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Agence France Trésor is tasked with managing the government debt and cash positions under the most secure conditions in the interest of the taxpayer.

News at Agence France Trésor

AFT issues its first syndicated green OAT

France is the first country in the world to issue a sovereign green bond of a benchmark size. On 24 January, AFT successfully launched a sovereign green bond with a maturity of 22 years. The Green OAT 1.75% 25 June 2039 issuance amount was €7bn, making it the largest and longest-dated green bond ever issued for a benchmark size.

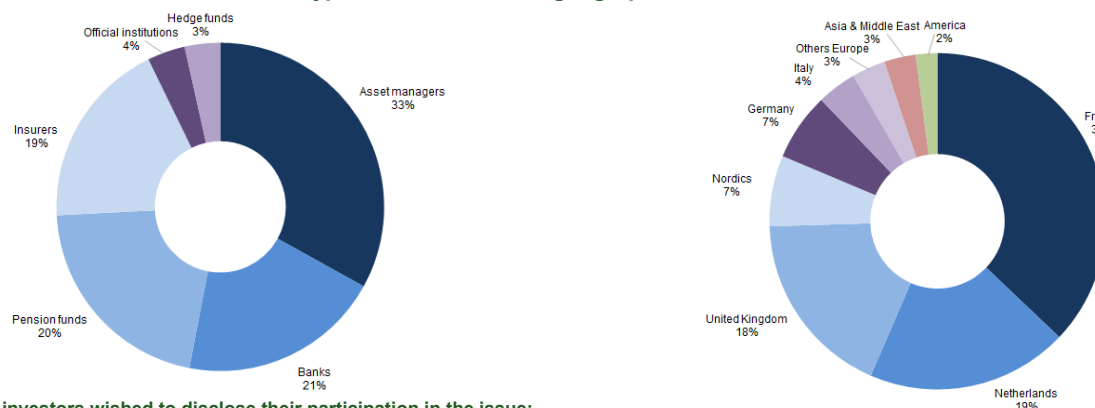
Syndication was carried out under heightened security conditions, and total demand reached a record €23bn. This allowed AFT to significantly tighten the price conditions during the book-building process, and to quickly close the transaction. The distribution (see below) reflects heavy and highly diversified demand from final investors, who included SRI specialists and more traditional OAT investors. In total, nearly 200 final investors subscribed to this green bond, and many of them indicated their participation as part of the press release issued by AFT following the operation.

The Green OAT's characteristics are quite similar to those of other OATs issued by AFT. This issue fits in well with the range of maturities, as it is situated between the OAT 25 October 2038 and the OAT 25 April 2041. The yield at issue was 1.741%, in line with that of a standard OAT that would have been issued for the same maturity at the same time. The issue will allow France to benefit from financing for Eligible Green Expenditures matched to this OAT at a low cost over a long period, and without any specific additional cost in comparison with its general financing conditions.

AFT will tap the Green OAT after the initial issuance to maintain its liquidity, as it does for conventional OATs. Consequently, the outstanding amount of the Green OAT will be increased by successive tap issues. The proceeds from tap issues will also be matched to Eligible Green Expenditures, identified prior to each issue.

The government commits to do a regular reporting process in the context of this new issue: a report on Eligible Green Expenditures and their performance indicators will be published annually, and an ex-post impact assessment on spending on environmental and energy transition will be performed by an Evaluation Council made up of independent experts of international repute.

A diverse distribution in terms of types of investors and geographical location for the Green OAT 1.75% 25 June 2039:



The following investors wished to disclose their participation in the issue:

Achmea Investment Management, ACTIAM, AG2R La Mondiale, Alecta, Amundi, APG Asset Management, Apicil, Aviva Investors France, AXA France, Barclays Treasury, BlackRock, BMO Global Asset Management, BNP Paribas, BNP PARIBAS ASSET MANAGEMENT, BNP PARIBAS CARDIF, Caisse Régionale du Crédit Agricole Mutuel de Paris et d'Île de France, COVEA FINANCE, Crédit Agricole SA, DekaBank, Edmond de Rothschild Asset Management (France), ERAFP, GENERALI FRANCE, Groupama, Groupe BPCE, HSBC Assurances Vie (France), IRCANTEC, JP Morgan Asset Management, Kempen Capital Management N.V., Meeschaert Asset Management, MIF : MUTUELLE D'IVRY (la Fraternelle), MIROVA, MN on behalf of PME, Nippon Life Insurance Company, NN Investment Partners, Nordea Asset Management, PGGM, PRO BTP, SCOR SE, Standard Life Investments, Stichting Pensioenfondsen DSM Nederland, Sumitomo Mitsui Trust Bank Limited, WWF FRANCE.

