BANKING AND FINANCE

Invitation for feedback on the TEG preliminary recommendations for an EU Green Bond Standard

Fields marked with * are mandatory.

Introduction

Disclaimer

This call for feedback is part of Directorate-General for Financial Stability, Financial Services and Capital Markets Union, Directorate-General for Environment, Directorate-General for Climate action and Directorate-General for Energy ongoing work on sustainable finance, fo which the European Commission has set up a dedicated Technical Expert Group (TEG).

In its action plan: financing sustainable growth, action 2 on "creating standards and labels fo green financial products", the European Commission has requested the TEG to prepare a repor on an European Union (EU) Green Bond Standard, building on current best practices.

This feedback process is not an official Commission document nor an official Commission position. Nothing in this feedback process commits the Commission nor does it preclude any potential policy outcomes.

In 2018 the European Commission (EC) published its action plan on financing sustainable growth (action plan). In Action 2 of the action plan, the EC commits to create standards and labels for green financial products. A technical expert group on sustainable finance (TEG) has been set up by the EC to assist in four key areas of the action plan, one key area is the development of an European Union (EU) Green Bond Standard.

The TEG has drafted an interim report, outlining the status of the work conducted so far (as of Februaryj2019). This report proposes the content of an EU Green Bond Standard (EU GBS), explains its purpose, sets its ambition level, and explains how we think the creation of this EU GBS will address the barriers to the green bond market's further development and will support its role in channeling substantial financial flows to green projects. In addition, the interim report elaborates on possible incentives, based on the EU GBS, to enhance the growth of green bond issuance and the links with other sustainable financing instruments in a wider context.

The final report will provide guidance to the EC on our proposed way forward for the EU GBS, including on possible legislative initiatives or amendments. It should also feed into the work being launched in parallel by the EC on a potential EU Ecolabel for green financial products.

Financial market participants are invited to give their feedback on the key elements of this interim report.

The deadline for providing feedback is 3 April 2019 cob

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 ec-teg-sf@ec.europa.eu.

Useful documents and links:

- Full and downloadable version of the interim report
- Draft Green Bond Standard
- More information on this invitation for feedback
- Specific privacy statement

1. Information about you

* Are you replying as a(n):

- institutional investor
- public sector issuer/ borrower (sovereigns, regions, municipalities, government backed entities)
- multilateral or bilateral financial institution, government backed agency or development bank
- corporate issuer/borrower
- financial institution acting as issuer/borrower
- financial institution acting as intermediary
- financial institution acting as lender
- NGO
- sustainability consultancy
- credit rating agency
- auditing/assurance firm
- academic
- stock exchange

index provider

x other

*Please specify the type of organisation:

Trade Association

*Name of your organisation:

European Banking Federation

*Contact email address:

The information you provide here is for administrative purposes only and will not be published

d.avermaete@ebf.eu

*Is your organisation included in the Transparency Register?

(If your organisation is not registered, we invite you to register here, although it is not compulsory to be registered to reply to this consultation. Why a transparency register?)

x Yes

No

*If so, please indicate your Register ID number: 4722660838-23

*Your organisation has been active in the green bond market as:

at least 1 choice(s)

investor

issuer

underwriter

external verifier

index provider

stock exchange

not active so far

considering to be active in the next 12 months

x other

*Please specify under which capacity has your organisation been active in the green bond market:

Not applicable

*Where are you based?

Austria

Belgium x

Bulgaria

Croatia

- Cyprus
- Czech Republic
- Denmark
- Estonia
- Finland
- France
- Germany
- Greece
- Hungary
- Iceland
- Ireland
- Italy
- Latvia
- Liechtenstein
- Lithuania
- Luxembourg
- Malta
- Norway
- Poland
- Portugal
- Romania
- Slovakia
- Slovenia
- Spain
- Sweden
- Switzerland
- The Netherlands
- United Kingdom
- USA
- Japan
- China
- Asia
- Africa
- Latam
- Other country

*Please specify the country in which you are based:

*Where do you carry out your activity?

