Next Generation Budgets

Baden-Württemberg Ministerium für Finanzen

UNDER 2°
Secretariat
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Raising billions on capital markets for green projects: Baden-Württemberg's Green Bond Programme

Baden-Württemberg, Germany

Population: 11.24 million

GDP: €650 billion (2024)

Targets

- Climate neutrality by 2040

The challenge

Like many subnational governments, the State of Baden-Württemberg faces rising investment needs to deliver its climate and sustainability objectives while maintaining prudent public finances. Large-scale expenditure is required for low-carbon transport, climate-resilient infrastructure, energy efficiency, and other environmentally beneficial assets embedded in the state budget. At the same time, capital markets are evolving rapidly: institutional investors increasingly apply sustainability mandates and seek transparent, credible green investment opportunities.

For a highly rated issuer such as Baden-Württemberg, the challenge was not access to capital per se, but how to align its established funding programme with its long-standing sustainability strategy, credibly demonstrate environmental impact, and reach a broader, sustainability-oriented investor base — without creating parallel budgets or distorting fiscal decision-making.

What is a green bond?

A green bond is a debt instrument whose proceeds are earmarked for expenditures with positive environmental impacts. Public issuers, such as state and regional governments, use green bonds as part of their regular funding programmes, committing to allocate proceeds to eligible green projects and to report transparently on both allocation and environmental impact. International standards and frameworks help ensure credibility and comparability for investors.

The solution: Baden-Württemberg's Green Bond Programme

Baden-Württemberg issued its first Green Bond in 2021, building on a state-wide sustainability strategy anchored in legislation, reporting, and public asset management. Rather than creating new projects, the Green Bond programme was designed as a transparency and investor-communication instrument within the existing budget and funding framework.

The Ministry of Finance developed a Green Bond Framework aligned with recognised market standards and, more recently, with the EU Taxonomy. Eligible expenditures are identified ex post from the state budget and cover a broad range of environmental objectives, including climate change mitigation and adaptation, sustainable transport, and biodiversity protection. Projects are assessed for taxonomy alignment, and external expertise supports impact reporting.

Since then, Baden-Württemberg has issued Green Bonds regularly, increasing issuance volumes over time. Crucially, the Green Bond programme is integrated into the state's overall debt management strategy. Green Bonds do not determine the level of green spending: political and budgetary decisions do. Instead, the programme provides a structured way to link existing expenditures to capital market financing and to communicate environmental impact in a consistent, verifiable manner.

Impacts

Green Bonds have attracted a broad investor base with specific sustainability mandates, enhancing Baden-Württemberg's visibility in global sustainable finance markets.

Since issuing the first Green Bond, the state has expanded its programme steadily:

- 2021 (first issuance): €300 million, with investor demand peaking at €1.5 billion (five times oversubscribed).
- 2022-2023 (second and third issuances): €350 million and €600 million, respectively, reflecting strong market uptake and a growing pipeline of eligible assets.
- 2024 (fourth issuance): €650 million.

The 2025 issuance of €800 million, marking a cumulative Green Bond issuance volume of €2.7 billion to date, was oversubscribed more than threefold, indicating (in combination with a very good interest-rate result) continuing strong investor demand for sustainable sub-sovereign debt from a high-quality issuer. Over 65% of the 2025 bond was placed with investors outside Germany, illustrating the programme's international reach.

Recent proceeds have been directed for example, to energy efficiency (€218 million), to clean transportation (€123 million) to green buildings (€268 million) and terrestrial and aquatic biodiversity conservation (€51 million).