

SustainaWeekly

Netherlands to accelerate energy transition

- ▶ **Economics Theme:** The Dutch government has announced that it will take measures to reduce its dependence on Russian gas. Over coming years this involves accelerating the transition. The total planned capacity for wind at sea will almost double by 2030. Hydrogen – both domestic and imports – and energy efficiency are also important components.
- ▶ **Strategy Theme:** We estimate that greeniums for Sustainability-Linked Bonds in the primary market so far this year are only modest overall and rather inconsistent. However, greeniums are higher depending on the structure. For instance, those that include scope 3 emissions in their targets show a much higher premium.
- ▶ **ESG Bonds:** We saw nearly EUR 7bn in ESG bonds being printed across a range of issuers and structures over recent days. We assess the issues from Vonovia, L’Oreal, Carrefour, and Telia, taking a closer look at pricing compared to peers as well as the structures.
- ▶ **Policy and Regulation:** The European Council has reached agreement on the Carbon Border Adjustment Mechanism regulation, which is one of the key elements of the ‘Fit for 55’ package. The Council has made limited changes compared to the Commission proposal but still needs to make progress on related issues such as the phase-out of free allowances.
- ▶ **ESG in figures:** In a regular section of our weekly, we present a chart book on some of the key indicators for ESG financing and the energy transition.

In our latest edition of the Sustainaweekly, we start by discussing the Dutch government’s plans to reduce the country’s dependence on Russian gas. There is a short term aspect related to the building up of gas inventories and LNG import capacity, but also a longer-term strategy centred on accelerating the transition. This follows proposals in this direction from the Commission, and a number of countries have also since announced plans to step up their renewable energy and efficiency goals. We go on to look at greeniums for Sustainability-Linked Bonds, recent ESG bond issuance and Europe’s new step forward in realising carbon border adjustment.

Enjoy the read and, as always, let us know if you have any feedback!

Nick Kounis, Head Financial Markets and Sustainability Research | nick.kounis@nl.abnamro.com

Dutch government measures to reduce dependence on Russian gas

Hans van Cleef – Senior Energy Economist | hans.van.cleef@nl.abnamro.com

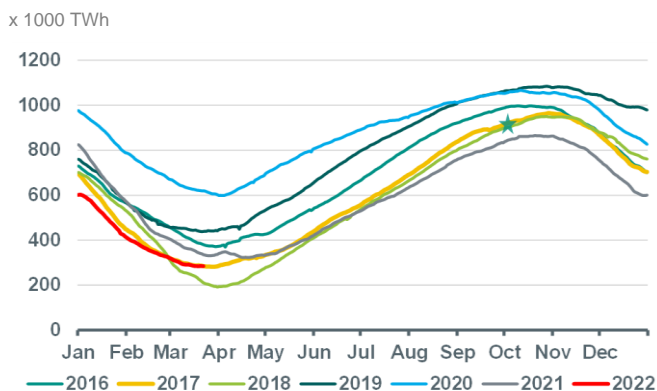
- ▶ **Dutch government will take steps to reduce its dependence on Russian natural gas**
- ▶ **The measures can be divided into short- and long-term solutions**
- ▶ **Obligation to fill gas stocks should help to guarantee security of supply during the coming winter**
- ▶ **LNG import capacity in the Netherlands to be expanded considerably**
- ▶ **Incentives to reduce demand for gas will be scaled up**
- ▶ **The government will designate three new locations for offshore wind; this will bring the total capacity of offshore wind to 21 GW by 2030**

On 14 March, the Dutch government announced that it will take measures to reduce its dependence on Russian natural gas as soon as possible. At the same time, measures will be taken to ensure the availability of gas during the coming winter season. These measures to replenish gas stocks are aimed at finding alternatives to Russian imports, such as more Liquefied Natural Gas (LNG) or imports through pipelines from other suppliers. In addition, efforts will be made to accelerate the reduction of gas demand through savings/efficiency and the promotion of alternatives, such as renewable energy. With regard to these measures, a distinction must be made between measures that have an effect in the short term and measures that have a longer lead time.

Coming months

The Dutch government wants to introduce filling obligations for gas inventories to ensure that gas storage capacity is sufficiently filled before 1 October. In doing so, the government is following the proposal of the European Commission to introduce an obligation to replenish gas inventories to at least 80% before the start of the heating season (rising to 90% in subsequent years). However, with the current high gas prices there are no or few commercial incentives for gas storage owners to build inventories. There is simply too much risk that the stored gas will have to be sold at a loss during the winter. In the coming weeks, governments will be looking at suitable options to create incentives to build inventories. Among these options are an obligation to build inventories or a to have a contract with a government-appointed party. However, we think that this will only work if the government also guarantees the price risk.

EU natural gas inventories plus 80% target



Source: GIE

To be able to import more gas, the Dutch government also wants to increase import capacity for LNG. This can be done by increasing the capacity of the Rotterdam Gate terminal or by renting/buying a floating storage and regasification terminal (FSRUs). At the moment the LNG import capacity of the Gate terminal is 12 billion cubic metres, about 1/3rd of the total Dutch gas consumption. An expansion would involve 5-8 billion cubic metres. Just a few days later, Gasunie announced that it had signed a five-year contract for such a floating gas platform. The FSRU could be moored in Groningen's Eemshaven from the autumn onwards where it could be connected to the gas network. The FSRU will increase the Dutch LNG capacity by 4-5 billion cubic metres. The total LNG capacity could grow to almost 25 billion cubic metres per year.

The government also wants to take measures on the demand side. In the coming weeks, an 'energy saving' campaign will be launched to highlight and stimulate the possibilities of energy-saving and sustainability measures in households and businesses. These include better adjustment of heating systems and the accelerated implementation of insulation measures.

Longer term

The government is also working on another path to accelerate the energy transition. It aims to accelerate the construction of renewable energy and to increase energy efficiency. Green gas and hydrogen are import elements in this process. In addition to the development of its own hydrogen production capacity, the import of hydrogen (starting in 2025-2030) is also being considered.

