Republic of Poland

First European Sovereign Green Bond in 2019

Case Study

The Challenge

Climate change is at the top of priority lists for an increasing number of countries. According to Piotr Nowak, Deputy Minister of Finance, Undersecretary of State in Poland's Ministry of Finance, "In Poland, as in other European countries, green projects take up an increasing share of budget expenditures, with the number of eligible projects likely to rise". Green bond is one of the best instrument for financing environmental projects. In 2016, the Republic of Poland (A2/A-/A-) issued its first International Green Bond under the Issuer Green Bond Framework, aiming to become a regular green sovereign issuer committing to tap the market on a yearly basis. The Republic was willing to issue a third green bond in 2019.

The Solution

In 2019, The State Treasury of the Republic of Poland appointed Citi as one of six banks to manage its green bond issuance, and as Billing and Delivery on that transaction. The Republic of Poland took advantage of the favorable market conditions and announced a dual tranche 10 & 30-years EUR Green Bond offering on February 28th, 2019 accessing the capital markets with their third Reg S only Green Bond offering; representing the first European Sovereign Green Bond in 2019. The Republic successfully priced a new €1,500mm 1.000% 10-year tranche at MS+35bps and a new €500mm 2.000% 30-year tranche at MS+77bps.

The Result

Initial price talks of MS+45bps area and MS+85/90bps area respectively. After one hour of book building, the investor interest already exceeded €2,6bn on a combined basis. This momentum continued, enabling the issuer and the syndicate group to release final guidance of MS+35/40bps WPIR and MS+77/80bps WPIR respectively at 11.26UKT. Investors reacted positively as demand increased further, allowing the Ministry to set sizes and launch the transaction at €1.5bn and MS+35bps for the 10-year; and €500mn and MS+77bps for the 30-year. Demand exceeded €4.7bn at its peak and stood at a final €4.5bn.

The 30-year bond is the longest ever Green Bond issued by a sovereign issuer. Furthermore, Poland is the most frequent sovereign issuer in this market, with all its offerings being in line with the issuer Green Bond Framework and with a Second Party Opinion provided by Sustainalytics. With almost 200 investors participating, the transaction saw a high degree of granularity with a broad and well-diversified distribution. The country's pioneering role in the Green Bond market opens the way to other sovereigns to follow suit, improves the supply of funds for environmental projects while expanding the range of local investors and reduces the cost of funding for sustainable projects.

1962605 02/20