The financial sector facing the transition to a low-carbon climate-resilient economy

By Gildas Lamé, deputy head, Financial Sector Analysis Division, French Treasury

Economic developments and structural changes that occurred since the end of the 19th century have proceeded hand-in-hand with an unprecedented rise in greenhouse gas (GHG) emissions resulting in a significant increase in GHG atmospheric concentration and an associated temperature rise as well as broader climate changes at global and regional levels. At COP21 in Paris, the common realization that continuous global warming could lead to irreversible damages to the planet led the international community to confirm and strengthen the long-term objective on climate change mitigation established in 2010: “[to hold] the increase in global average temperature to well below 2°C, and [to pursue] efforts to limit the temperature increase to 1.5°C¹.”

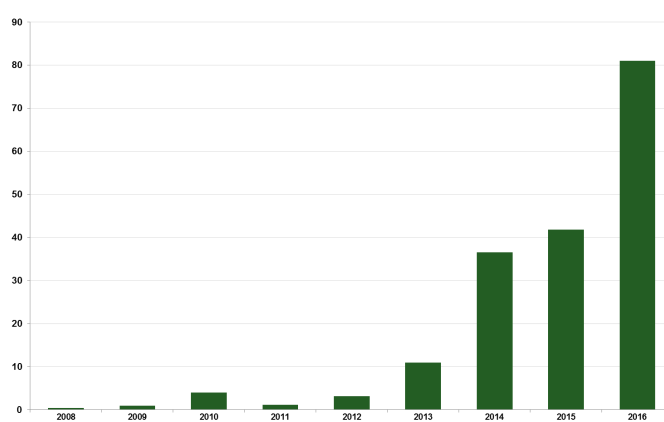
Achieving a transition toward a low carbon, climate resilient economy to reach this goal entails significant economic implications and challenges. The required reorientation of investments to deliver on mitigation and adaptation will not be achieved without ambitious and effective climate policies to put a price on the carbon externality (cap and trade, carbon tax, norms). In this transition, the financial sector has a particular role, as the investment reorientation is mirrored by a capital reallocation. If it develops a good understanding of climate change related issues, it can amplify the climate policy signals. This challenge has been recognized by the Paris Agreement as parties agreed to “making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development”².

In that respect, creating the appropriate framework and conditions to finance “green investments” is essential. The development of the green bond market (cf. figure 1) is a landmark achievement, making financial flows toward green investment more visible and contributing to shifting investments.

At a wider scale, delivering a climate-consistent capital allocation also requires the appropriate management of the climate change related risks (stemming from the physical consequences of climate change, physical risks, and/or arising from the extensive policy, legal, technology

and market changes that will accompany the adaptation and mitigation efforts, transition risks) to be managed and the opportunities linked to the transition identified. As a first step, policymakers should promote better and more relevant information about the implications of climate change, foster a better understanding of the risks and more broadly, seek to catalyze a business-oriented appropriation of climate change-related issues within the financial sector.

Figure 1 - Global issuance of Green Bonds (in bn USD)



Source : Climate Bond Initiative

Recent policy initiatives are following this perspective at international (FSB, G20) and domestic level (EU, China, etc.). France has been at the forefront by introducing over the years a consistent policy package that promotes a better integration of sustainability throughout the economy, including the financial sector. A milestone of these efforts has been the 2015 Energy Transition for Green Growth Act³, defining a long term strategy including a carbon path and encouraging the financial sector to seize these issues and opportunities through its article 173.

¹ Paris Agreement, Article 2, 1(a), December 2015.

² Paris Agreement, Article 2, 1(c), December 2015.

³ Loi n°2015-992 du 17 août 2015 relative à la transition énergétique pour la croissance verte.

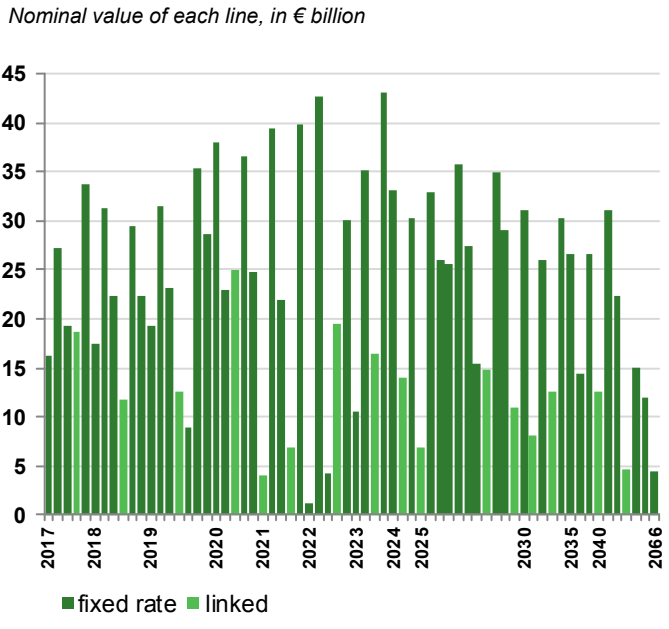
General debt-related data

Indicative auction schedule

		Short-term				Medium-term	Long-term	Index-linked
February 2017	auction date	6	13	20	27	16	2	16
	settlement date	8	15	22	1 March	20	6	20
March 2017	auction date	6	13	20	27	16	2	16
	settlement date	8	15	22	29	20	6	20