- Austria
- Belgium
- Bulgaria
- Croatia
- Cyprus

- Czech Republic
- Denmark
- Estonia
- Finland
- France
- Germany
- Greece
- Hungary
- Iceland
- Ireland
- Italy
- Latvia
- Liechtenstein
- Lithuania
- Luxembourg
- Malta
- Norway
- Poland
- Portugal
- Romania
- Slovakia
- Slovenia
- Spain
- Sweden
- Switzerland
- The Netherlands
- United Kingdom
- USA
- Japan
- China
- Asia
- Africa
- Latam
- Other country

*Please specify the country where you carry out your activity:

Important notice on the publication of responses

* Contributions received are intended for publication on the Commission's website. Do you agree to your contribution being published?
(see specific privacy statement)

- x Yes, I agree to my response being published under the name I indicate (*name of your organisation /company/public authority or your name if your reply as an individual*)
- No, I do not want my response to be published

2. Your opinion

1.1 The TEG identifies five key barriers to the development of the green bond market (see Section 2.2 of the report of the Technical Expert Group subgroup on Green Bond Standard (the report)).

On a scale from 1 to 5, please express your view as to the importance of each of these barriers (1 indicating the lowest importance):

	1 (least important)	2	3	4	5 (most important)	Don't know / no opinion / not relevant
a) Absence of clear economic benefits associated with issuance of green bonds				x		
b) Issuers' concerns with reputational risks and green definitions				x		
c) Complex and potentially costly external review procedures			x			
d) Uncertainty with regards the type of assets and expenditures that can be financed by green bonds					X	

e) Lack of clarity with regards to the practice for the tracking of proceeds						

x

1.2 Have you identified other barriers to the development of the green bond market, in addition the ones listed above? Please comment as appropriate:

2000 character(s) maximum

General note: The EBF member banks are financial institutions acting as issuers/borrowers, intermediaries, lenders, investors as well as underwriters.

c) There is always an additional cost for external review, significance of which depends on the size of the issuance. The cost may be substantial for smaller issuance and represent a more significant barrier.

The most important "natural" barrier is the ***low number of projects*** *in combination with the focus of the green bond market. The focus of the green bond market is still very much on refinancing certain pure play assets such as renewable energy (utilities, banks) and green buildings (real estate companies, banks).*

This explains why the growth of the green bond market is flattening. Green bond volumes are naturally limited by the investments in the real economy. The bond market is not designed or fit to finance projects that would otherwise not have been financed or that are too risky. For example, the investment volume for new renewable energy projects in Europe is around EUR 40bn/y and the volume of new projects (re)financed via bonds will be much lower than 40bn because the rest is financed directly by investors or otherwise.

Therefore the GBS should include the possibility for a numerous of small green assets to be refinanced by a large green bond.

Examples of "imposed" barriers are:

1. *second party opinion providers and investors are cautious and are imposing additional requirements that in reality prevent issuers to identify sufficient large project volumes for green bonds. For example, limits on the maximum size of hydropower plants or carbon thresholds for the electricity used in Geothermal power. These project are financed anyway and then refinanced via normal bonds.*

2. *Short look-back periods that limit issuers to combine existing and new projects. A look back period is very difficult to manage (accounting wise) for issuers in a multi-year multi-bond issuance program, AND leads to low volumes.*

3. *Assessment of the Do No Significant Harm" or ESG requirements at project level as proposed by TEG in its recent consultation on taxonomy, instead of evaluation of general ESG policies at issuer level. ESG policies of issuers are normally evaluated by investors at issuer level, and not per project. It* should therefore be be allowed, as an alternative, to assess the sustainability at the level of the investee companies and borrowers. Financial Market Participants must be able to continue using tools like sustainability/ESG ratings, which are always at the level of the corporate/company. Sustainability ratings are not available at the level of sub-activities

4. *Banks try to help clients in other sectors to originate green bonds. Sufficient volumes are necessary because investors do not want to buy sub benchmark size bonds. Also here, there are some barriers, such as very narrow definitions of green. Example: one SPO (*Second Party Opinion*) provider does not agree with certain criteria in the ASC (Aquacultur Stewadship Council) certification for farmed fish and asks issuers to exclude those projects which is difficult or not possible. Other example: investors want telecom companies to fund small projects and say they are not happy with energy saving in the core business because it is too much business as usual – issuers however are implementing energy efficiency standards in the telecom industry that focus on the core business).*

