

Targeted consultation on the establishment of an EU Green Bond Standard

Fields marked with * are mandatory.

Introduction

This consultation is also available in [German](#) and [French](#).

Diese Konsultation ist auch auf [Englisch](#) und [Französisch](#) verfügbar.

Cette consultation est également disponible en [allemand](#) et en [anglais](#).

In March 2018, the European Commission published its Action Plan on Financing Sustainable Growth with the goal of embedding sustainability considerations at the heart of the financial sector. Specifically, it aims to:

1. reorient capital flows towards sustainable investment to achieve more sustainable and inclusive growth;
2. manage financial risks stemming from climate change, resource depletion, environmental degradation and social issues; and
3. foster greater transparency and long-termism in financial and economic activity.

As part of the Action Plan, the Commission committed to developing standards and labels for green financial products and instruments, including an EU Green Bond Standard (EU GBS).

As a first step, the Commission's Technical Expert Group on sustainable finance (TEG) was tasked with preparing a report on an EU GBS.

The TEG published its first report in June 2019 with 10 recommendations for the establishment of an EU GBS based on current best market practices and feedback received from stakeholders. The TEG also recommended the creation of an official voluntary EU GBS building on the new EU Taxonomy, which provides a classification system for sustainable economic activities. The TEG provided further usability guidance in March 2020, which includes an updated proposed standard (see the annexes).

The Commission is now considering how to take the recommendations of the TEG forward, including in a possible legislative manner. This consultation is designed to gather further input of a technical nature from relevant stakeholders in the green bond market, in particular issuers, investors and related service providers.

The questions assume that the reader has read the reports by the TEG on the EU GBS and is familiar with the proposed content of the EU GBS, including its link to the EU Taxonomy. If this is not the case, the [report on the EU GBS](#), the [TEG usability guide on the EU GBS](#) and the [final report on the EU Taxonomy](#) should be read first. A brief summary of the EU GBS as proposed by the TEG is provided at the beginning of the consultation.

The European Green Deal

This consultation builds upon the [European Green Deal](#), which significantly increases the EU's climate action and environmental policy ambitions. To complement the Green Deal, the Commission also presented the [European Green Deal Investment Plan](#), which seeks to mobilise at least €1 trillion in sustainable investments over the next decade. As part of the Green Deal and its investment plan, the Commission reaffirmed its commitment to establish an EU GBS. The Commission also committed to developing a [renewed sustainable finance strategy, which is the subject of a separate public consultation](#) currently open for submissions until 15 July 2020. That consultation contains several questions on green bonds and respondents are requested to also participate in it.

COVID19 & Social Bonds

Social bonds have emerged as a key instrument for mobilising private capital for social objectives. Social bonds are similar to green bonds, except that the proceeds are used exclusively for social causes, instead of energy transition and environmental goals.

The ongoing COVID-19 outbreak shows the critical need to strengthen the sustainability and resilience of our societies and the importance of integrating social issues and objectives into the broader functioning of our economies. Financial markets have so far responded to the challenge with increased issuance of social bonds responding to the impact of COVID-19.

These social bonds often follow established market-based Social Bond Principles. The Commission is seeking the input of stakeholders on the lessons learned from this new development, including whether the Commission can play an even greater supportive role in building resilience to address future potential crises.

Please note: In order to ensure a fair and transparent consultation process **only responses received through our online questionnaire will be taken into account** and included in the report summarising the responses. Should you have a problem completing this questionnaire or if you require particular assistance, please contact fisma-eu-green-bond-standard@ec.europa.eu.