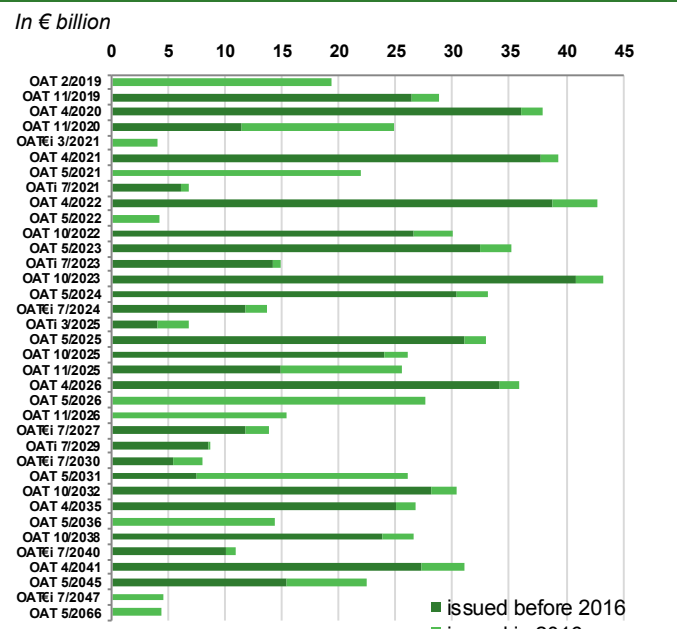
Source: Agence France Trésor

Medium- and long-term negotiable government debt at 31 December 2016



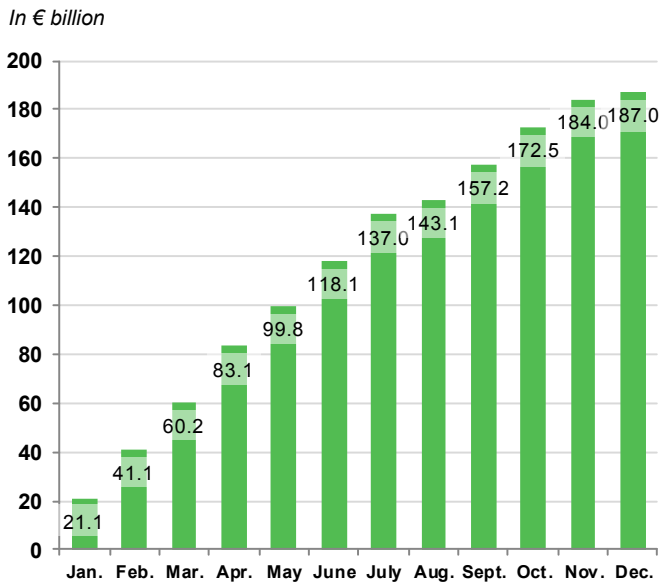
Source: Agence France Trésor

Medium- and long-term: securities issued during the year and total issuance at 31 December 2016



Source: Agence France Trésor

Issuance net of buybacks at 31 December 2016



Source: Agence France Trésor

Medium- and long-term: provisional maturity schedule at 31 December 2016

In € billion

Month	Coupon	Redemption
Jan-17		
Feb-17	0.3	16.2
Mar-17	0.0	
Apr-17	15.3	27.1
May-17	4.3	
Jun-17		
Jul-17	3.1	38.2
Aug-17		
Sep-17		
Oct-17	14.8	33.7
Nov-17	1.3	
Dec-17		

Source: Agence France Trésor

**General
debt-related data**



Non-resident holders of negotiable government debt in third quarter of 2016

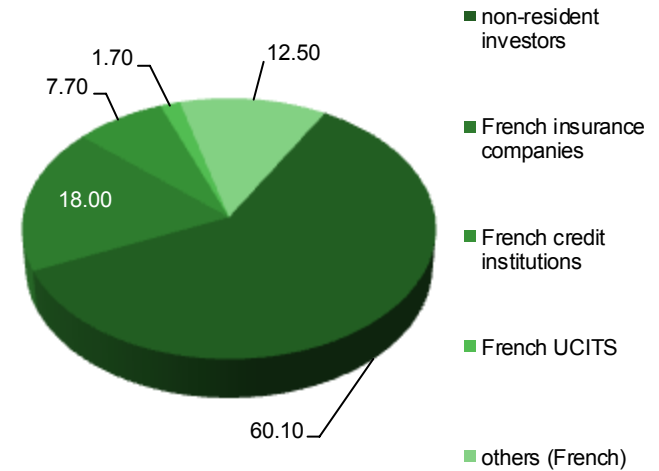
As a % of negotiable debt outstanding expressed in market value