The letter from the Lower House once again emphasised that extra gas production from the Groningen gas field is not an option and that the definitive closure of the field in 2023 or 2024 is still the intention. It is expected that gas production from the Dutch small fields will decline further in the coming years if no new exploration and production activities are undertaken. However, the government wants to stimulate this. Last week, NOGEPA, the branch organisation of gas producers, indicated that by accelerating the issuance of licenses, that an extra 6 billion cubic metres of gas can be produced from small fields, especially offshore. In the medium term, this additional production potential could even increase to a total of around 80 billion cubic metres.

The parliamentary paper only briefly mentioned nuclear energy. The life span of the existing power station in Borssele will be extended. In addition, the government will provide more details on the plans for the construction of two new nuclear power plants.

In a separate letter, the Government designated three new areas for wind farms at sea and confirmed two previously designated areas. The three wind energy areas are called *Nederwiek*, *Lageland* and *Doordewind* and are located to the north and northwest of the country. The exact construction locations within these areas will be determined in the summer. With these five new areas, the total planned capacity for wind at sea will almost double from 11.5 GW to 21 GW by 2030.

The government also wants to reduce demand for gas even further in the longer term. By rolling out insulation programmes in the built environment and by stimulating the use of hybrid heat pumps. For business users, an update and extension of the energy-saving obligation is being considered. Currently, this is still based on an obligation at the time when the investment can be recouped within five years. With the current high gas and electricity prices, this payback period would be shorter.

Do SLBs allow for cheaper funding costs for issuers?

Larissa de Barros Fritz – ESG & Corporates Strategist | larissa.de.barros.fritz@nl.abnamro.com

- ▶ **We evaluated whether SLBs provide a financial “premium” (the so-called “greenium”) paid by bondholders in comparison to non-ESG (conventional) bonds**
- ▶ **More than that, we investigated whether the characteristics of the SLB (for example, the type of KPIs used, the type of financial penalty) could also result in higher greeniums paid in the primary market**
- ▶ **And indeed, our analysis indicates that there is a modest greenium of, on average, 3bps in the EUR IG SLB market, however, greeniums are still quite ‘scattered’ and hence, not really consistent**
- ▶ **On the other hand, our results indicate that there is in fact a stronger greenium for companies that have included scope 3 (indirect) emissions in the sustainability targets of their SLBs**
- ▶ **Furthermore, our analysis shows that there does not seem to be a relationship between greeniums and type of financial penalty paid**
- ▶ **More striking, investors seem to prefer SLBs with a “simple” financial structure**

Sustainability-Linked Bonds (SLBs) first emerged in 2019, but are now already roughly 10% of the total ESG bond market. This instrument allows issuers that do not have enough ESG assets/investments to enter the sustainability market for the first time. Also from an investor perspective, investing in such instruments allows them to take part in a company's sustainability strategy. In this piece, we have looked at whether SLBs can provide cheaper funding costs for issuers, which is currently the case for other ESG bonds, such as green bonds.

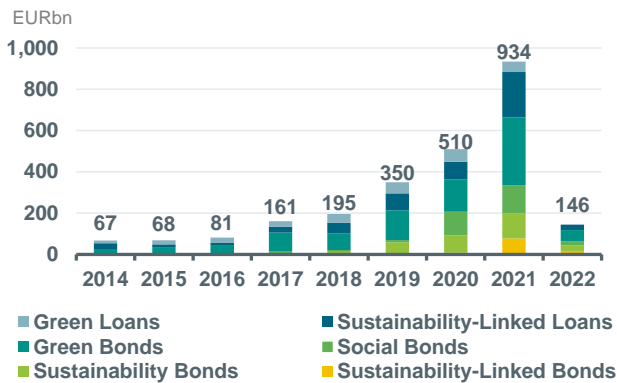
This piece is a short summary of an upcoming wider publication (“ESG Strategist: Do SLBs allow for cheaper funding costs for issuers?”).

What are Sustainability-Linked Bonds?

Sustainability-Linked Bonds – or SLBs, as they are commonly known in the market – are ESG financial instruments in which the financial and/or structural characteristics can vary depending on whether the issuer has achieved pre-defined sustainability targets. Furthermore, in contrast to a green bond, in which the issuer commits to allocate an equivalent amount of the bond proceeds towards green projects/investments, in an SLB, issuers can allocate bond proceeds for general corporate purposes.

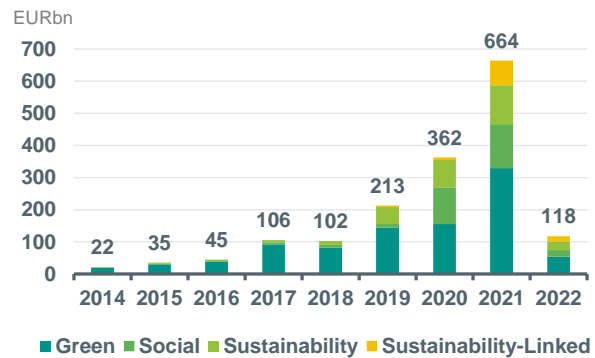
Although similar instruments have already long existed in the loan market, SLBs first emerged in late 2019, via a 3-tranche issuance by the Italian electricity and gas distributor/trader Enel. Since then, the market has grown considerably, and nowadays account for roughly 10% of the total ESG market (in 2021, a total of EUR 118bn were issued in SLBs). Looking at only the USD, EUR and GBP currencies (the most common ones used in SLB issuance), SLBs accounted for 12% all ESG issuance in 2021, and already represent 14% of all YTD ESG volume. Hence, clearly issuers and investors have become more familiar with the product and we see further market penetration ahead, as it allows issuers to become more explicit about their sustainability targets.

While sustainability-linked instruments long exist in the overall ESG debt market...



Source: Bloomberg, ABN AMRO Group Economics. Note: Figures hereby presented take into account only issuances larger than EUR 250m and in the following currencies: EUR, USD and GBP. YTD figure as of 22-3-2022.

...they only emerged for bonds in 2019, and now account for 14% of issuances



Source: Bloomberg, ABN AMRO Group Economics. Note: Figures hereby presented take into account only issuances larger than EUR 250m and in the following currencies: EUR, USD and GBP. YTD figure as of 22-3-2022.

