# 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.

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**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

| | | |
|---|---|---|
| Academic/research institution | EU citizen | Public authority |
| Business association | Environmental organisation | Trade union |
| Company/business organisation | Non-EU citizen | Other |

- Consumer organisation
- Non-governmental organisation (NGO)

* First name

Daniel

* Surname

Bouzas

* Email (this won't be published)

d.bouzas@ebf.eu

* Organisation name

*255 character(s) maximum*

European Banking Federation

* Organisation size

- Micro (1 to 9 employees)
- (selected) 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.

4722660838-23

* Country of origin

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

- Afghanistan
- Åland Islands
- Djibouti
- Dominica
- Libya
- Liechtenstein
- Saint Martin
- Saint Pierre and Miquelon

- Albania
- Algeria
- American Samoa
- Andorra
- Angola
- Anguilla
- Antarctica
- Antigua and Barbuda
- Argentina
- Armenia
- Aruba
- Australia
- Austria
- Azerbaijan
- Bahamas
- Bahrain
- Bangladesh
- Barbados
- Belarus
- Belgium
- Belize
- Benin
- Bermuda
- Dominican Republic
- Ecuador
- Egypt
- El Salvador
- Equatorial Guinea
- Eritrea
- Estonia
- Eswatini
- Ethiopia
- Falkland Islands
- Faroe Islands
- Fiji
- Finland
- France
- French Guiana
- French Polynesia
- French Southern and Antarctic Lands
- Gabon
- Georgia
- Germany
- Ghana
- Gibraltar
- Greece
- Lithuania
- Luxembourg
- Macau
- Madagascar
- Malawi
- Malaysia
- Maldives
- Mali
- Malta
- Marshall Islands
- Martinique
- Mauritania
- Mauritius
- Mayotte
- Mexico
- Micronesia
- Moldova
- Monaco
- Mongolia
- Montenegro
- Montserrat
- Morocco
- Mozambique
- Saint Vincent and the Grenadines
- Samoa
- San Marino
- São Tomé and Príncipe
- Saudi Arabia
- Senegal
- Serbia
- Seychelles
- Sierra Leone
- Singapore
- Sint Maarten
- Slovakia
- Slovenia
- Solomon Islands
- Somalia
- South Africa
- South Georgia and the South Sandwich Islands
- South Korea
- South Sudan
- Spain
- Sri Lanka
- Sudan
- Suriname

- Bhutan
- Bolivia
- Bonaire Saint Eustatius and Saba
- 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
- Tonga
- Trinidad and Tobago
- Tunisia
- Turkey
- Turkmenistan
- Turks and Caicos Islands
- Tuvalu
- Uganda
- Ukraine

- China
- Christmas Island
- Clipperton
- Cocos (Keeling) Islands
- Colombia
- Comoros
- Congo
- Cook Islands
- Costa Rica
- Côte d’Ivoire
- Croatia
- Cuba
- Curaçao
- Cyprus
- Czechia
- Democratic Republic of the Congo
- Denmark
- Israel
- Italy
- Jamaica
- Japan
- Jersey
- Jordan
- Kazakhstan
- Kenya
- Kiribati
- Kosovo
- Kuwait
- Kyrgyzstan
- Laos
- Latvia
- Lebanon
- Lesotho
- Liberia
- Papua New Guinea
- Paraguay
- Peru
- Philippines
- Pitcairn Islands
- Poland
- Portugal
- Puerto Rico
- Qatar
- Réunion
- Romania
- Russia
- Rwanda
- Saint Barthélemy
- Saint Helena Ascension and Tristan da Cunha
- Saint Kitts and Nevis
- Saint Lucia
- United Arab Emirates
- United Kingdom
- United States
- United States Minor Outlying Islands
- Uruguay
- US Virgin Islands
- Uzbekistan
- Vanuatu
- Vatican City
- Venezuela
- Vietnam
- Wallis and Futuna
- Western Sahara
- Yemen
- Zambia
- Zimbabwe

* Field of activity or sector (if applicable):

*at least 1 choice(s)*

- [ ] Accounting
- [ ] Auditing
- [x] 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

* 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.