More information:

- [on this consultation](#)
- [on the consultation document](#)
- [on the inception impact assessment](#)
- [on EU Green Bonds Standard](#)
- [on the protection of personal data regime for this consultation](#)

About you

* Language of my contribution

- ☐ Bulgarian
- ☐ Croatian
- ☐ Czech
- ☐ Danish
- ☐ Dutch
- ☒ English
- ☐ Estonian
- ☐ Finnish
- ☐ French
- ☐ Gaelic
- ☐ German
- ☐ Greek
- ☐ Hungarian
- ☐ Italian
- ☐ Latvian
- ☐ Lithuanian
- ☐ Maltese
- ☐ Polish
- ☐ Portuguese
- ☐ Romanian
- ☐ Slovak
- ☐ Slovenian
- ☐ Spanish
- ☐ Swedish

* I am giving my contribution as

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| <input type="radio"/> Business association | <input type="radio"/> Environmental organisation | <input type="radio"/> Trade union |
| <input type="radio"/> Company/business organisation | <input type="radio"/> Non-EU citizen | <input type="radio"/> Other |

☐ Consumer organisation

☒ Non-governmental organisation (NGO)

* First name

Aleksandra

* Surname

Palinska

* Email (this won't be published)

aleksandra.palinska@finance-watch.org

* Organisation name

255 character(s) maximum

Finance Watch

* Organisation size

- ☐ Micro (1 to 9 employees)
- ☒ Small (10 to 49 employees)
- ☐ Medium (50 to 249 employees)
- ☐ Large (250 or more)

Transparency register number

255 character(s) maximum

Check if your organisation is on the [transparency register](#). It's a voluntary database for organisations seeking to influence EU decision-making.

37943526882-24

* Country of origin

Please add your country of origin, or that of your organisation.

☐ Afghanistan

☐ Djibouti

☐ Libya

☐ Saint Martin

☐ Åland Islands

☐ Dominica

☐ Liechtenstein

☐ Saint Pierre
and Miquelon

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- Bosnia and Herzegovina
- Botswana
- Bouvet Island
- Brazil
- British Indian Ocean Territory
- British Virgin Islands
- Brunei
- Bulgaria
- Burkina Faso
- Burundi
- Cambodia
- Cameroon
- Canada
- Cape Verde
- Cayman Islands
- Central African Republic
- Chad
- Chile
- Greenland
- Grenada
- Guadeloupe
- Guam
- Guatemala
- Guernsey
- Guinea
- Guinea-Bissau
- Guyana
- Haiti
- Heard Island and McDonald Islands
- Honduras
- Hong Kong
- Hungary
- Iceland
- India
- Indonesia
- Iran
- Iraq
- Ireland
- Isle of Man
- Myanmar /Burma
- Namibia
- Nauru
- Nepal
- Netherlands
- New Caledonia
- New Zealand
- Nicaragua
- Niger
- Nigeria
- Niue
- Norfolk Island
- Northern Mariana Islands
- North Korea
- North Macedonia
- Norway
- Oman
- Pakistan
- Palau
- Palestine
- Panama
- Svalbard and Jan Mayen
- Sweden
- Switzerland
- Syria
- Taiwan
- Tajikistan
- Tanzania
- Thailand
- The Gambia
- Timor-Leste
- Togo
- Tokelau
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- Trinidad and Tobago
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- Tuvalu
- Uganda
- Ukraine

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| <input type="radio"/> Denmark | <input type="radio"/> Liberia | <input type="radio"/> Saint Lucia | |

* Field of activity or sector (if applicable):

at least 1 choice(s)

- ☐ Accounting
- ☐ Auditing
- ☐ Banking

- ☐ Credit rating agencies
- ☐ Insurance
- ☐ Pension provision
- ☐ Investment management (e.g. hedge funds, private equity funds, venture capital funds, money market funds, securities)
- ☐ Market infrastructure operation (e.g. CCPs, CSDs, Stock exchanges)
- ☐ Social entrepreneurship
- ☒ Other
- ☐ Not applicable

* Please specify your activity field(s) or sector(s):

EU financial services' legislation

* Publication privacy settings

The Commission will publish the responses to this public consultation. You can choose whether you would like your details to be made public or to remain anonymous.