Do SLBs provide some sort of financial advantage for issuers?

In this section, we provide a quick summary of our findings on whether there is a financial “premium” paid by bondholders for SLBs when compared to non-ESG (conventional) bonds (the so-called “greenium”), or put simply do SLBs allow for cheaper funding costs for issuers. More specifically, our analysis focuses on issuance in the Investment Grade (IG) EUR bond market. We have set out our analysis below.

Box: How was the “greenium” calculated?

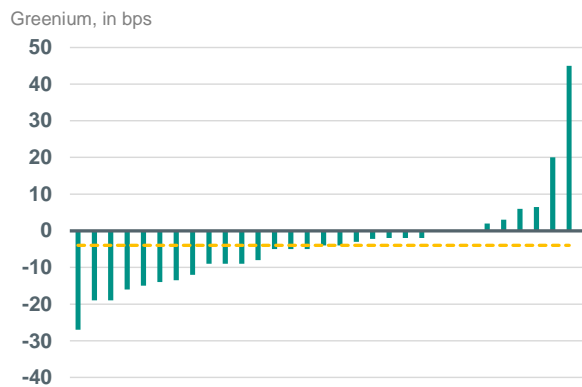
As a first step, in order to calculate the “greenium”, we calculated the new issuance premium (NIP) on that specific bond. NIPs were calculated as per our own estimates and/or as disclosed by Bloomberg. There is a greenium when the NIP on the SLB is lower than the NIP on a conventional bond issue. For the NIP calculation, we have looked at conventional bonds that have been issued within a maximum 2 weeks difference and with a maximum 2-notch rating difference. 25% of our sample includes pairs issued at the same week and 28% had also the same rating. On average, our sample shows no systemic bias in terms of the timing of issuance or the rating difference between SLBs and conventional bonds, suggesting a good comparison base. Furthermore, as issuance size can also have an impact in NIP, our sample has on average only a EUR 63m difference in issuance size between SLBs and conventional bonds, while 13% of the pairs have also the exact same size. We do note that our exercise has not controlled for industry, which might also play an important factor when looking at NIPs. However, while this could imply that some bonds were issued with several weeks (and even months) apart from each other, we have decided to place a larger emphasis in controlling for some market volatility by means of controlling for issuance window.

Given the criteria as stated above, we have identified 32 pairs. We acknowledge that the sample might not be impressively large, but it represents around 60% of all SLBs issued YTD in the EUR IG market (as of 27/Feb). Hence, we deem it to be sufficiently representative.

Is there a “greenium” for SLBs?

While we do see a very small “greenium” in the SLB space (see chart below), it is still relatively low – in the range of 3-4 basis points. Moreover, it still seems to be quite “scattered” and hence, not really consistent. This is also confirmed by looking at the standard deviation of our sample (which is 13), meaning that 68% of our sample has an average greenium of 3-4bps \pm 13bps.

On average, SLBs show a modest greenium



Social bonds don't impress, yet green telecom hybrids outshine regular senior bonds

Shanawaz Bhimji, CFA – Senior Fixed Income Strategist | shanawaz.bhimji@nl.abnamro.com

- ▶ **Vonovia has issued the third social bond from a real estate company last week, on top of a new green bond**
- ▶ **We do not yet see a “greenium” for social bonds in the real estate space**
- ▶ **Inaugural issuer L’Oreal also came out with a sustainability-linked bond (SLB) last week**
- ▶ **Given, among others, the company’s progress made so far in improving its sustainability, we see no issues for it to deliver on the chosen KPI’s**
- ▶ **Also Carrefour issued an inaugural SLB, joining its peers Ahold and Tesco**
- ▶ **Amongst the three, Tesco seems to have the most ambitious decarbonization targets**
- ▶ **Carrefour has also opted to not include its GHG emission targets in this SLB**
- ▶ **Lastly, Telia issued its second green hybrid, showing that perhaps a green label does provide a funding benefit in the hybrid space**

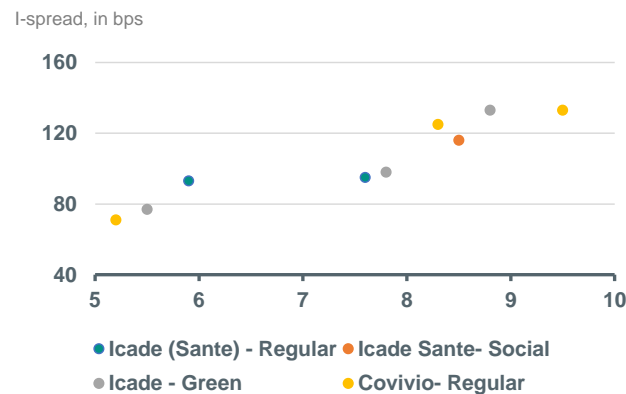
It was an overall heavy week for new issuance in the European corporate bond market, as market conditions continue to improve. Obviously, ESG bonds pulled their weight as well and we saw nearly EUR 7bn in ESG deals being printed across a range of issuers. Below are some of last week's highlights.

German residential real estate issuer Vonovia issued its second green bond, as well as an inaugural social bond. The company came to the market with a three-tranche EUR 2.5bn deal, where two parts of the offering were in social format, and one in green. Proceeds from the Vonovia social bonds will be used for housing set aside for low-income and/or rent subsidy eligible households (affordable housing). Interestingly, the company has also included as eligible low-barrier housing, which includes investments towards refurbishment of houses to remove barriers to people with reduced mobility – the first of its peers do to so.

The social bond landscape is very limited in the real estate credit space, with so far only residential real estate operator Samhallsbyggnadsbolaget i Norden (SBB - twice) and healthcare real estate operator Icade Sante (once) having issued these type of instruments. Still, despite the scarcity of issuance, we do not see this reflected in bond pricing. The SBB social deal got priced at 7bp of NIP in May 2021 and its social bonds are not trading at a noticeable “greenium” in the secondary as well (they are not trading tighter than conventional (non-ESG) bonds). We see much flatter curves from the 6y space in similarly-rated logistic real estate CTP, which has only issued green bonds so far.

