of sustainable finance. As a benchmark issuer for the euro area, the German federal government will offer different maturities, establish a green yield curve, and thus create added value for the sustainable finance market in Europe.

The associated green expenditures will serve different purposes. For example, they will promote clean transport systems and reduce carbon emissions from motor vehicles. They will accelerate the transition towards an economy that largely runs on renewable energies and towards more efficient energy consumption, and they will support research that works towards a more sustainable future. In this way, the German government is also making a significant contribution to international climate action and the conservation of global biodiversity.

Dr Jörg Kukies, State Secretary at the Federal Ministry of Finance, commented: *"From now on, the German government will issue green federal bonds every year. In this way, we are creating strong momentum towards a more robust sustainable finance market. Our innovative "twin bond" approach is designed to attract new investors and issuers to the green bond market and thus act as a catalyst, channelling more investments into a greener economy."*

Rita Schwarzelühr-Sutter, Parliamentary State Secretary at the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety, commented: *"With its climate package, the German government has set the course towards huge investment in green and climate-friendly technologies. The finance industry can also contribute to reaching this objective. Green federal bonds create a clear incentive. In this way, we are showing how green and climate-friendly economic activities can be made transparent and predictable."*

➤ **Strengthening Germany's position in the area of sustainable finance**

German issuers – especially KfW, but also many other issuers such as local authorities and private companies – have already contributed significantly to the development of an international market for green bonds. By issuing Green German Federal Securities, the German government is taking the next logical step in this evolution.

➤ **Creating transparency on green federal budget expenditure**

At a global level, Germany is fully committed to the Paris Climate Agreement and to the achievement of the United Nations' 17 Sustainable Development Goals. The German government has been dedicating substantial budget resources to these objectives for years. By issuing Green German Federal Securities and establishing the associated reporting system, Germany is ensuring a high level of transparency on green federal budget spending.

➤ **Green spending of about €12.7bn identified**

When selecting green budget items, the German government is guided by established international market standards, such as the UN's Sustainable Development Goals and especially the Green Bond Principles of the International Capital Market Association (ICMA).

The framework published today presents the categories of green spending by the German government. Securities issued are always assigned to expenditures in the preceding budget year. The expenditures of seven ministries were included in 2019. These were reviewed in detail and underwent an external evaluation (Second Party Opinion).

Spending totalling more than €12.7bn was classified as green expenditure according to the framework's criteria, in five main sectors: (1) transport; (2) international cooperation; (3) research, innovation and awareness raising; (4) energy and industry; (5) agriculture, forestry and natural landscapes.

➤ **Twin bonds ensure efficiency and market transparency**

The new Green German Federal Securities will always be issued alongside existing, conventional federal securities, with exactly the same characteristics, i.e. the same maturity and coupon. The German government's aim is to issue green twins for standard maturities on the conventional curve. In this way, the government can offer future investors different maturities and establish a green euro interest rate benchmark, thus creating added value for the sustainable finance market.