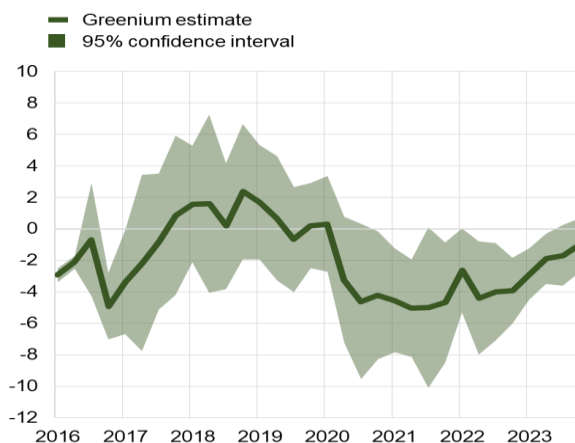


Can retail investors influence the greenium?

By Allegra Pietsch, Dilyara Salakhova

In 2020 retail investors' demand for green bonds surged leading to a jump in greenium – a price premium for green bonds. This trend did not last. Sensitivity of retail investors' financial conditions to the macroeconomic situation may explain the later decline in investors' appetite for green bonds and thus the later reduction in the greenium.

Figure 1: Estimated greenium evolves over time from 2016 to 2023 (basis points)



Sources: Pietsch and Salakhova (2025).

Notes: Figure shows the estimated coefficient on the green bond dummy and the 95% confidence interval from a regression on quarterly sub-samples of the matched European green and conventional bonds for the same issuers.

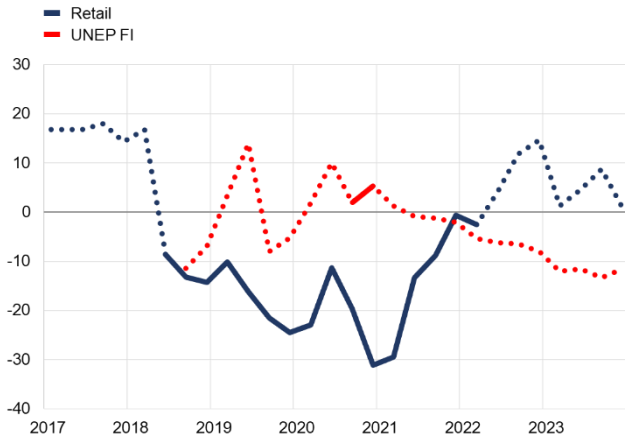
Retail Investors and the Greenium in European Secondary Green Bond Markets

Green bonds, primary instruments of sustainable finance, aim at funding environmentally sustainable projects to support the transition to a low-carbon economy. The worldwide green bond market has grown rapidly since 2015, reaching over USD 2.9 trillion by 2025. However, the growth slowed down after 2022, mirroring trends in the broader corporate bond market, due to macroeconomic challenges, including Europe's energy crisis, rising inflation, and global monetary policy tightening.

The greenium – a price premium that enables cheaper financing for green bond issuers but offers lower returns to investors – fluctuates over time, with periods of economic and statistical significance potentially influenced by regulation, market conditions and macroeconomic factors ([Pietsch & Salakhova, 2025](#); [Chouard & Jourde, 2024](#)). While institutional investors have traditionally driven the green bond market, efforts to expand

direct retail investor participation are increasing, with banks issuing green bonds of smaller size and lower initial investments, tailored for this group ([Climate Bonds Initiative, 2018a](#)).

Figure 2: Evolution of the greenium is primarily driven by retail investors (basis points)



Sources: Pietsch and Salakhova (2025).

Notes: Figure shows the sum of the estimated coefficient on the green bond dummy interacted with a quarterly time dummy for a sample of 984 Euro area matched green and conventional bonds between 2016 and 2023. Significant coefficients are indicated by solid line. Blue line refers to bonds held primarily by retail investors. Red line refers to other bonds, issued by committed UNEP FI banks but not specifically held by retail investors.