5. *Issuers perspective: there is no or very limited pricing difference in comparison to other funding and it includes costs of implementing a Green Bond Framework and follow up costs for reporting.*

6. *Issuers are also less flexible mainly in two ways: use of proceeds (limitation to the defined categories) and timing (a green bond transaction needs more time for preparation – so issuers often cannot tap the market as opportunistic as with a plain-vanilla bond)*

EU GBS objective is to increase the green bond market. Therefore it has to enable any kind of issuer (Large and small corporates, financial institutions refinancing green loans from SMEs, retail) and all size of assets to be refinanced through the EU GBS.

The emphasis on reporting (commented below) is going to be a proof of credibility to increase the Green bond market under EU GBS.

2 With the objective to support the scaling up of the EU green bond market while at the same time safeguarding the integrity of this market, the TEG puts forward eleven preliminary policy recommendations for consideration by the European Commission.

Recommendations 1-4: Please express your agreement with the proposed recommendations by ticking the yes/no box:

	Yes	No	Don't know / no opinion / not relevant
Recommendation 1: Create a voluntary EU Green Bond Standard	x		

Recommendation 2: Monitor impact and consider further supporting action including possible legislation after an estimated period of 3 years	◯	◯	◯x
Recommendation 3: Develop a legislative proposal for a centralised accreditation regime for external green bond verifiers to be potentially operated by ESMA	◯x		◯
Recommendation 4: Set up a market-based voluntary Accreditation Committee for external verifiers of green bonds for a transition period Diverging views	◯	x◯	

Please add any comments to your replies on recommendations 1 to 4, as appropriate:

2000 character(s) maximum

Recommendation 1: Create a voluntary EU Green Bond Standard

We agree with the voluntary nature of the standard. However, once the EU Green Bond Standard is applicable, issuance in compliance with its requirements should indeed be encouraged. Such encouragement should however not take forms that could have distortive effects on the market and that would ultimately weaken the credibility of the EU Green Bond Standard as such or slow down market innovation.

The EU Green Bond Standard should, similarly to the taxonomy it is based on, be a functional tool ensuring comparability. The standard should be capable of uniform application without discrepancies or distortive effects.

The design of the standard and its implementation, as well as the taxonomy, should be carefully assessed in order to avoid any distortive effects on the market, either through the standard itself or through its market application. In practice, there are two risks that need to be mitigated in this respect: distortive effects stemming from different levels of usability or applicability between sectors, and effects stemming from activities with different levels of sustainability not qualifying for the standard or the taxonomy. There must be a balance between flexibility ,a gradually phased-in system (avoiding introducing too much too fast) and comparability as well as the different preconditions of each sector. In this context we believe that a staged approach, i.e. a transitional period before taxonomy becomes stable and mature will be positive for issuers.

Initial flexibility would thus be welcome through a “comply or explain approach as discussed by the TEG, but universal applicability, functionality and comparability in particular should be ensured. Despite differences in preconditions, there should be no differences in terms of overall applicability and usability of the standard between different sectors – there should rather be a level playing field in this respect. Each sector should be able to qualify and at a somewhat similar pace and to similar extent. Otherwise, the standard will effectively steer investment into certain assets, while failing to have a larger impact on the market as a whole

Recommendation 2: Monitor impact and consider further supporting action including possible legislation after an estimated period of 3 years

Monitoring impact and suitability of the measures introduced is certainly recommended but it is too early to assess whether possible legislation will be necessary or desirable. A 3 year period of experiment could be considered.

Recommendation 3: Develop a legislative proposal for a centralised accreditation regime for external green bond verifiers to be potentially operated by ESMA

We do support development of a centralized accreditation regime for external green bond verifiers as it would push the SPO providers to be more transparent on the methodologies used. However, other alternatives to ESMA should be considered.

Recommendation 4: Set up a market-based voluntary Accreditation Committee for external verifiers of green bonds for a transition period

We do not see the need for transitional solution should the development of the centralized accreditation regime as proposed under recommendation 3 be envisaged.

