

ECB climate policy shift and EUR bond dynamics

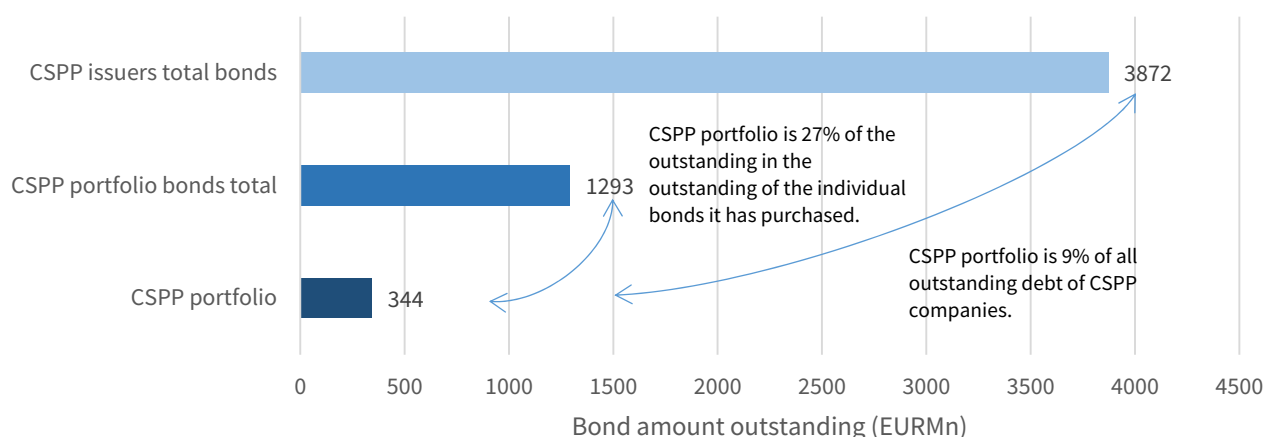
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Yesterday the ECB communicated a shift in how they approach climate in their CSPP portfolio to switch from only reinvestment adjustments to an active re-shuffling based on climate alignment and carbon intensity: for our comment see “[ECB climate policy: Paradigm shift](#)”, AFII, 10 Jan 2023.¹ This will have a material impact on European bonds, but the natural follow-on question is how much, and on which issuers will be affected?

In Figure 1, we illustrate the full portfolio of CSPP eligible issuers, eligible securities, and estimated holdings.² In the individual bonds, the ECB owns on average 27% of the amount outstanding, and in terms of the issuers’ total bond debt stock the ECB owns approximately 9%. The latter number is very significant, the former is huge.³

Table 1, overleaf, provides a list of the 51 highest carbon footprints in the CSPP portfolio. We highlight names that are not Eurozone domiciled but are eligible due to having issuing vehicles within the Eurozone. Assumptions are needed, especially with regards to Scope 3 emissions focus, to produce the list. However, we feel confident that a majority of the re-shifting of the CSPP on a climate basis would happen within this set of 51 names.

Figure 1. ECB CSPP holdings (bottom) versus total issuer bond debt outstanding (top) and amount outstanding in the individual bond ISINs of the CSPP bonds (middle). Source: AFII, European Central Bank, Bloomberg.



¹ Also refer to “Tilt and Run - ECB climate policy update”, AFII, 5 Jul 2022.

² ECB discloses securities held and total portfolio size, but not individual sizes. Our calculations assume the portfolio size is notional rather than market value, given the portfolio value has been relatively stable.

³ Average daily volume of European corporate bonds was 13bn in H1 2022, however average/median trade sizes in European corporate bonds is around 1mn/250k in notional, “[European Secondary Bond Market Data](#)”, ICMA, H1 2022. Total size of the EUR corporate bond market was reported to be EUR10.8trn in 2020, see “[EU securities markets 2020](#)”, ESMA, 18 Nov 2020, however this number appears to include financials.

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Table 1. Highest 51 issuer carbon footprints in the CSPP in terms of absolute carbon emissions exposure. Assumptions on CO₂-emissions (numbers in Mtpa): Scope 1+2+3 for Energy, Basic Materials and Utilities sectors, Scope 1+2 for all other sectors. Estimates have been generated by using a combination of reported and estimated data. Assumptions on CSPP holdings: we assume that the CSPP holds the average (27%) of the outstanding amount of each bond. Certain individual specific adjustments have been made. Source: AFII, European Central Bank, Bloomberg. Data accessed 10 Jan 2023. CSPP data as per 6 Jan 2023.