Also when looking at the Icade Sante 1.375% 2030 social bond, we do not see conclusive evidence of a social bond trading at tighter spreads than the regular bonds. Admittedly, we do see “only” 40bp of I-spread steepness between the 5.5y workout Icade green bond and the 8.5y Icade social bond, compared to for example, the 54bp I-spread steepness between the same rated Covivio on its regular bonds between the 5.2y and 8.3y workout. However, the chart below also shows that the regular 0.875% Icade Sante trades even at much tighter spreads in the 7.6y workout, and this one does not have a social bond label.

Icade example shows that social bonds have no greenium



Source: Bloomberg, ABN AMRO Group Economics. Note: x-axis = years to workout

Also in the case of Vonovia, we do not see a tighter spread on the new social bonds given that they trade at the same spread level vs the conventional ANNGR 0% 2025's and the ANNGR 0.25% 2028's. On the new Vonovia green bond, we note that despite the fact that it priced at a sizeable concession, spreads came in quickly in the secondary market and indeed we already see a 5bp greenium taking shape against the steepness in the Vonovia curve when we extend from regular bonds in the 2030 maturity and 2031 maturity. We have previously flagged that greeniums in the secondary market of bonds issued by real estate issuers tend to be quite persistent.

Inaugural issuer L'Oreal, well known for its cosmetics products and very sound credit ratings, came to the market last week with a 4-tranche deal, out of which 1 tranche was a SLB. The issuers characteristics plus a sweet-spot tenor of 4.25y lured nearly EUR 3.4bn orders on a EUR 1.25bn deal size. L'Oreal decided to include scope 3 in its second KPI (scope 3 reportedly represents 99% of the issuers emissions – largely driven by the ingredients and materials used in their products) and, as we previously showed, inclusion of scope 3 can drive a greenium on the SLB space (see previous note in this publication for more on this). And indeed, we see zero concessions being paid on the SLB tranche, whereas similar rated issuers had to pay up some NIP this week to get regular deals done. This specific scope 1-2-3 KPI is looking at 14% reduction from 2021 levels by 2025. For the SLB, L'Oreal has also included two other targets: to raise the use of sustainable plastics from 21% today to 50% by 2025 and to reach zero scope 1 and 2 GHG emissions by 2025. All carbon reduction targets are SBTi verified. Given L'Oreal's brand strength (and hence also pricing power to consumers and suppliers), very conservative balance sheet and progress made so far in improving its sustainability (the company achieved an 81% reduction in on-site greenhouse gases since 2005), we see no issues for it to deliver on the chosen KPI's.

French supermarket chain Carrefour was next to issue a SLB last week, following in the footsteps of Dutch grocery chain Ahold and UK grocery chain Tesco. However, despite qualifying GHG emission reduction in the SLB framework, the issuer chose not to include it as a KPI in last week's bonds, which we find strange since food retail does use a decent chunk of energy for cooling purposes and both Tesco and Ahold had actually opted to include scope 1 & 2 GHG emission reduction in the SLBs they issued in 2021. In terms of similarities in the targets of the grocery issuers, both Ahold and Carrefour have opted for food waste reduction. Carrefour is targeting a reduction in food waste of 50% per square metre of in-store retail space by 2025 vs 2016, while Ahold has set a 32% reduction per unit sales as objective from the 5.48 tonne of waste per EUR 1mn of food sale revenues it reported in 2016.

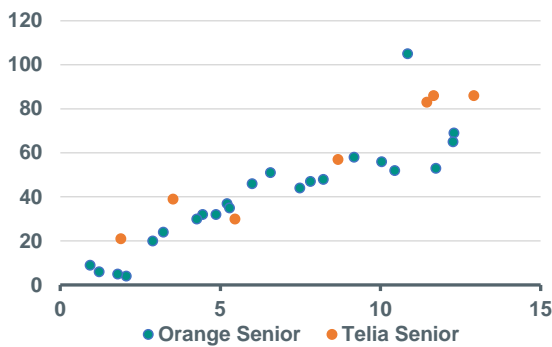
Making comparisons between the two issuers is therefore challenging. We also note that Tesco's SLB has the most ambitious scope 1 & 2 greenhouse gas reduction plan, given that this company intends on an equivalent 32% reduction by 2025/2026 vs 2018, while Ahold is planning 29% reduction vs the same baseline. GHG intensity (as in emissions to revenues) actually sits higher at Ahold, hence confirming Tesco's stronger ambitions. Carrefour does not have a GHG emissions target for 2025 in the new SLBs. The longer new Carrefour SLB tranche represents a curve extension, hence it was hard to estimate fair value. Investors could also point to the high competition from the older Tesco SLB and therefore prefer Tesco over Carrefour, given less M&A noise and inclusion of carbon targets in the SLB. On the 4.6y Carrefour SLB

tranche, however, there is better secondary guidance, given where the Carrefour 26's and 27's non-SLB's trade and these bonds should already incorporate the M&A noise. The 17bp of NIP on the new Carrefour SLB's already come down by 12bp on the first day after launch, leaving only 5bp before fair value on the Carrefour's secondary curve.

Finally, last week there was a second green hybrid issue by Swedish telecommunications operator Telia. The hybrid bond space occupied by telco operators is confined to Telia (3 bonds), Orange (6 bonds) and America Movil (1 bond) and only Telia has been issuing under green labels so far. The latest issue seems intended to redeem the older 3% Telia hybrid, which is set to mature in less than a year. Nevertheless, as the hybrid is in a green format, an equivalent amount of the bond proceeds need to be invested in green projects, as specified in Telia's green bond framework. This includes, for example, R&D to increase energy efficiency and/or mitigate GHG emissions of Telia's customers and/or network users, replacements and upgrade of network equipment/technology for the purpose of energy efficiency, and investment in green buildings. What stuck us the most in this deal is that, while in the senior bond space Telia spreads are consistently higher than Orange bond spreads, the opposite seems to be the case in the hybrid space. Perhaps the Telia case shows that a green hybrid label does provide a funding benefit, but we do note that the Orange hybrid curve seems to be trading relatively flat at the moment.