☐ **Anonymous**

Only your type of respondent, country of origin and contribution will be published. All other personal details (name, organisation name and size, transparency register number) will not be published.

☒ **Public**

Your personal details (name, organisation name and size, transparency register number, country of origin) will be published with your contribution.

☒ I agree with the [personal data protection provisions](#)

Your role in the green bond market

* What type of organisation are you, in relation to the green bond market?

- ☐ Issuer
- ☐ Investor
- ☐ Verifier / external reviewer / 3rd party opinion provider
- ☐ Intermediary
- ☐ Market-infrastructure

- ☒ NGO
- ☐ Public Authority
- ☐ Trade or Industry Association
- ☐ Other

I. Questions on the EU Green Bond Standard

About the TEG proposed EU GBS

The EU GBS aims to address several barriers identified in the current market. Firstly, by reducing uncertainty about what constitutes green investment by linking it to the EU Taxonomy. Secondly, by standardising costly and complex verification and reporting processes, and thirdly, by establishing an official standard to which potential incentives could be linked.

The EU GBS as proposed by the TEG is intended to finance both physical and financial assets and includes the use of the latter as security (i.e. as a covered bonds or asset-backed securities).

The key components of such a standard – as recommended by the TEG and building on best market practices such as the Green Bond Principles and the Climate Bonds Initiative labelling scheme – should be:

1. alignment of the use of the proceeds from the bond with the EU Taxonomy;
2. the publication of a Green Bond Framework;
3. mandatory reporting on the use of proceeds (allocation reports) and on environmental impact (impact report); and
4. verification of compliance with the Green Bond Framework and the final allocation report by an external registered/authorised verifier.

Questions on the potential need for an official / formalised EU GBS

Question 1. In your view, which of the problems mentioned below is negatively affecting the EU green bond market today? How important are they?

	1 (no impact at all)	2 (almost no impact)	3 (some impact)	4 (strong impact)	5 (very strong impact)	Don't know - No opinion - Not applicable
Absence of economic benefits associated with the issuance of green bonds	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lack of available green projects and assets	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Uncertainty regarding green definitions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Complexity of external review procedures	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Cost of the external review procedure(s)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Costly and burdensome reporting processes	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Uncertainty with regards to the eligibility of certain types of assets (physical and financial) and expenditure (capital and operating expenditure)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lack of clarity concerning the practice for the tracking of proceeds	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lack of transparency and comparability in the market for green bonds	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Doubts about the green quality of green bonds and risk of green washing	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Other						
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Question 2. To what extent do you agree that an EU GBS as proposed by the TEG would address the problems and barriers mentioned above in question 1?

	1 (very negative impact)	2 (rather negative impact)	3 (no impact)	4 (rather positive impact)	5 (very positive impact)	Don't know - No opinion - Not applicable
Absence of economic benefits associated with the issuance of green bonds	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lack of available green projects and assets	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Uncertainty regarding green definitions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Complexity of external review procedures	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Cost of the external review procedure(s)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Costly and burdensome reporting processes	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Uncertainty with regards to the eligibility of certain types of assets (physical and financial) and expenditure (capital and operating expenditure)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lack of clarity concerning the practice for the tracking of proceeds	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lack of transparency and comparability in the market for green bonds	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Doubts about the green quality of green bonds and risk of green washing	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
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Question 3. To what extent do you agree with the proposed core components of the EU GBS as recommended by the TEG?

	1 (strongly disagree)	2 (rather disagree)	3 (neutral)	4 (rather agree)	5 (strongly agree)	Don't know - No opinion - Not applicable
Alignment of eligible green projects with the EU Taxonomy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Requirement to publish a Green Bond Framework before issuance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Requirement to publish an annual allocation report	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Requirement to publish an environmental impact report at least once before final allocation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Requirement to have the (final) allocation report and the Green Bond framework verified	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>

Question 3.1 Please specify the reasons for your answer to question 3:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

TEG pointed out that the supply of green bonds does not meet the growing investors' demand. Insufficiently visible relative advantages of green bond issuance versus other financing options and concerns related to unclear definitions of what is green that may lead to potential reputational risks are seen by TEG as the main reasons for this imbalance.