Recommendations 5-11: Please express your agreement with the proposed recommendations by using the scale from 1 to 5 (1 indicating no agreement):

	1 (strongly disagree)	2	3	4	5 (strongly agree)	Don't know / no opinion / not relevant
Recommendation 5: Encourage investors (in particular institutional investors) to adopt the requirements				x		

of the EU-GBS and actively communicate their commitment						
Recommendation 6: Adopt an ambitious disclosure regime for institutional investors				x		
Recommendation 7: Consider promoting greening the financial system by expressing and implementing a preference for EU green bonds				x		
Recommendation 8: Develop credit enhancement guarantees for sub-investment grade green bonds			x			
Recommendation 9: Encourage all types of European issuers to issuing their future green bonds in compliance with the requirements of the EU GBS			x			
Recommendation 10: Set up a grant scheme to off-set the additional cost of external verification for issuers			x			
Recommendation 11: Promote adoption of the EU Green Bond Standard through the EU eco-label for financial products					x	

Please add any comments to your replies on recommendations 5 to 11, as appropriate::

Recommendation 5: Encourage investors (in particular institutional investors) to adopt the requirements of the EU-GBS and actively communicate their commitment
We support that idea. It will enormously encourage the issuance and demand.

Recommendation 6: Adopt an ambitious disclosure regime for institutional investors
The disclosures regimes should be aligned with tthe requirements under the Regulation on disclosures relating to sustainable investments and sustainability risks, as well as with other applicable legislation. (French Transition Energy Act 2015 article 173 for institutional investors)

Recommendation 7: Consider promoting greening the financial system by expressing and implementing a preference for EU green bonds
We support that idea. It will encourage the issuance and demand.

Recommendation 8: Develop credit enhancement guarantees for sub- investment grade green bonds
The sub investment grade investors must be encouraged to ask for green bonds. In long term, this is better than changing the higher risk so that other investors can buy it. We are not against such enhancement schemes but we are not sure of the effect. An impact assessment/ investor survey would help in making a decision on that recommendation.

Recommendation 9: Encourage all types of European issuers to issuing their future green bonds in compliance with the requirements of the EU GBS
The EU green bond standard should remain voluntary recommendations and can be encouraged

Recommendation 10: Set up a grant scheme to off-set the additional cost of external verification for issuers
We consider useful for SME and smaller banks the development of a grant scheme to offset the additional cost of external verification. For other issuers we are not against setting up grant schemes to offset the costs, however we are not sure of the effect. We would encourage an impact assessment before any final decision is made. It seems that the cost is also linked to internal FTE working to prepare the information to be reviewed by the external verifictors. Specific training could be proposed by the market to help preparing the reporting.

Recommendation 11: Promote adoption of the EU Green Bond Standard through the EU eco-label for financial products
We support that idea. It will encourage the issuance and demand.

2000 character(s) maximum

3.1 The TEG proposes that the proceeds from EU green bonds be allocated to green projects (Section 4.1 of Annex 1 draft model of the EU Green Bond Standard to the report). Do you agree that green projects may include the following items?

	Yes	No	Don't know / no opinion / not relevant
a) eligible green assets including physical assets and financial assets such as loans;	x		
b) the share of the working capital that can reasonably be attributed to the operation of such eligible, tangible or intangible, green assets;	x		
c) eligible green operating expenditures related to improving or maintaining the value of eligible assets;	x		

3.2 Please add any comments to your replies to question 3.1, as appropriate:

2000 character(s) maximum

Green financial assets need to be defined as broad as possible and not be limited to single projects. In many cases it is not a project that is being (re)financed but an organisation in general. In the latter case we speak about balance sheet financing. When an institution itself is considered to be 'green', such as for example national water authorities, loans provided to them should also be eligible for Green Bond financing.

4.1 The TEG proposes (Section 4.1 of Annex 1 draft model of the EU Green Bond Standard to the report) that eligible green expenditures qualify for refinancing with a maximum three years look-back period before the issuance year of the EU green bond, while eligible green asset qualify with no maximum look-back period.

Do you agree that a maximum look-back period be imposed with regard to the refinancing of eligible green expenditures?