Share of direct emissions in total economy

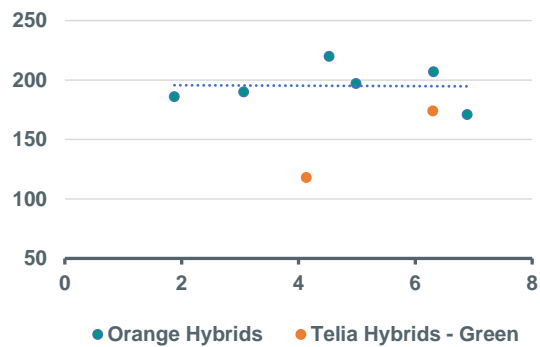
ASW spread (bp)



Source: Sustainalytics, Bloomberg, ABN AMRO Group Economics. Note: x-axis = years to workout

Share of emissions in total industry

ASW spread (bp)



Source: Sustainalytics, Bloomberg, ABN AMRO Group Economics. Note: x-axis = years to workout

A step forward in realising carbon border adjustment

Nick Kounis – Head Financial Markets & Sustainability Research | nick.kounis@nl.abnamro.com

- ▶ **The European Council has reached agreement on the Carbon Border Adjustment Mechanism regulation, which is one of the key elements of the Commission's 'Fit for 55' package**
- ▶ **The Council has made limited changes compared to the Commission proposal but still needs to make some progress on related issues such as the phase-out of free allowances**
- ▶ **The main aim of the mechanism is to make sure that the imported goods face the same cost of carbon emissions as domestically-produced goods do**
- ▶ **The scheme is limited in the products it covers, which means that it is not a comprehensive equalisation of carbon costs, but it does avoid the complexity that a wider scheme might create**

The European Council reached agreement earlier this month on the Carbon Border Adjustment Mechanism (CBAM) regulation. It is one of the key elements of the European Union's 'Fit for 55' package proposed by the European Commission (EC) last year. In this note, we give an overview of the main features of the mechanism (based on our earlier note [here](#)), the adjustments to the original proposal, as well as the next steps.

Preventing carbon leakage

The basic aim of the mechanism is to make sure that the imported goods face the same cost of carbon emissions as domestically-produced goods do, in order to prevent 'carbon leakage'. The EU has more ambitious policies to tackle climate change than many of its international trading partners. Specifically, the price applied to greenhouse gas emissions in Europe is higher than elsewhere, which raises the risk of carbon leakage. Carbon leakage occurs when in response to (higher) charges on emissions in the EU, businesses transfer production to other countries or imports from these countries replace products (which are responsible for lower emissions) produced domestically. The concern is that carbon leakage would offset the impact of the EU's climate policies on global emissions by increasing emissions in other countries. CBAM is aimed at addressing this issue, but also creating incentives outside the EU to step up their efforts to reduce their carbon emissions.

The EU has had an Emissions Trading System (ETS) in place since 2005 to limit emissions. Yet the evidence of significant carbon leakage up until now has not been very convincing (see a Bruegel study from last year [here](#) for an overview of some of the evidence). However, this might be because of existing carbon leakage protection mechanisms. In particular, ETS sectors that are most vulnerable to carbon leakage are granted free emission allowances as well as state subsidies to compensate for higher electricity costs. Emission reduction targets have been made more ambitious, while the free allocation of allowances will decline over time (see our note 'Stricter ETS to accelerate emission cuts' – [here](#))

The way CBAM will work

The CBAM design mirrors the ETS regime. In particular, as with ETS allowances, importers will need to surrender CBAM certificates that reflect the carbon emissions of the products. The certificates will be purchased at a price that corresponds to that of the ETS allowance (as determined by the weekly average auction price in EUR/t CO₂ emitted) at that time, but would be eligible for a reduction equivalent to any (unrebated) carbon price paid in the country of production. While the ETS sets an absolute cap on emissions, the CBAM will not set import limits.

The importer is charged with reporting the actual emissions embedded in the product (direct emissions during the production process of the products covered) and would then hand in the number of certificates that correspond to those emissions. A back up system will be available for cases where the importer does not have sufficient data on emissions. In these cases, the carbon emission intensity of the products would be based on default values, but the importer will have the opportunity to demonstrate better performance on the basis of evidence of actual emissions. For electricity, the preference is to employ a reference value for emissions embedded in imported electricity based on the average emission factor of the EU electricity mix, but importers will have the option to demonstrate lower emissions at their installation level. The emission declaration and certificate handover would take place annually and would cover the previous year's import volumes. The system would be administered by national climate authorities.

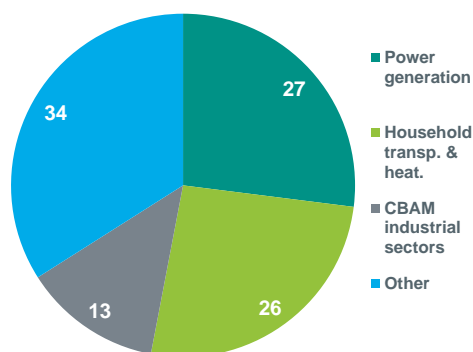
The scheme will be applied gradually over a 10 year period starting in 2026, though there will be a transition period between 2023 and 2025 where the system is applied without financial adjustment. At the end of that period, free ETS allowances will be reduced by 10 percentage points each year and the CBAM will be phased in. As a general principle, the EC states that at no point over the transition period should imports receive less favourable treatment than domestically-produced goods.

The scope of the scheme

The ultimate ambition is for a broad product scope of the CBAM that would ensure that the treatment of imports is equivalent to that of domestically-produced goods. However, it deems that it is prudent to start with a more limited number of sectors: iron and steel, cement, fertilisers, aluminium and electricity. The industrial sectors in scope account for more than half of total emissions in total industry. Taken together with electricity generation, they account for around 40% of total CO₂ equivalent emissions.