- [x] I agree with the personal data protection provisions

## Your role in the green bond market

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* **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 | ○ | ○ | ○ | ● | ○ | ○ |
| Lack of available green projects and assets | ○ | ○ | ○ | ● | ○ | ○ |
| Uncertainty regarding green definitions | ○ | ○ | ○ | ● | ○ | ○ |
| Complexity of external review procedures | ○ | ● | ○ | ○ | ○ | ○ |
| Cost of the external review procedure(s) | ○ | ● | ○ | ○ | ○ | ○ |
| Costly and burdensome reporting processes | ○ | ○ | ○ | ● | ○ | ○ |
| Uncertainty with regards to the eligibility of certain types of assets (physical and financial) and expenditure (capital and operating expenditure) | ○ | ○ | ● | ○ | ○ | ○ |
| Lack of clarity concerning the practice for the tracking of proceeds | ○ | ○ | ● | ○ | ○ | ○ |
| Lack of transparency and comparability in the market for green bonds | ○ | ○ | ● | ○ | ○ | ○ |
| Doubts about the green quality of green bonds and risk of green washing | ○ | ○ | ● | ○ | ○ | ○ |

| | | | | | | |
|---|---|---|---|---|---|---|
| Other | ○ | ○ | ● | ○ | ○ | ○ |

## Please specify what you referred to as 'other' in question 1:

*5000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

There needs to be a common definition of which assets qualifies for issuing green bonds. This would create less uncertainty for investors and support the green transition.

Additional challenges:

- Complexity and comparability of investors’ ESG processes including analysing the external reviews (of different green bonds issuances and issuers).
- Find the appropriate balance & complementarity with already existing standards

**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 | | | X | | | |
| Lack of available green projects and assets | | | X | | | |
| Uncertainty regarding green definitions | | | | | X | |
| Complexity of external review procedures | | X | | | | |
| Cost of the external review procedure(s) | | X | | | | |
| Costly and burdensome reporting processes | | X | | | | |
| Uncertainty with regards to the eligibility of certain types of assets (physical and financial) and expenditure (capital and operating expenditure) | | | | | X | |
| Lack of clarity concerning the practice for the tracking of proceeds | | | | X | | |
| Lack of transparency and comparability in the market for green bonds | | | | X | | |
| Doubts about the green quality of green bonds and risk of green washing | | | | | X | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Other | ○ | ○ | ● | ○ | ○ | ○ |

## Please specify what you referred to as 'other' in question 2:

*5000 character(s) maximum*

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

Additional comments:

Regarding point a:
Economic benefits will depend on what financial incentives, if any, are implemented to increase the issuance /investments in green bonds as part of the EU sustainable finance strategy.

Regarding point d:
The EU GBS could also address the problems regarding complexity and comparability of investors' ESG processes including the analysis/use of external reviews of green bond issuances and/or issuers.

Regarding point f:
It depends on the extent to which, the issuer has already implemented market principles for green bonds (e.g. ICMA Green Bond Principles).

Regarding point i:
We believe the Green Bond Standard may be the main market practice over time. However, the current criteria for particularly renovations of buildings but also the DNSH assessments do leave room for other formats of green bonds.

**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 | ○ | ○ | ○ | ○ | ◉ | ○ |
| Requirement to publish a Green Bond Framework before issuance | ○ | ○ | ○ | ○ | ◉ | ○ |
| Requirement to publish an annual allocation report | ○ | ○ | ○ | ○ | ◉ | ○ |
| Requirement to publish an environmental impact report at least once before final allocation | ○ | ○ | ○ | ○ | ◉ | ○ |
| Requirement to have the (final) allocation report and the Green Bond framework verified | ○ | ○ | ○ | ○ | ◉ | ○ |

### 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.

Alignment with the EU Taxonomy makes sense for the GBS, as the Taxonomy will be the key set of definitions for Sustainable Economic Activities at EU level. Other criteria related to transparency and reporting are already in line with current best market practices.