(*) figures revised quarterly
(**) figures revised annually
Source: Banque de France

Negotiable government debt by group of holders in third quarter of 2016

Structure in % expressed in market value



Source: Banque de France

Negotiable government debt at 31 December 2016

In euros

Total medium- and long-term debt	1,486,671,756,729
Total stripping activity	61,424,122,100
Average maturity	8 years and 68 days
Total short-term debt	133,925,000,000
Average maturity	105 days
TOTAL OUTSTANDING	1,620,596,756,729
Average maturity	7 years and 195 days

Source: Agence France Trésor

Negotiable government debt and interest rate swaps at 31 December 2016

In € billion

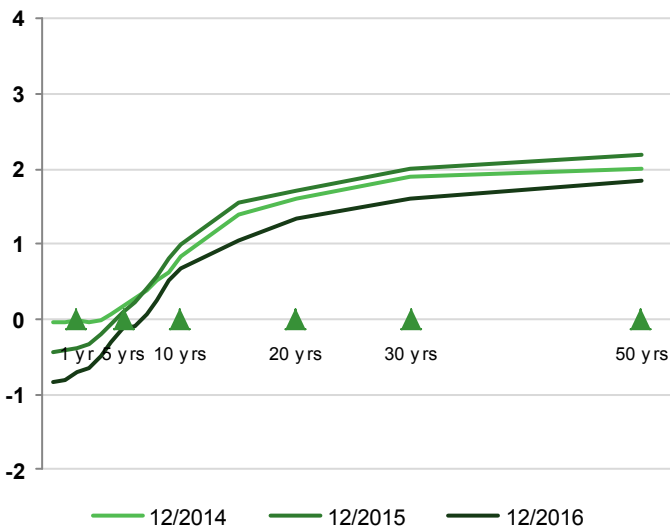
	End 2013	End 2014	End 2015	End Nov. 2016	End Dec. 2016
Negotiable government debt outstanding	1,457	1,528	1,576	1,627	1,621
of which index-linked securities	174	189	190	199	200
Medium- and long-term	1,283	1,352	1,424	1,483	1,487
short-term	174	175	153	143	134
Swaps outstanding	7	6	6	3	1
Average maturity of the negotiable debt					
before swaps	7 years	6 years	7 years	7 years	7 years
after swaps	5 days	363 days	47 days	196 days	195 days
after swaps	7 years	6 years	7 years	7 years	7 years
after swaps	2 days	362 days	47 days	196 days	195 days