Alignment of eligible green projects with the EU Taxonomy is key to clarify which projects and assets are eligible for financing, and should result in enhanced clarity and legal certainty needed to promote the issuance of green bonds.

The alignment of Green Projects with the EU Taxonomy, Green Bond Framework, a requirement to publish an annual allocation report, a requirement to publish an environmental impact and verification by accredited verifiers are core components of the TEG proposals. We understand they are based on the market best practice and thus we fully support them.

However, there are couple of points where we disagree with TEG's recommendations:

1) We do believe that EU GBS should be mandatory and introduced into the EU law through a regulation. Bonds issued in the EU should not be permitted to use the notion of an EU Green Bond unless they comply with the EU GBS.

Many recent scientific reports, including IPCC report, stress we need urgent action to mitigate and tackle the climate change and environmental crisis we are faced with. In the business-as-usual circumstances it would make sense to first create a voluntary EU GBS and hope for a sufficient market uptake. However, given this major challenge ahead of us, we no longer have time for that. We are not convinced that a sufficient number of issuers would naturally issue green bonds in line with this standard. TEG observes that while there is demand from the investors' side, there is insufficient supply of green bonds and that the absence of clear economic benefits for issuers is among the main reasons for that.

2) A consideration should be given to a proposal for a specific green bond prospectus and including key elements of the issuance (e.g. use of proceeds) in a prospectus to make it legally binding.

We understand that the prospectus approval processes can be cumbersome and lengthy. However, inclusion of key elements related to the green bond issuance in a prospectus would improve investors' confidence. While companies specialising in external verification have a lot of market knowledge and expertise, potential conflicts of interests can arise in some cases, potentially undermining independence of such reviews. Moreover, non-financial rating providers, which do not fall under the definition of CRAs, are currently not regulated under the EU law. As the 2008 financial crisis and subsequent scandals demonstrated, commercial ratings and the so called "independent" reviews (audit / assurance) should not be taken for granted.

While we fully agree that the (final) allocation report and the Green Bond framework should be verified, we would also suggest to consider requiring external verification of the environmental impact report. While we understand that the administrative costs should be kept low, the environmental impact is of high importance and greenwashing should be prevented.

Question 4. Do you agree with the proposed content of the following documents as recommended by the TEG?

Please note that these reporting requirements refer only to the requirements in relation to the issued green bond (it is common in the

green bond market to have reporting on the bond). These reporting requirements are not related to disclosure requirements for companies or funds, which arise from the EU Taxonomy Regulation or the Sustainability –related Disclosures Regulation.

a) The Green Bond Framework:

- ☐ Yes, I do agree with the proposed content of the Green Bond Framework
- ☐ No, I disagree with the proposed content of the Green Bond Framework
- ☒ Don't know / no opinion / not relevant

b) The Green Bond Allocation Report:

- ☐ Yes, I do agree with the proposed content of the Green Bond Allocation Report
- ☐ No, I disagree with the proposed content of the Green Bond Allocation Report
- ☒ Don't know / no opinion / not relevant

c) The Green Bond Impact Report:

- ☐ Yes, I do agree with the proposed content of the Green Bond Impact Report
- ☐ No, I disagree with the proposed content of the Green Bond Impact Report
- ☒ Don't know / no opinion / not relevant

Question 5. Do you expect that the requirement to have the Green Bond Framework and the Final Allocation report verified (instead of alternatives such as a second-party opinion) will create a disproportionate market barrier for third party opinion providers that currently assess the alignment of EU green bonds with current market standards or other evaluation criteria?