Share of direct emissions in total economy

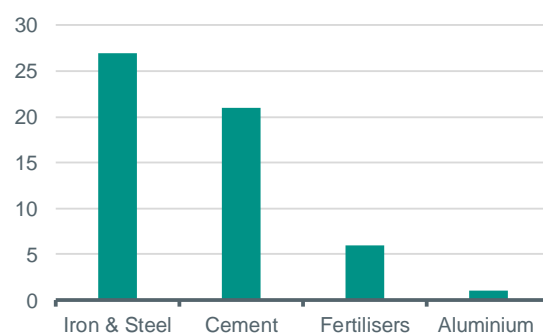
% CO₂ equivalent



Source: European Commission

Share of emissions in total industry

% CO₂ equivalent



Source: European Commission

The CBAM's initially limited product scope raise the risk of carbon leakage in other sectors along the value chain. For instance, intermediate or end products, which use the basic materials covered by the CBAM, could be produced using those materials sourced outside the EU before being imported into the EU. Another limitation of the CBAM is the potential for 'resource shuffling'. This refers to the practice of steering the products resulting from less emission-intensive production towards the EU, while the overall carbon intensity of production in the importers domestic market remains unchanged. However, all things considered, the CBAM seems to have been designed in a practical way, which will limit carbon leakage in the sectors covered, while allowing the ETS to become more effective by reducing allowances. Although the scope is limited in the first instance, a wider scheme may have been very complex and difficult to administer. The EC will evaluate the scheme, including whether to extend its scope.

Changes compared to the Commission proposal

The Council made relatively limited adjustments compared to the initial proposal by the Commission. It opted for a greater centralisation of the CBAM governance, where it contributes to greater efficiency. For example, the new registry of CBAM importers is to be centralised at EU level. In addition, to further reduce administrative complexity, the Council would like to see a minimum threshold which exempts from the CBAM obligations consignments with a value of less than EUR 150. The Council states that around one third of consignments to the EU would be in that category, while their contribution to emissions is judged to be negligible.

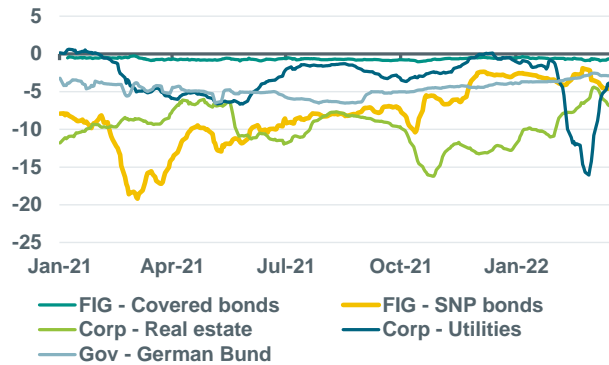
Next steps

The Council still has to make more progress on a number of issues. For instance, the phase-out of the free allowances allocated to industry sectors covered by the CBAM. This falls under the EU ETS directive, but of course is closely related to the CBAM policy. In addition, another outstanding issue is the extent to which revenues from the sale of CBAM certificates can be used by the Commission to supplement the EU budget over and above member contributions. The Council notes that once it achieves sufficient progress, the Council will start negotiations with the European Parliament.

ESG in figures

ABN AMRO Secondary Greenium Indicator

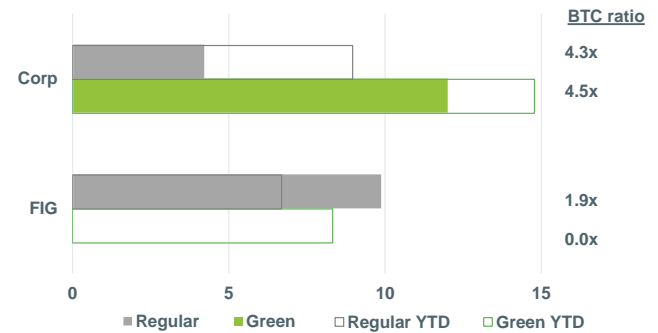
Delta (green I-spread – regular I-spread)



Note: Secondary Greenium indicator for Corp and FIG considers at least five pairs of bonds from the same issuer and same maturity year (except for Corp real estate, where only 3 pairs were identified). German Bund takes into account the 2030s and 2031s green and regular bonds. Delta refers to the 5-day moving average between green and regular I-spread. Source: Bloomberg, ABN AMRO Group Economics

ABN AMRO Weekly Primary Greenium Indicator

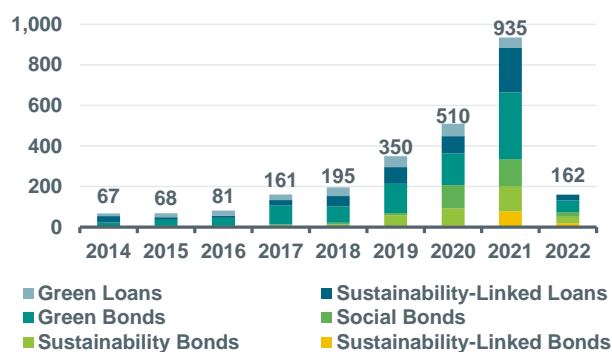
NIP in bps



Note: Data until 24-3-22. BTC = Bid-to-cover orderbook ratio. Source: Bloomberg, ABN AMRO Group Economics.