Source: Agence France Trésor

Secondary market

Yield curve for French government securities

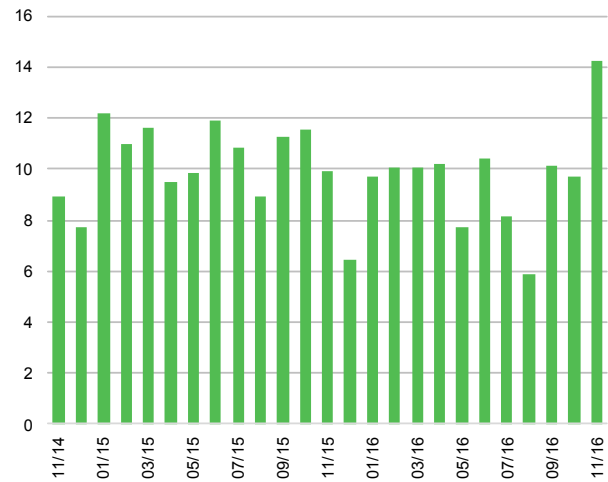
End-of-month value, %



Source: Bloomberg

Average daily volume of medium- and long-term transactions

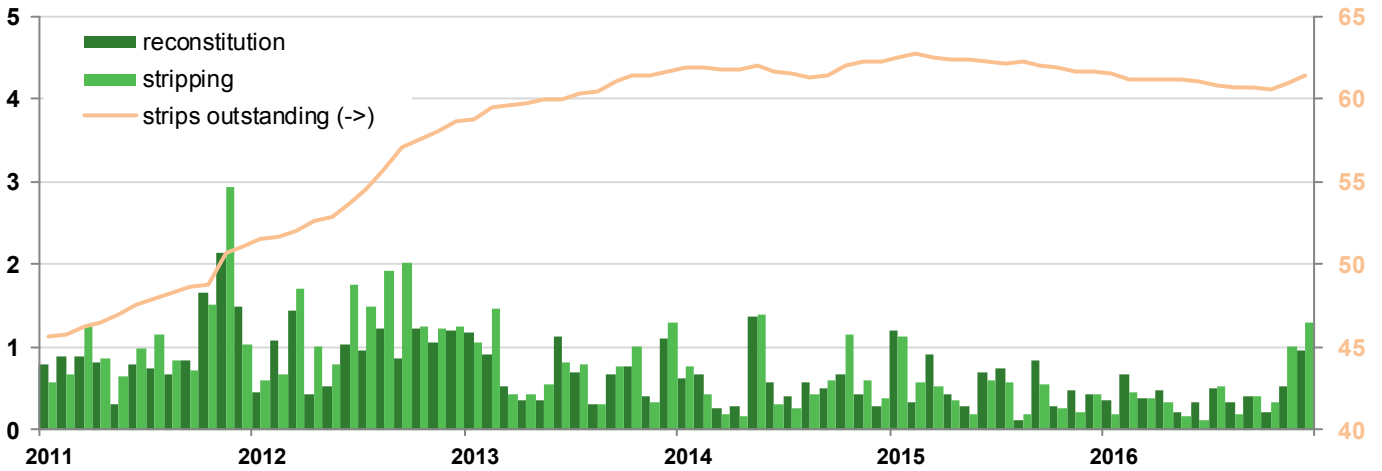
In € billion



Source: reporting by primary dealers in government securities, excluding flows arising from the Eurosystem public sector purchase programme.

Total stripping and reconstitution

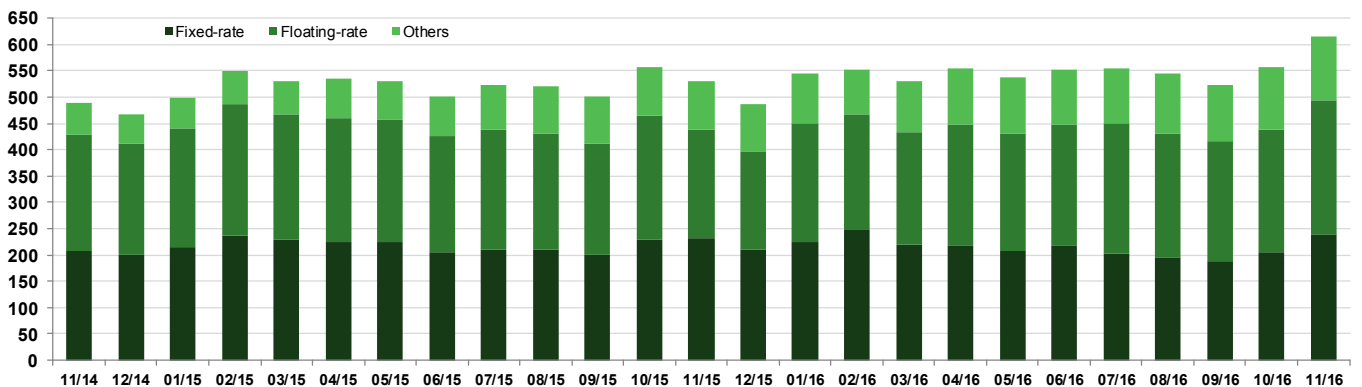
In € billion



Source: Euroclear

Primary dealers, repo outstanding at end of month

In € billion



Source: reporting by primary dealers in government securities

Short-term debt at 31 December 2016

	Maturity	Outstanding (€)
BTF	04 January 2017	7,090,000,000
BTF	11 January 2017	7,341,000,000
BTF	18 January 2017	4,172,000,000
BTF	25 January 2017	7,951,000,000
BTF	01 February 2017	6,746,000,000
BTF	08 February 2017	7,322,000,000
BTF	15 February 2017	6,545,000,000
BTF	22 February 2017	7,279,000,000
BTF	01 March 2017	6,366,000,000
BTF	08 March 2017	7,387,000,000
BTF	15 March 2017	6,090,000,000
BTF	29 March 2017	6,135,000,000
BTF	12 April 2017	6,122,000,000
BTF	26 April 2017	5,030,000,000
BTF	11 May 2017	5,276,000,000
BTF	24 May 2017	4,972,000,000
BTF	21 June 2017	4,571,000,000
BTF	19 July 2017	3,979,000,000
BTF	17 August 2017	5,088,000,000
BTF	13 September 2017	5,871,000,000
BTF	11 October 2017	6,152,000,000
BTF	08 November 2017	6,440,000,000