- ☐ Yes
- ☐ No
- ☒ Don't know / no opinion / not relevant

Questions on the use of proceeds and the link to the EU Taxonomy

The [EU Taxonomy Regulation](#) specifies that the Union shall apply the EU Taxonomy when setting out the requirements for the marketing of corporate bonds that are categorised as environmentally sustainable. Given that the EU Green Bonds initiative will pursue, as its core objective, the aim of delineating the boundaries of what shall constitute an 'environmentally sustainable' bond, the Taxonomy will need to be applied to determine the eligibility of the proceeds of the bond issuance. However, there may be reasons to provide a degree of flexibility with regard to its application, or its application in specific cases.

Building on market practice, the proposed EU GBS by the TEG recommends a use-of- proceeds approach, where 100% of the proceeds of an EU Green Bond should be aligned with the EU Taxonomy (with some limited flexibility).

The below questions aim to gather stakeholder input on the application of the taxonomy in the context of EU Green Bonds.

Question 6. Do you agree that 100% of the use of proceeds of green bonds should be used to finance or refinance physical or financial assets or green expenditures that are green as defined by the Taxonomy?

- ☒ Yes, with no flexibility
- ☐ Yes, but with some flexibility (i.e. <100% alignment)
- ☐ No
- ☐ Don't know / no opinion / not relevant

Question 6.1 Please specify the reasons for your answer to question 6:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We believe that 100% of the use of proceeds of green bonds should finance the Taxonomy-compliant activities. This is precisely the purpose of green bonds: to orient capital flows towards sustainable activities, as defined by the Taxonomy (environmentally sustainable, transition and enabling activities). Green bonds are designed to earmark the use of proceeds and this distinct feature should be leveraged on. This is also key from the investor protection point of view and to prevent greenwashing.

Question 7.

The TEG proposes that in cases where

1. the technical screening criteria have not yet been developed for a specific sector or a specific environmental objective or
2. where the developed technical screening criteria are considered not directly applicable due to the innovative nature, complexity, and/or the location of the green projects, the issuer should be allowed to rely on the fundamentals of the Taxonomy to verify the alignment of their green projects with the Taxonomy.

This would mean that the verifier confirms that the green projects would nevertheless

- i. substantially contribute to one of the six environmental objectives as set out in the Taxonomy Regulation,

- ii. do no significant harm to any of these objectives, and
- iii. meet the minimum safeguards of the Taxonomy Regulation.

Do you agree with this approach?

- ☒ Yes, both 1. and 2.
- ☐ Yes, but only for 1.
- ☐ Yes, but only for 2.
- ☐ No
- ☐ Don't know / no opinion / not relevant

Question 7.1 Please specify the reasons for your answer to question 7:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We believe it is reasonable to allow the issuer to rely on the fundamentals of the Taxonomy to verify the alignment of their green projects with the Taxonomy in the cases mentioned in points 1) and 2) as long as the verifier confirms that conditions specified in points i), ii) and iii) are met. The EU Taxonomy is still under development and currently many economic activities are not yet included. Meanwhile, it is essential for the EU Green Bonds Standards to be finalised and ready to use as soon as possible given the urgency of the climate and environmental crisis.

It may be also the case that the technical screening criteria are considered not directly applicable due to the innovative nature or complexity. While the EU Taxonomy is designed to be a flexible tool and evolving with time, projects financing innovative economic activities should not be excluded as long as they i) substantially contribute to one of the six environmental objectives as set out in the Taxonomy Regulation, (ii) do no significant harm to any of these objectives, and (iii) meet the minimum safeguards of the Taxonomy Regulation.

Question 7.2 Do you see any other reasons to deviate from the technical screening criteria when devising the conditions that Green Bond eligible projects or assets need to meet?

- ☐ Yes
- ☒ No
- ☐ Don't know / no opinion / not relevant

Question 8. As part of the alignment with the EU Taxonomy, issuers of EU Green Bonds would need to demonstrate that the investments funded by the bond meet the requirements on do-no-significant-harm (DNSH) and

minimum safeguards. The TEG has provided guidance in both its Taxonomy Final Report and the EU GBS user guide on how issuers could show this alignment.