	Yes	No	Don't know / no opinion / not relevant
a) Do you agree that a maximum look-back period be imposed with regard to the refinancing of eligible green expenditures?	x		
b) Do you agree that a no maximum look-back period be imposed with regard to the refinancing of eligible green assets?			b)

If any of your answers to question 4.1 is no, what is the maximum look-back period you would propose for reference in the EU Green Bond Standard? Please explain your view:

There is a consensus on the absence of look-back period to be imposed with regard to the refinancing of eligible green assets, but the look-back period on green expenditures is questionable.
It is going to depend :

- on the issuer :
  - Nature (financial institutions, corporate, …),
  - Size of the issuer (SME; large corporate, ..),
  - Sector : pure player, or multi activity corporate
- on the portfolio considered :
  - group of assets to be financed or re-financed.
  - New assets added during the life time of the bond
- on the type of assets :
  - R&D
  - Building under construction
  - Operational date of use uncertain making it difficult to calculate an impact metric (CO2 emitted/avoided) …

Therefore, the quality of reporting is key to address the different type of assets financed or refinanced by green bonds. The detail presentation of the use of preoceeds and its annual review to be certified by a third party is a way to ensure transparency and avoid green washing.

An alternative to a fixed look back period and an absence of look back period could be to include in the reporting the information of the actual look-back period of the assets/portfolio financed/refinanced. It would enable the investors to make up their mind according to this additional information.

Clarification would also be appreciated as to what should be assessed. Is it the age of assets or the age of specific loan. A bank can provide a new loan to a client for an old asset.

4.2

5.1 The TEG proposes ([Section 3.3.1 of the report]) that in cases where:

i. **the Taxonomy is not yet in force;**

ii. **the technical criteria are not yet available;**

iii. **or when technical criteria are considered not directly applicable due to the innovative nature, complexity, and/or the location of the green projects,**

the issuer be allowed to rely on the fundamentals of the Taxonomy to verify the alignment of their green projects with the Taxonomy.

Do you agree with this approach?

- xyes
- no

Don't know / no opinion / not relevant

5.2 Please add any comments to your reply to question 5.1, as appropriate:

2000 character(s) maximum

We agree as long as it says issuer be allowed. Allowing is different from a compulsory recommendation, especially when the taxonomy is not yet in force. It should not be recommended to check compliance with a taxonomy that lacks quality (i, ii or iii).

It also adds the problem of who will verify the compliance with the fundamentals.

During transitional period issuers should be able to use current market practices, in particular those included in the existing sustainability standards, Green Bond Principles or the Climate Bonds Initiative. We believe it is important as the strength of the green bond market is in innovation and development of new sectors and criteria. It may take time before these are reflected in the taxonomy. However it is important to agree on applicable procedures (such as receiving a positive opinion or official verification, or CBI certification).

The GBF refers to Core impact metrics. This is inappropriate when they do not exist. We recommend removing such references.

6.1 The TEG proposes ([Section 4.1 of Annex 1 draft model of the EU Green Bond Standard to the report])) that the issuer produces a green bond Framework (GBF) which confirms the voluntary alignment of green bonds with the EU Green Bond

Standard and provides details on key aspects of the use of proceeds and the issuer's green bond strategy and processes.

Do you agree with the envisaged content and role of the GBF?

- X Yes
- No
- Don’t know / no opinion / not relevant

6.2 Please add any comments to your reply to question 6.1, as appropriate:

2000 character(s) maximum

We support the idea. The GBF is not fully aligned with GBP however and might cause some confusion.

7.1 The TEG proposes ([Section 4.3 of Annex 1: draft model of the EU Green Bond Standard to the report](#)) that the EU green bond issuer reports at least annually, until full allocation of the bond proceeds to green projects and thereafter, in case of any material change in allocation.