Rank	Ticker	Sample CSPP bond	Issuer name	Sector	AFII CO2 estimate	Euro domiciled	Num bonds	CSPP est amt. (EURmn)
1	RDSALN	XS1048529041	Shell International Finance BV	Energy	677	No	15	4 058
2	TTEFP	XS0418669429	Total Capital S.A.	Energy	427		17	4 205
3	REPSM	XS2361358299	Repsol Europe Finance	Energy	362		7	1 291
4	BPLN	XS2270147924	BP Capital Markets BV	Energy	339	No	2	399
5	GLENLN	XS2228892860	Glencore Capital Finance DAC	Basic Materials	280	No	3	546
6	ENIIM	BE6321718346	ENI Finance International S.A.	Energy	237		16	3 699
7	FUMVFH	XS1956027947	Fortum Oyj, Helsinki	Utilities	190		3	665
8	OMVAV	XS0834371469	OMV AG	Energy	171		11	1 863
9	ENGALL	FR0000475758	Engie Alliance GIE	Utilities	167		1	266
10	NTGYSM	FR0015343757	Naturgy Finance B.V.	Utilities	150		12	2 011
11	MTNA	XS1730873731	ArcelorMittal S.A.	Basic Materials	147		5	797
12	BASGR	DE000A188WW1	BASF Finance Europe N.V.	Basic Materials	123		13	2 661
13	CTEFRA	FR0013264405	Coentreprise de Transport d'Electricité	Utilities	114		3	777
14	EDF	FR0010800540	Electricité de France (E.D.F.)	Utilities	114		14	4 777
15	RWE	XS2351092478	RWE AG	Utilities	112		6	1 357
16	EOANGR	XS0162513211	E.ON Intl Finance B.V.	Utilities	108		27	4 936
17	ENBW	XS0207320242	EnBW International Finance BV	Utilities	78		8	1 091
18	BNRGR	XS1689523840	Brenntag Finance B.V.	Basic Materials	72		2	293
19	HEIGR	XS1589806907	HeidelbergCement Fin.Lux. S.A.	Industrial	70		7	1 437
20	IBESM	XS1116408235	Iberdrola International B.V.	Utilities	66		14	2 804
21	LIN	DE000A1R07P5	Linde Finance B.V.	Basic Materials	59		11	1 903
22	AMPRIO	DE000A30VPL3	Amprion GMBH	Utilities	58		3	692
23	AIFP	FR0011439835	Air Liquide S.A.	Basic Materials	57		12	1 756
24	VIEFP	FR0010033381	Veolia Environnement S.A.	Utilities	51		25	4 019
25	BRLS	AT0000A24UY3	Borealis AG	Basic Materials	39		1	80
26	SOLBBB	BE6315847804	Solvay S.A.	Basic Materials	37		1	160
27	ORANOF	FR0013533031	Orano S.A, Chatillon	Basic Materials	35		1	133
28	EVKGR	DE000A185QA5	Evonik Industries AG	Basic Materials	30		3	532
29	SLB	XS2010044209	Schlumberger Finance B.V.	Energy	29	No	6	1 304
30	EUROGR	XS1243251375	Eurogrid GmbH	Utilities	25		5	865
31	LYB	XS2052310054	LYB International Finance II	Basic Materials	24		2	266
32	EDPPL	PTEDPNOM0015	EDP - Energias de Portugal SA	Utilities	21		12	2 011
33	LXSGR	XS1501367921	LANXESS AG	Basic Materials	20		5	719
34	ESBIRE	XS1239586594	ESB Finance DAC	Utilities	18		7	1 025
35	EWE	DE000A3E5L98	EWE AG	Utilities	17		2	266
36	SCRSBE	BE0002850312	Silfin NV, Antwerp	Basic Materials	16		1	93
37	AKZANA	XS1134519120	Akzo Nobel N.V.	Basic Materials	15		5	785
38	AKEFP	FR0012452191	ARKEMA SA	Basic Materials	15		4	639
39	ESTONE	XS1292352843	Eesti Energia AS	Utilities	15		1	133
40	LHAGR	XS2049726990	Deutsche Lufthansa AG	Consumer, Cyclical	14		1	133
41	HERIM	XS0880764435	Hera S.p.A.	Utilities	13		7	817
42	DSM	XS1041772986	Koninklijke DSM NV	Basic Materials	12		5	732
43	RTEFRA	FR0011565555	RTE EDF TRANSPORT	Utilities	12		15	2 462
44	UPMFH	XS2257961818	UPM-Kymmene OYJ	Basic Materials	11		3	466
45	IAGLN	XS2020580945	International Consolidated Airlines Group	Consumer, Cyclical	11	No	2	266
46	STERV	XS1624344542	Stora Enso Oyj	Basic Materials	11		3	293
47	VWSDC	XS2449928543	Vestas Wind Systems Finance B.V.	Energy	11		2	266
48	CKHGTH	XS2056572154	CK Hutchison Grp Tele.Fin. SA	Communications	10		4	1 131
49	SGOFP	XS1577586321	Compagnie de Saint-Gobain S.A.	Industrial	10		12	2 194
50	AEMSPA	XS1195347478	A2A S.p.A.	Utilities	9		10	1 211
51	RYAID	XS1199964575	Ryanair DAC	Consumer, Cyclical	9		4	971

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