Do you foresee any problems in the practical application of the DNSH and minimum safeguards for the purpose of issuing EU Green bonds?

- ☐ Yes
- ☐ No
- ☒ Don't know / no opinion / not relevant

Question 8.1 Please specify the reasons for your answer to question 8:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We leave this question for issuers of bonds and market practitioners, who had a chance to test the practical application of the DNSH and minimum safeguards for the purpose of issuing EU green bonds, to comment on.

Question 9. Research and Development (R&D) plays a crucial role in the transition to a more sustainable economy, and the proposed EU GBS by the TEG explicitly includes such expenditure as eligible use of proceeds.

Do you think the EU GBS should provide further guidance on these types of activities, to either solve specific issues with green R&D or further boost investment in green R&D?

- ☐ Yes, as there are specific issues related to R&D that should be clarified
- ☐ Yes, the proposed EU GBS by the TEG should be changed to boost R&D
- ☐ No, the proposed EU GBS by the TEG is sufficiently clear on this point
- ☒ Don't know / no opinion / not relevant

Question 9.1 Please specify the reasons for your answer to question 9:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We leave this question for market practitioners to comment on.

Questions on grandfathering and new investments

Question 10. Should specific changes be made to the TEG's proposed standard to ensure that green bonds lead to more new green investments?

- ☒ Yes
- ☐ No
- ☐ Don't know / no opinion / not relevant

Question 10.1 If you are in favour of changes, please explain what changes should be made

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We suggest that EU proceeds from green bonds be used to finance only new environmentally sustainable projects and activities. We question whether refinancing of the existing "green" assets would incentivise businesses to develop and invest in more sustainable projects.

Proceeds of green bonds must be earmarked for green assets. This is a unique feature of green bonds enabling them to incentivise businesses to develop more sustainable activities and invest in sustainable assets. Thus, the main benefit of green bonds is their potential to contribute to the economic transition towards sustainability. Therefore, to fully harness this potential, green bonds must be forward-looking instruments, aiming at financing new "green" activities. Green bonds issued to refinance the existing green assets, even if they could be perceived as "green" (hence the TEG's recommendation), are not financing new projects or activities. Therefore, they do not truly contribute to transforming the economy towards a more sustainable one.

TEG points out that refinancing makes additional funds available, and that those funds can be reinvested into new green projects or to finance an issuer's overall transition strategy. However, this argument seems to overlook that money is fungible. If proceeds of green bonds finance already existing projects, assets or activities, it can be questioned what the proceeds are financing and whether the financed project or activity is truly sustainable. Therefore, to improve transparency, reliability and achieve a greater impact, we suggest that EU green bonds be 'forward-looking', meaning that they can finance only new environmentally sustainable activities.

Question 11. The EU Taxonomy technical screening criteria will be periodically reviewed. This may cause a change in the status of issued green bonds if the projects or assets that they finance are no longer eligible under the recalibrated taxonomy.

In your opinion, should an EU Green Bond maintain its status for the entire term to maturity regardless of newly adapted taxonomy criteria?

- ☒ Yes, green at issuance should be green for the entire term to maturity of the bond
- ☐ No, but there should be some grandfathering
- ☐ No, there should be no grandfathering at all. If you no longer meet the updated criteria, the bond can no longer be considered green
- ☐ Don't know / no opinion / not relevant

Question 11.1 Please specify the reasons for your answer to question 11:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We believe that there is a need for grandfathering for the entire term to maturity. Stability of the green bonds' status is of the essence both for investors and issuers alike. Grandfathering is essential to develop the green bond market. Absence of grandfathering could undermine investors' confidence and we question whether that would benefit sustainability in any way.

Question on incentives

Question 12. Stakeholders have noted that the issuance process for a green bond is often more costly than for a corresponding plain vanilla bond.