Medium- and long-term debt (maturing 2017–2019) at 31 December 2016

ISIN Code	Bond	Outstanding (€)	Ind. Coeff.	Face value	Stripped (€)
	Maturity 2017	115,024,254,520			
FR0120473253	BTAN 1.75% 25 February 2017	16,160,000,000			–
FR0010415331	OAT 3.75% 25 April 2017	27,132,000,000			0
FR0120746609	BTAN 1% 25 July 2017	19,340,000,000			–
FR0010235176	OATi 1% 25 July 2017	18,702,254,520 (1)	1.13733	16,444,000,000	0
FR0010517417	OAT 4.25% 25 October 2017	33,690,000,000			0
	Maturity 2018	134,630,848,260			
FR0012634558	OAT 0% 25 February 2018	17,509,000,000			0
FR0010604983	OAT 4% 25 April 2018	31,257,000,000			0
FR0011394345	OAT 1% 25 May 2018	22,406,000,000			0
FR0011237643	OAT€i 0.25% 25 July 2018	11,776,848,260 (1)	1.04618	11,257,000,000	0
FR0010670737	OAT 4.25% 25 October 2018	29,417,000,000			0
FR0011523257	OAT 1% 25 November 2018	22,265,000,000			15,000,000
	Maturity 2019	159,478,841,888			
FR0013101466	OAT 0% 25 février 2019	19,313,000,000			0
FR0000189151	OAT 4.25% 25 April 2019	31,478,000,000			0
FR0011708080	OAT 1% 25 May 2019	23,095,000,000			0
FR0010850032	OATi 1.3% 25 July 2019	12,565,322,000 (1)	1.07030	11,740,000,000	0
FR0000570921	OAT 8.5% 25 October 2019	8,844,392,893			5,387,885,100
FR0010776161	OAT 3.75% 25 October 2019	35,410,000,000			0
FR0011993179	OAT 0.5% 25 November 2019	28,737,000,000			0
FR0000570954	OAT cap. 9.82% 31 December 2019	36,126,995 (2)		6,692,154	–

(1) face value x indexation coefficient (face value if coefficient < 1)

(2) Including coupons capitalised at 31 December 2016; not open to subscription

Medium- and long-term debt (maturing in 2020 and beyond) at 31 December 2016

ISIN Code	Bond	Outstanding (€)	Ind. Coeff.	Face value	Stripped (€)
Maturity 2020		147,171,337,400			
FR0010854182	OAT 3.5% 25 April 2020	37,927,000,000			0
FR0012557957	OAT 0% 25 May 2020	22,969,000,000			0
FR0010050559	OAT€i 2.25% 25 July 2020	24,931,337,400 (1)	1.22754	20,310,000,000	0
FR0010949651	OAT 2.5% 25 October 2020	36,562,000,000			0
FR0012968337	OAT 0.25% 25 November 2020	24,782,000,000			0
Maturity 2021		112,146,054,420			
FR0013140035	OAT€i 0.1% 1 March 2021	4,107,757,420 (1)	1.00631	4,082,000,000	0
FR0010192997	OAT 3.75% 25 April 2021	39,352,000,000			0
FR0013157096	OAT 0% 25 May 2021	21,852,000,000			0
FR0011347046	OATi 0.1% 25 July 2021	6,943,297,000 (1)	1.01362	6,850,000,000	0
FR0011059088	OAT 3.25% 25 October 2021	39,891,000,000			0
Maturity 2022		97,794,961,240			
FR0000571044	OAT 8.25% 25 April 2022	1,243,939,990			437,468,400
FR0011196856	OAT 3% 25 April 2022	42,703,000,000			0
FR0013219177	OAT 0% 25 May 2022	4,231,000,000			0
FR0010899765	OAT€i 1.1% 25 July 2022	19,565,021,250 (1)	1.09125	17,929,000,000	0