Sustainable debt market overview

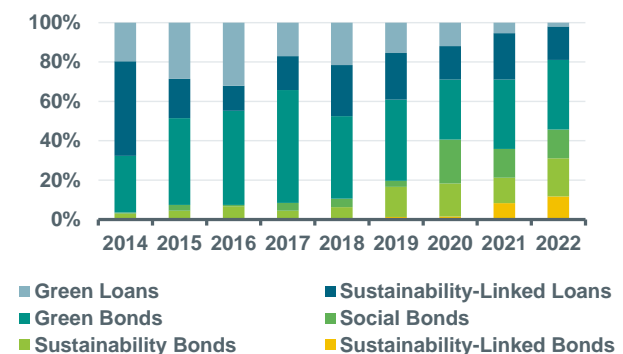
EUR bn



Source: Bloomberg, ABN AMRO Group Economics

Breakdown of sustainable debt by type

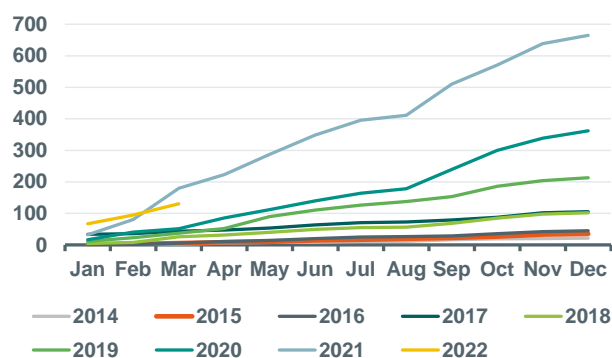
% of total



Source: Bloomberg, ABN AMRO Group Economics

YTD ESG bond issuance

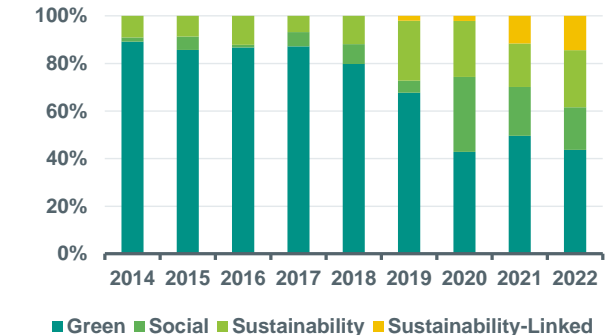
EUR bn



Source: Bloomberg, ABN AMRO Group Economics

Breakdown of ESG bond issuance by type

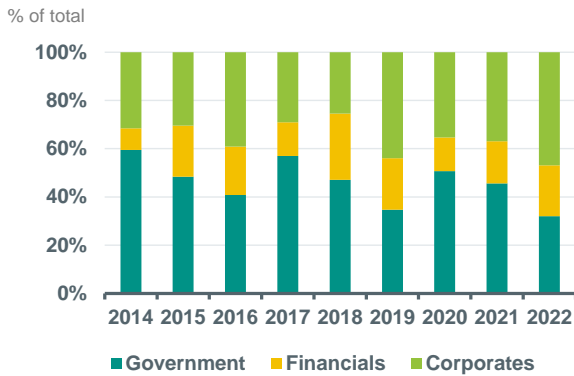
% of total



Source: Bloomberg, ABN AMRO Group Economics

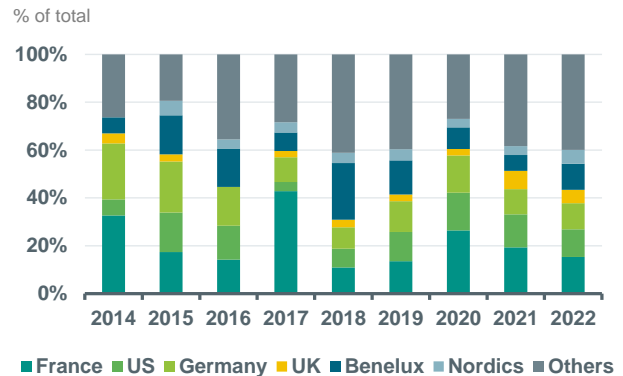
Figures hereby presented take into account only issuances larger than EUR 250m and in the following currencies: EUR, USD and GBP.

Breakdown of ESG bond issuance by sector



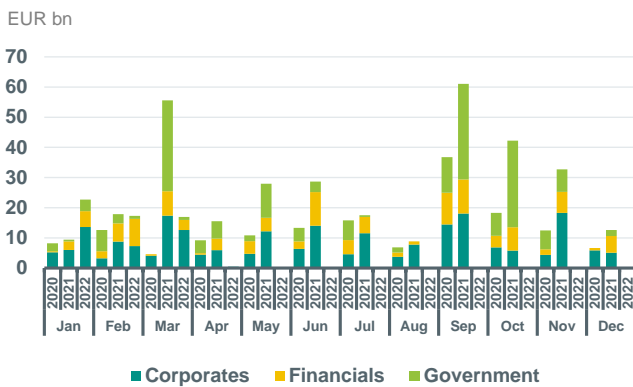
Source: Bloomberg, ABN AMRO Group Economics

Breakdown of ESG bond issuance by country



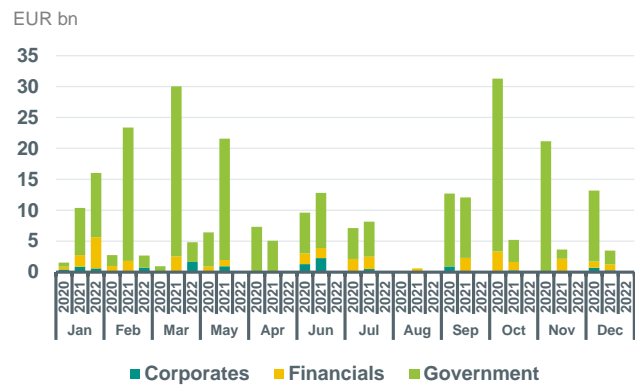
Source: Bloomberg, ABN AMRO Group Economics

Monthly Green Bonds issuance by sector



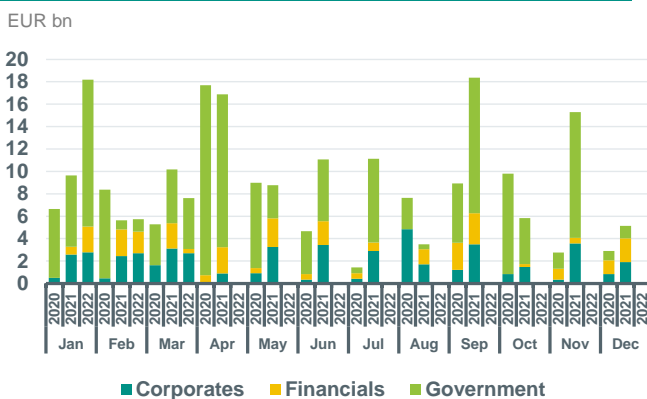
Source: Bloomberg, ABN AMRO Group Economics