Which elements of issuing green bonds do you believe lead to extra costs, if any?

	1 (no additional costs)	2 (low extra cost)	3 (extra cost)	4 (high extra cost)	5 (very high extra cost)	Don't know / No cost / Not applicable
Verification	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
Reporting	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
More internal	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	

planning and preparation						
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	

Question 12.1 Please specify the reasons for your answer to question 12, and if possible, provide the estimated percentage and monetary increase in costs from issuing using the EU GBS, or – ideally – the costs (or cost ranges) for issuing green bonds under the current market regimes and the estimated costs (or cost range) for issuing under the EU GBS:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 13. In your view, how would the costs of an official standard as proposed by the TEG compare to existing market standards?

- ☐ 1 - Substantially smaller
- ☐ 2 - Somehow smaller
- ☐ 3 - Approximately the same
- ☐ 4 - Somehow higher
- ☐ 5 - Substantially higher

Question 13.1 Please specify the reasons for your answer to question 13:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 14. Do you believe that specific financial or alternative incentives are necessary to support the uptake of EU green bonds (green bonds

following the EU GBS), and at which level should such incentives be applied
(issuer and / or investor) ?

Please express your view on the potential impact:

	1 (very low impact)	2 (rather low impact)	3 (a certain impact)	4 (rather high impact)	5 (very high impact)	Don't know - No opinion - Not applicable
Public guarantee schemes provided at EU level, as e.g. InvestEU	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Alleviations from prudential requirements	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other financial incentives or alternative incentives for investors	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other incentives or alternative incentives for issuers?	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Question 14.1 Please specify the reasons for your answer to question 14, in particular if you indicated an important impact of “other incentives or alternative incentives”:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

There is a significant and growing investors' demand for green bonds. Therefore, we do not see a need to put in place specific incentives with a view of stimulating demand. Consideration could be given to whether some incentives are needed to stimulate issuance of EU green bonds.
While we are not trying to say that public guarantee schemes would have no impact, we would advise

against using them as an incentive as financed projects should be sufficiently viable by themselves. We do not believe it is a good use of taxpayers' money to support projects that are overly risky or financially not viable. We are also against alleviations of prudential requirements, as financial stability is of paramount importance and prudential regulation should be used to mitigate risk, and not as a policy instrument to orient capital flows. Sustainability risks should be considered in all investment decisions and the objective to transform the economy to a more sustainable one is a constant preoccupation. However, investing in projects pursuing sustainable goals does not mean they are necessarily less risky in the short or medium term.

Other questions related to the EU GBS

The EU GBS as recommended by the TEG is intended to apply to any type of issuer: listed or non-listed, public or private, European or international.

Question 15. Do you foresee any issues for public sector issuers in following the Standard as proposed by the TEG?

- ☐ Yes
- ☐ No
- ☒ Don't know / no opinion / not relevant

Question 15.1 Please explain your answer to question 15:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We leave it for public sector issuers and market practitioners to comment on this question.

Question 16. Do you consider that green bonds considerably increase the overall funding available to or improve the cost of financing for green projects or assets?

- ☐ Yes
- ☒ No
- ☐ Don't know / no opinion / not relevant

Question 16.1 Please explain your answer to question 16.

If possible, please provide estimates as to additional funds raised or current preferential funding conditions:

Green bonds do not increase as such the overall funding available for green assets or projects. Academic studies demonstrate that the price (and therefore the yield) of green bonds is in line with the price of otherwise similar bonds from the same issuers. Therefore, there is no tangible financial advantage. However, if designed properly, green bonds can add value by increasing the momentum for developing green assets and projects. Moreover, green bonds have the potential to channel a bigger proportion of the total funding available to truly green projects thanks to a more stringent and standardised approach, increased transparency on the use of proceeds and their allocation, the environmental impact, as well as the external verification. Hence, the necessity for green bonds to be 'forward looking' (see question 10 above).

