



ESG INVESTING

In Search of the True Greenium

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The greenium (the expected return of green securities relative to brown) is a central impact measure for ESG investors. Replicating the literature's wide range of greenium estimates based on realized returns, we find that these are not robust to changing the greenness measure or time period. Instead, we propose a robust green score combined with forward-looking expected returns, yielding a more precisely estimated annual equity greenium of -25 basis points per standard deviation increase in greenness. The greenium is more negative in greener countries and over time. Finally, we provide greeniums for corporate bonds, weighted-average costs of capital, and sovereign bonds.

Read more of our ESG research [here](#).

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