Monthly Social Bonds issuance by sector



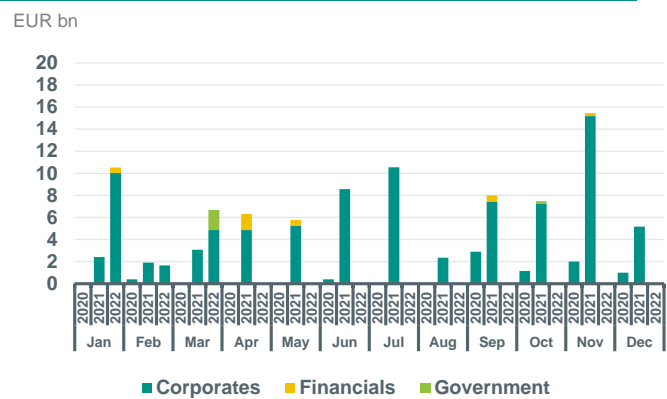
Source: Bloomberg, ABN AMRO Group Economics

Monthly Sustainability Bonds issuance by sector



Source: Bloomberg, ABN AMRO Group Economics

Monthly Sust.-Linked Bonds issuance by sector



Source: Bloomberg, ABN AMRO Group Economics

Figures hereby presented take into account only issuances larger than EUR 250m and in the following currencies: EUR, USD and GBP.

Carbon contract current prices (EU Allowance)

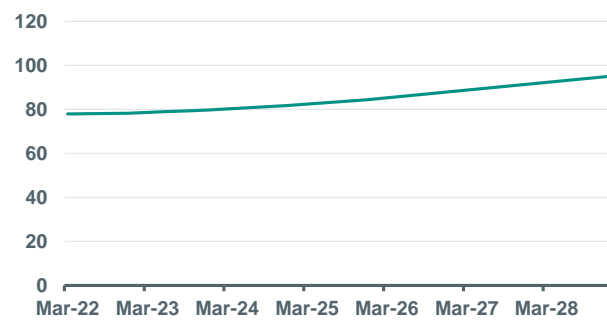
EUR/MT



Source: Bloomberg, ABN AMRO Group Economics

Carbon contract future prices (EU Allowance)

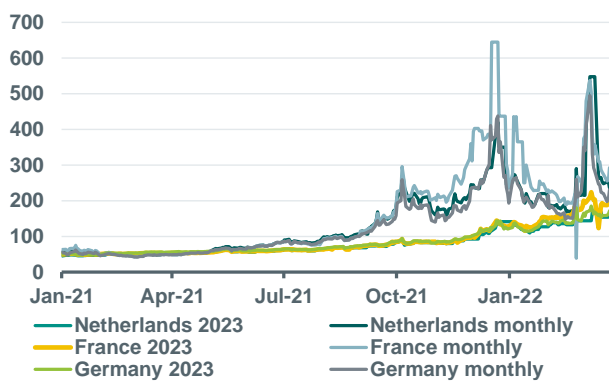
EUR/MT



Source: Bloomberg, ABN AMRO Group Economics

Electricity power prices (monthly & cal+1 contracts)

EUR/MWh

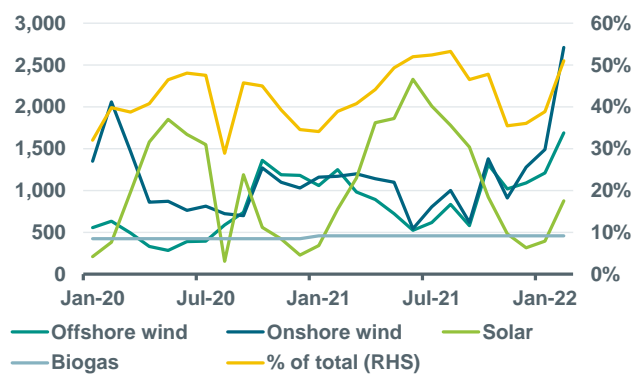


Source: Bloomberg, ABN AMRO Group Economics. Note: 2023 contracts refer to cal+1

Electricity generation from renewable sources (NL)

GW

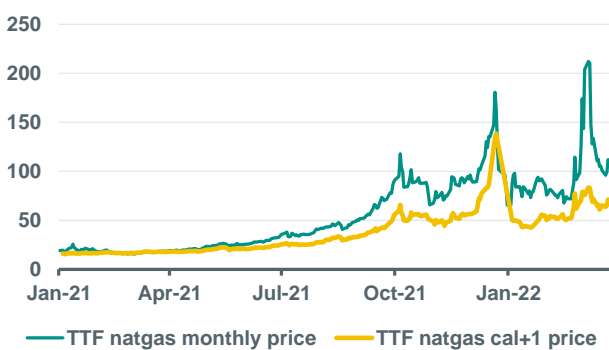
% of total



Source: Energieopwek (Klimaat-akkoord), ABN AMRO Group Economics

TTF Natgas prices

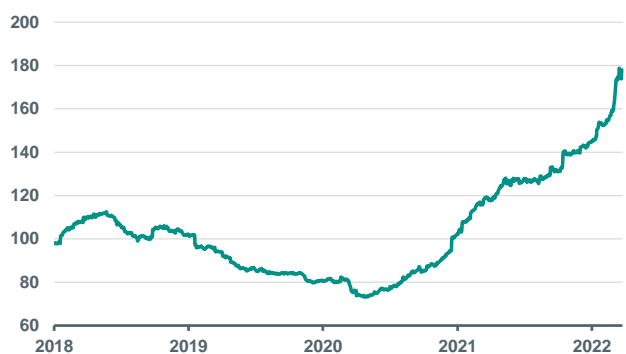
EUR/MWh



Source: Bloomberg, ABN AMRO Group Economics

Transition Commodities Price Index

Index (Jan. 2018=100)



Note: Average price trend of 'transition' commodities, such as: corn, sugar, aluminium, copper, nickel, zinc, cobalt, lead, lithium, manganese, gallium, indium, tellurium, steel, steel scrap, chromium, vanadium, molybdenum, silver and titanium. Source: Refinitiv, ABN AMRO Group Economics

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ABN AMRO Bank
Gustav Mahlerlaan 10 (visiting address)
P.O. Box 283
1000 EA Amsterdam
The Netherlands

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