II. Questions on Social Bonds and COVID19

During the ongoing COVID-19, financial markets have so far responded with significantly increased issuance of social bonds responding to the impact of COVID19. These social bonds often follow established market-based Social Bond Principles. The Commission is seeking the input of stakeholders on the lessons learned from this new development, including whether the Commission can play an even greater supportive role in building resilience to address future potential crises.

Question 17. To what extent do you agree with the following statements?

	1 (strongly disagree)	2 (rather disagree)	3 (neutral)	4 (rather agree)	5 (strongly agree)	Don't know - No opinion - Not applicable
Social bonds are an important instrument for financial markets to achieve social objectives.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Social bonds targeting COVID19 are an important instrument for financial markets in particular to help fund public and private response to the socio-economic impacts of the pandemic.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Social bonds targeting COVID19 are mostly a marketing tool with limited impact on funding public and private responses to the socio-economic impact of the pandemic.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Social bonds in general are mostly a marketing tool with limited impact on social objectives.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Social bonds in general require greater transparency and market integrity if the market is to grow.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Question 18. The Commission is keen on supporting financial markets in meeting social investment needs. Please select one option below and explain your choice:

- ☐ The Commission should develop separate non-binding social bond guidance, drawing on the lessons from the ongoing COVID19, to ensure adequate transparency and integrity.
- ☒ The Commission should develop an official EU Social Bond Standard, targeting social objectives.
- ☐ The Commission should develop an official “Sustainability Bond Standard”, covering both environmental and social objectives.
- ☐ Other Commission action is needed.
- ☐ No Commission action is needed in terms of social bonds and COVID19.

Question 18.1 Please explain your answer to question 18:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We believe that there is merit in developing an official EU Social Bond Standard, targeting social objectives to complement the EU Green Bond Standard. However, similarly to the EU GBS, we believe such standard should be aligned with a standardised EU classification system. Therefore, we would like to reiterate our support for the development of an EU taxonomy for socially-beneficial activities.

Question 19. In your view, to what extent would financial incentives for issuing a social bond help increase the issuance of such bonds?

- ☐ 1 - Very strong increase
- ☐ 2 - Rather strong increase
- ☐ 3 - Rather low increase
- ☐ 4 - Very low increase
- ☐ 5 - No increase at all

Question 19.1 Please explain what kind of financial incentives would be needed:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Additional information

Should you wish to provide additional information (e.g. a position paper, report) or raise specific points not covered by the questionnaire, you can upload your additional document(s) here:

The maximum file size is 1 MB.

You can upload several files.

Only files of the type pdf,txt,doc,docx,odt,rtf are allowed

Useful links

[More on this consultation \(https://ec.europa.eu/info/publications/finance-consultations-2020-eu-green-bond-standard_en\)](https://ec.europa.eu/info/publications/finance-consultations-2020-eu-green-bond-standard_en)

[Consultation document \(https://ec.europa.eu/info/files/2020-eu-green-bond-standard-consultation-document_en\)](https://ec.europa.eu/info/files/2020-eu-green-bond-standard-consultation-document_en)

[Inception impact assessment \(https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12447-EU-Standard-for-Green-Bond-#publication-details\)](https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12447-EU-Standard-for-Green-Bond-#publication-details)

[More on EU Green Bonds Standard \(https://ec.europa.eu/info/publications/sustainable-finance-teg-green-bond-standard_en\)](https://ec.europa.eu/info/publications/sustainable-finance-teg-green-bond-standard_en)

[Specific privacy statement \(https://ec.europa.eu/info/files/2020-eu-green-bond-standard-specific-privacy-statement_en\)](https://ec.europa.eu/info/files/2020-eu-green-bond-standard-specific-privacy-statement_en)

[More on the Transparency register \(http://ec.europa.eu/transparencyregister/public/homePage.do?locale=en\)](http://ec.europa.eu/transparencyregister/public/homePage.do?locale=en)

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