FR0011337880	OAT 2.25% 25 October 2022	30,052,000,000			0
Maturity 2023		105,414,294,003			
FR0000571085	OAT 8.5% 25 April 2023	10,606,195,903			5,423,150,200
FR0011486067	OAT 1.75% 25 May 2023	35,237,000,000			0
FR0010585901	OATi 2.1% 25 July 2023	16,386,098,100 (1)	1.10255	14,862,000,000	0
FR0010466938	OAT 4.25% 25 October 2023	43,185,000,000			449,585,000
Maturity 2024		77,286,370,380			
FR0011619436	OAT 2.25% 25 May 2024	33,135,000,000			0
FR0011427848	OAT€i 0.25% 25 July 2024	13,916,370,380 (1)	1.02191	13,618,000,000	0
FR0011962398	OAT 1.75% 25 November 2024	30,235,000,000			46,000,000
Maturity 2025		91,343,863,278			
FR0012558310	OATi 0.1% 1 March 2025	6,861,935,160 (1)	1.00497	6,828,000,000	0
FR0012517027	OAT 0.5% 25 May 2025	32,870,000,000			0
FR0000571150	OAT 6% 25 October 2025	26,039,928,118			3,071,464,400
FR0012938116	OAT 1% 25 November 2025	25,572,000,000			0
Maturity 2026		78,669,000,000			
FR0010916924	OAT 3.5% 25 April 2026	35,814,000,000			139,513,000
FR0013131877	OAT 0.5% 25 May 2026	27,522,000,000			0
FR0013200813	OAT 0.25% 25 November 2026	15,333,000,000			0
Maturity 2027		49,857,552,710			
FR0011008705	OAT€i 1.85% 25 July 2027	14,828,552,710 (1)	1.07539	13,789,000,000	0
FR0011317783	OAT 2.75% 25 October 2027	35,029,000,000			0
Maturity 2028		23,815,557			
FR0000571226	OAT zero coupon 28 March 2028	23,815,557 (3)		46,232,603	-
Maturity 2029		40,069,913,393			
FR0000571218	OAT 5.5% 25 April 2029	29,091,880,458			3,352,109,100
FR0000186413	OATi 3.4% 25 July 2029	10,978,032,935 (1)	1.25691	8,734,144,000	0
Maturity 2030		39,120,477,060			
FR0011883966	OAT 2.5% 25 May 2030	31,023,000,000			0
FR0011982776	OAT€i 0.7% 25 July 2030	8,097,477,060 (1)	1.00878	8,027,000,000	0
Maturity 2031		26,071,000,000			
FR0012993103	OAT 1.5% 25 May 2031	26,071,000,000			110,000,000
Maturity 2032 and later		212,569,172,620			
FR0000188799	OAT€i 3.15% 25 July 2032	12,636,500,000 (1)	1.24375	10,160,000,000	0
FR0000187635	OAT 5.75% 25 October 2032	30,284,322,600			11,417,357,400
FR0010070060	OAT 4.75% 25 April 2035	26,678,000,000			5,060,767,000
FR0013154044	OAT 1.25% 25 May 2036	14,411,000,000			0
FR0010371401	OAT 4% 25 October 2038	26,534,000,000			4,742,211,400
FR0010447367	OAT€i 1.8% 25 July 2040	12,657,080,460 (1)	1.15211	10,986,000,000	0
FR0010773192	OAT 4.5% 25 April 2041	31,111,000,000			7,142,539,000
FR0011461037	OAT 3.25% 25 May 2045	22,400,000,000			1,169,600,000
FR0013209871	OAT€i 0.1% 25 July 2047	4,574,269,560 (1)	1.00401	4,556,000,000	0
FR0010171975	OAT 4% 25 April 2055	14,926,000,000			7,437,088,000
FR0010870956	OAT 4% 25 April 2060	11,918,000,000			5,942,384,100
FR0013154028	OAT 1.75% 25 May 2066	4,439,000,000			80,000,000