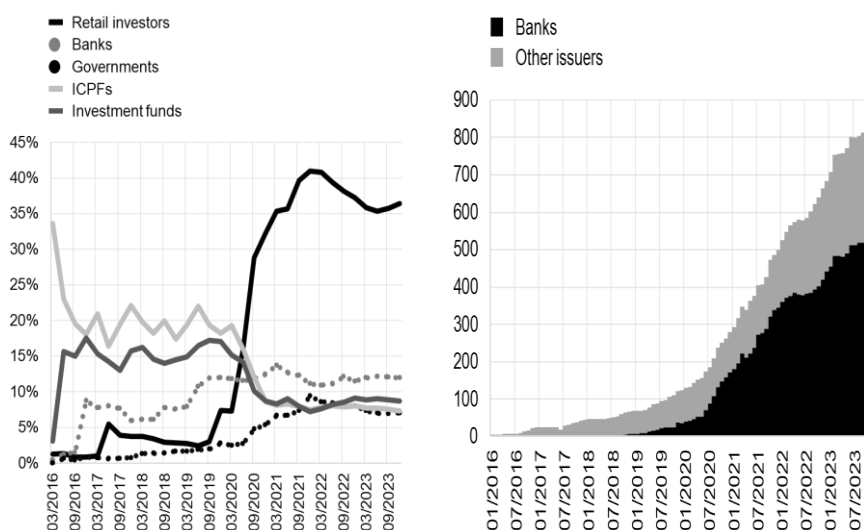
Institutional investors tend to prioritize green bonds with strong credibility and environmental performance; however, less is known about retail investors’ preferences. Our [paper](#) employs data from Securities Holdings Statistics at sector level to identify direct holdings of green bonds by retail investors. It reveals that retail investors in the European corporate bond market (sample of ~450 green bonds) favor green bonds and accept lower returns, contributing to a statistically and economically significant greenium. This aligns with other findings who show that retail investors prefer labeled green bonds over potentially higher-yielding non-green alternatives, though often disregarding green bonds’ actual environmental performance ([Saravade et al., 2025](#)).

Greenium Dynamics and Macroeconomic Influences

Green bonds in our sample account for approximately 20% of the market and are representative of other green bonds in terms of issuance amounts, currency, issuer country, and sector. The greenium’s magnitude and statistical significance vary over time (Fig. 1). Analysis shows no greenium before mid-2020, followed by a pronounced premium in mid-2020, which then slowly declined and became statistically insignificant by late 2023. The trend is explained by bonds primarily held by retail investors – bonds for which the average share of retail investor holdings accounts for at least 50% over the lifetime of the bond (Fig. 2). And the shift in mid-2020 coincided with a surge in retail holdings of green bonds, particularly those issued by banks. Indeed, the share of retail investors in holding green bonds increased from less than 5% to more than 35% (Fig. 3 – left). Bank bonds represent a significant portion of retail portfolios, and their increased issuance during the COVID-19 market turmoil (Fig. 3 –

right) likely facilitated this trend, as banks raised liquidity through both green and conventional bonds.

Figure 3: Surge in holdings of green bonds by retail investors (% and number)



Sources: Pietsch and Salakhova (2025).

Notes: left chart shows average holding share of euro area investors of bonds in the sample; right chart shows number of outstanding bonds in sample issued by banks vs other issuers.

The increase in green bond holdings and thus the mid-2020 negative greenium spike may also reflect heightened retail investor interest in green bonds, driven by the offer from providers and revised beliefs about climate change and environmental risks amid the COVID-19 pandemic. Retail investors are indeed sensitive to manifestations of climate change. Unlike institutional investors, they divest from carbon-intensive firms after experiencing unusually warm local temperatures (Choi et al., 2020).

The subsequent greenium decline seems to correspond with monetary policy tightening and rising interest rates in late 2022, which constrained retail investors' financial capacity and reduced green bond issuance. Several studies suggest that retail demand for green investments may be sensitive to economic shocks while reduced demand further weakens demand-supply imbalances and may explain lower and insignificant greenium.

Implications for Policy and Market Development

These findings highlight that the European green bond market, while supported by robust environmental policies, experiences a dynamic greenium shaped by macroeconomic conditions and investor behavior. Retail investors show a clear preference for green bonds, but their sensitivity to effective environmental impact remains limited. This raises concerns about greenwashing, as issuers may exaggerate environmental outcomes to enhance the appeal of their bonds. To address this, policymakers and issuers should prioritize robust regulatory frameworks, such as the EU Green Bond Standard, which establishes strict criteria for bonds financing environmentally sustainable projects. This framework ensures transparency, credibility, and alignment with the EU Taxonomy for sustainable activities,

fostering credible environmental outcomes and bolstering investor confidence. A robust regulatory environment is essential to foster growth of the green bond market, sustain retail participation and effectively channel green bond proceeds toward a low-carbon economy.