Please express your agreement with the proposed recommendations by using the scale from 1 to 5 (1 indicating no agreement):

	1 (strongly disagree)	2	3	4	5 (strongly agree)	Don’t know / no opinion / not relevant
a) Statement of compliance with the EU Green Bond Standard				x		
b) Amount allocated to each green projects or green project categories; with the classification of such projects according to the EU				x		

Taxonomy and/or to EU environmental objectives						
c) Nature of green projects (assets, capital expenditures, operating expenditures, etc.)				x		
d) Share between green project financing and refinancing				x		
e) Share of green projects financed by the issuer (if applicable)				x		
f) Actual or estimated impact of the green projects based on metrics outlined in the GBF				x		
g) Regional distribution of green projects				x		
h) Green bond ratio				X		

7.2 Please add any comments to your replies to question 7.1, as appropriate:

2000 character(s) maximum

a) **Statement of compliance with the EU GBS**
It should be clarified what the (minimum) requirements of such a statement is. This would add to the costs of the review process while the TEG is looking at how to reduce the cost burden. Therefore, the more clarity that the EU GBS can provide on their expectations of the post-issuance reviews the better.

The EU GBS refers specifically to green bonds. The market for green loans is growing and also became more standardized with the publication of the Green Loan Principles in 2018. Given the (almost) identical requirements in the Green Bond Principles and in the Green Loan Principles, one could assess the possibility of having an “EU Green Loan Standard” or an “EU Green Financing Standard”. As an example, issuers have lately been publishing “Green Financing Frameworks which cover both bonds and loans. The alignment of those Frameworks with GBS should be clarified. The multiplicity of green bond products is not going to help clarity for investors in Europe and outside Europe.

b) **Amount allocated to each green projects or green project categories; with the classification of such projects according to the EU Taxonomy and/or to EU environmental objectives.**

As we have commented on the TEG consultation on the taxonomy, the classification of the taxonomy must be aligned with existing taxonomies. Indicating which investments fits in which activity might be difficult.

This requirement could possibly be elaborated on, as it is not easy to understand what is being requested. It could for instance be assumed to be a natural part of the ICMA GBP's "Process for Project Evaluation and Selection.

Allocation reporting template : 3.1. Allocation to green projects sector:
Should be on a portfolio-basis and not per ISIN(s)

3.2. Additional information : "Issuers shall provide relevant information in an appropriate manner, e.g. a pie chart with % numbers or in absolute terms". It is not clear what is meant by relevant information?

d) Share between green project financing and refinancing

It is not easy to come up with such ratio at the start as only the green portfolio at issuance is known , and the amount of debt after issuance. It is not easy to determine what can be added to portfolio between issuance and reporting. we suggest that only current portfolio Is being reported.

f) Environmental impact reporting
For not yet identified green projects, how to explain in the GBF (ex-post issuance) the used methodologies/assumptions? This seems to favour more refinanced eligible assets than new financed assets ? It is a common market practice that impact reporting is required within a year after issuance so a commitment would be more in place as opposed to an overview of used methodologies. Obviously in the impact reporting this should be included (in an appendix).

g) **Regional distribution of green projects**

Interesting information to be reported although burdensome, especially if we talk about sustainable sourcing of raw materials and other opex. Would this not create too much complexity?

h) Green bond ratio

The green bond ratio is an interesting concept but may not show the true story of a company's green debt ratio if only taking bonds into account. It is described as "Total amount of green bonds outstanding divided by the total amount of debt outstanding". "Total amount of debt" may however include other green debt such as green loans from commercial banks as well as the European Investment Bank etc. It may be more valuable to show 1) **a pure "green bond ratio" (total amount of green bonds, divided by total amount of outstanding bonds, not total debt),** and, if necessary 2) a "green debt ratio" (total amount of green financing (bonds, loans and deposits), divided by total amount of outstanding debt), verified by an external reviewer.

8.1 The TEG proposes (Section 4.4 of Annex 1: draft model of the EU green bond standard to the report) that the issuer appoints External Reviewers to verify both:

i. **before or at issuance, the issuer's GBF, AND;**
ii. **after allocation of proceeds,**

the EU green bond allocations and the actual or estimated impact reporting provided by the issuer.

Do you agree with this approach to verification as proposed by the TEG?

- xYes
- No
- Don't know / no opinion / not relevant

8.2 Please add any comments to your reply to question 8, as appropriate:

2000 character(s) maximum

We are in favor of verification and could take advantage of financial and non financial auditors to verify the quality of the assets in issued green bonds.