(1) face value x indexation coefficient (face value if coefficient < 1)
(3) Revised on 28 March 2016; not open to subscription

The French economy and international comparisons

Most recent economic indicators

Industrial output, year-on-year	-0.4%	Nov. 2016
Household consumption*, year-on-year	0.4%	Dec. 2016
Unemployment rate (ILO)	10.0%	Sep. 2016
Consumer prices, year-on-year		
all items	0.6%	Dec. 2016
all items excluding tobacco	0.6%	Dec. 2016
Trade balance, fob-fob, sa (€bn)	-€4.4bn	Nov. 2016
" "	-€5.2bn	Oct. 2016
Current account balance, sa (€bn)	-€2.3bn	Nov. 2016
" "	-€3.2bn	Oct. 2016
10-year constant maturity rate (TEC10)	1.11%	30 Jan. 2017
3-month interest rate (Euribor)	-0.33%	26 Jan. 2017
EUR / USD	1.0630	30 Jan. 2017
EUR / JPY	121.76	30 Jan. 2017

* manufactured products

Sources: Insee, Minefi, Banque de France

Monthly government budget position

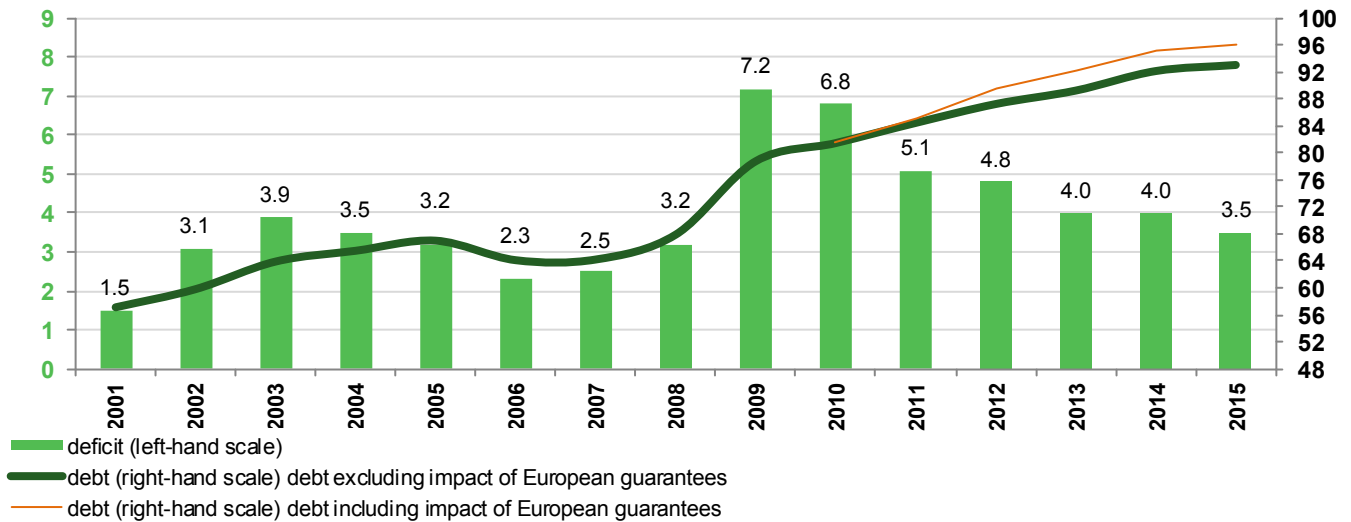
In € billion

	2014	2015	end of November level		
			2014	2015	2016
General budget balance	-85.71	-72.15	-87.06	-78.29	-79.99
revenue	291.95	299.66	256.30	261.58	265.68
expenditure	377.66	371.80	343.36	339.87	345.67
Balance of special Treasury accounts	0.16	1.62	-3.78	-4.49	-13.33
General budget outturn	-85.56	-70.52	-90.84	-82.77	-93.32

Source: Minefi

Public finances: deficit and debt

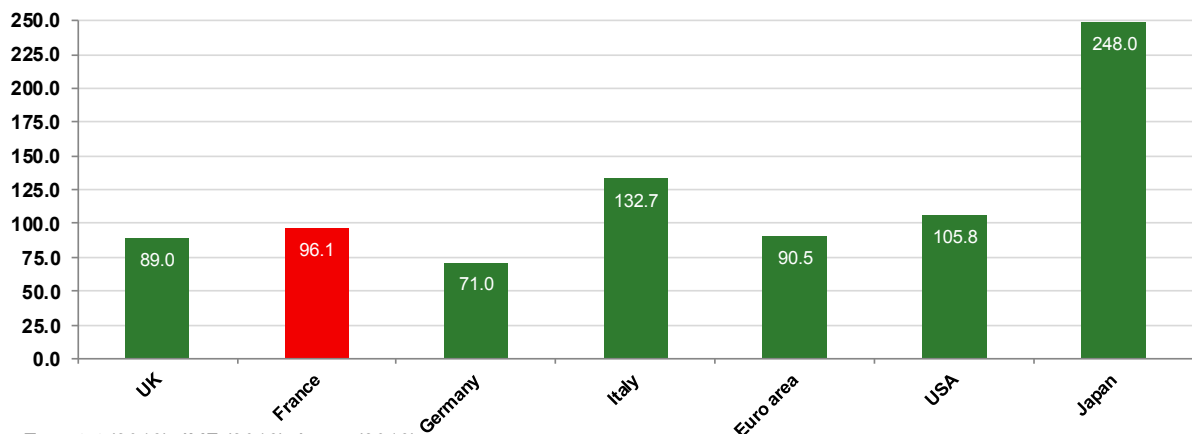
As % of GDP



Source: Eurostat, Insee

General government debt in 2015

As % of GDP



Sources: Eurostat (2016), IMF (2016), Insee (2016)

French economic indicators: timetable

February 2017		March 2017	
 7	Balance of payments in December 2016	 8	Foreign trade by value in January
 7	Industrial investments: January survey	 8	Balance of payments in January
 7	Foreign trade by value in December 2016	 9	Payroll employment: final results Q4-2016
 10	Payroll employment: provisional results Q4-2016	 10	Industrial production: January index
 10	Industrial production: December 2016 index	 15	Consumer prices: February index
 15	Net international reserves in January	 15	Net international reserves in February
 21	Consumer prices: January index	 16	Inflation (HICP): February index
 23	Monthly business survey (goods-producing industries) in February	 23	Monthly business survey (goods-producing industries) in March
 24	Consumer confidence survey: February survey	 24	Quarterly national accounts: final results Q4-2016
 24	Job seekers in January	 24	Debt of the general government according to Maastricht definition - Q4-2016
 24	Quarterly national accounts: second estimate Q4-2016	 24	Job seekers in February
 28	Household consumption expenditure on goods in January	 28	Housing starts in February
 28	Housing starts in January	 29	Consumer confidence survey: March survey
 28	Industrial producer and import price: January indices	 31	Household consumption expenditure on goods in February
		 31	Industrial producer and import price: February indices

Sources: Insee, Eurostat

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