The review before/at issuance and the review after allocation should however not be perceived as assessments requiring the same level of effort. The ex-ante assessment relates to whether or not the commitment of the company is in line with the Green Bond Standard, while ex-post verification provides actual assurance that the green bonds proceeds have been allocated as intended at issuance. It is important to properly distinguish the difference between the two and consider the cost of the verification.

Some covered bonds are issued via tap issuance – this type of issuance does not seem to be taken into consideration in the framework of the GBS. It would be too burdensome to have external review at each issuance and allocation of proceeds in a tap issuance setup. External verifiers should rather e.g. annually verify that the proceeds from the green bonds are in fact financing green assets.

9. The TEG puts forward (Section 5 of the report) for consideration by the European Commission, a series of proposals for incentives to support the EU green bond market.

Do you have any comment on the incentives stated in the Section 5.1?

2000 character(s) maximum

10.1 Some of these proposals stated in 5.2 pose challenges to their implementation – requiring the engagement of several authorities, the acquisition of new competencies and involving prolonged timelines. These proposals will require further analysis by the TEG as well as outreach and feedback from a broad range of stakeholders.

Please express your view on the potential effectiveness of such proposals using the scale from 1 to 5, with 1 indicating no effectiveness:

	1 (not effective at all)	2	3	4	5 (very effective)	Don't know / no opinion / not relevant
a) Tax incentives at issuer or investor level (including accelerated depreciation for assets financed by green bonds and loans)					x	
b) Favoring EU green bonds in relevant financial sector regulation and prudential rules				x		

10.2 Have you considered any other proposals for incentives in addition to the ones outlined by the TEG in Section 5 of the report?

Please comment as appropriate:

The risk sensitiveness of the prudential framework is important. Preferential prudential treatment should be considered where reduced ESG related financial risk is assumed. If green bonds benefit from a favorable treatment, this should also apply to other ways of financing sustainable activities through the capital markets, ensuring competitive innovation and a level playing field.

11.1 The objective of the EU GBS is to support the scaling up of the green bond market in the EU, while at the same time safeguarding the integrity of this market.

Through which of the means is the EU GBS likely / unlikely achieve to this objective?

Please express your view using the scale from 1 to 5, with 1 indicating unlikely.

	1 (very unlikely)	2	3	4	5 (very likely)	Don't know / no opinion / not relevant
a) Alignment of eligible green projects with the EU Taxonomy – expected to reduce uncertainty over greenness and provide clear guidance				x		
b) Clarification with regards to some key elements involved in green bond issuance: tracking of proceeds, nature of eligible assets / expenditures – expected to reduce uncertainty and provide clear guidance				x		
c) Requirement for the publication of issuer's GBF and for allocation- and impact reporting – expected to increase transparency and promote standardisation in provision of information					x	
d) Mandatory external review (and accreditation of reviewers – expected to support reliability of information, market					x	

integrity, and promote standardisation in provision of information						

Please add any comments to your replies to question 11, as appropriate:
2000 character(s) maximum

With regards to a) it will very much depend on the strictness of the definition and its applicability and whether enough issuers will be able to find eligible assets. In case it is too strict or difficult to apply, or incapable of automatization, it might slow down the market growth and the green bond standard will become more like a premium label rather than a standard.

On the other proposals, the more transparency provided, the better in terms of investor perception. However, the requirements should not be too strict to avoid entry hurdles that might be too high.

12. Are there any other relevant issues that you would like to bring to the attention of the TEG:

Please comment as appropriate:

2000 character(s) maximum

3. 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:

- Allowing for the possibility to requalify old green bonds into EU green bonds, could – other than for tap issues – possibly cause confusion and unintended uncertainty, since if a certain bond is not requalified, the investors will not know if it is because it did not align with the EU GBS or if the issuer simply did not have the time or resources to acquire a new review. In worst case, this could have an unintended price effect which may hurt both issuers and investors. The requalifying issue should be closer examined with this in mind.

- All EU governments, most European banks and many EU corporates have already established commitments to the UN Guiding Principles in their corporate and/or sustainability policies. We would therefore recommend inclusion of adherence and/or commitment to the UN Guiding Principles on Business and Human Rights.