The Green Bond Standard should be defined within the issuance Offering Memorandum or Prospectus. The annual reporting should be part of the non-financial reporting by the issuer (norm GIF or other) and the verification should be done by a third party.
In addition, the possibility for a final report allowing updates (a so-called “dynamic financial report”) as the allocation of the proceeds could change up to the maturity of the green bond would be a highly welcome possibility, on order to ensure data appropriateness.

**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:

- (x) 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:

- (x) 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:

- (x) 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

**Question 5.1 Please specify the reasons for your answer to question 5:**

*5000 character(s) maximum*

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

Providing nuance also to our answers to Question 4:
With regards to the frequency of the Green Bond allocation report, we understand it shall not be annual - the report could be part of the non-financial reporting by the issuer.
In addition, it is worth mentioning that, regarding the alignment with EU Taxonomy, it will be difficult from an issuer perspective to meet the requirement related to the process by which the issuer determines how Green Projects are in line with the EU Taxonomy, and, if applicable, qualitative or quantitative Technical Screening Criteria”.
From a banking perspective, we need to take into account that most banks do portfolio based allocation, e.g. multiple green bonds are financing a large portfolio of green loans. Given the standard is based on bond-by-bond and project-by-project allocation this will be problematic to maintain when maturing loans need to be replaced.

On Q5 more specifically regarding barriers:
Whether it will create disproportionate market barriers  for third party opinion verifiers  will  depends to some extent on  the structure of the local  economy, type of composing corporate  and size of the issuers in the market .We do believe some consequences  such as increased cost or experience required may create barriers, these are however not considered disproportionate.
Given that the SPO/TPO providers have helped to shape the market and possess considerable ESG expertise, they provided an added value to the credibility of the Green Bonds that should be recognised by the standard. Not having a similar level of participation would be less than optimal.

## 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?

- (x) 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.

While a 100% alignment is desired, a somewhat flexible approach (phasing flexibility) would be preferable in order to allow the standard to get traction before the TSCs under the Delegated Acts start being applicable. In order to allow an appropriate level of financing of sustainable activities, there should be interim flexibility for categories that are not yet defined in the Taxonomy . The inclusion of activities that are not yet covered by the Taxonomy but clearly contribute to one or more of the six environmental objectives of the EU as evidenced by an independent verifier should be allowed.
In addition, more debate on the use of the Taxonomy should be undertaken in the Platform on Sustainable Finance to be established by the European Commission on key financing solutions that are impacted by taxonomy applicability – namely, general purpose loans (split of activities and application at entity level), application to covered bonds (label proportion of assets aligned with the taxonomy), application to dynamic portfolios… We understand that the Taxonomy argues that a verifier could assess the use of proceeds and their specific positive impact on the environmental objectives of the EU. And as such, also activities that are not yet covered can be included. Such an assessment of an independent verifier should be the requirement for the "flexibility" needed .
Over time, there should be no flexibility other than for categories that are not yet defined in the Taxonomy and for R&D and innovation expenditures. A small margin should be left to the discretion of the issuer (and for the verifier to approve) for R&D and innovation expenses – and some "not yet looked at " technologies /activities . Activities/projects that are clearly considered as not green by the Taxonomy or do not meet the thresholds of the technical screening criteria of the Taxonomy should be excluded.

### 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?**

- (x) 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.

Please see our response to question 6 - taking into account issues reflected in our answer to questions 4/5 on portfolio allocation.

**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?**

- (x) Yes
- ( ) No
- ( ) Don’t know / no opinion / not relevant

**Question 7.3 If you do see any other reasons, please clearly specify the reason for your answer and, where applicable, the respective area or (taxonomy-defined) activity:**

*5000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Please see our response to question 6 - taking into account issues reflected in our answer to questions 4/5 on portfolio allocation.

**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?**

- (x) 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.

Both minimum safeguards, DNSH-criteria but also the technical criteria for each asset class require a very high level of expertise and control systems at the issuers. technical criteria should be defined to facilitate the verification that the DNSH condition is met. Banks are not able to check DNSH at project/loan level easily, as green loan portfolios are too large and too granular. Compliance with DNSH should be at the level of the issuing banks, do they have overall ESG risk policies in place.
Customers will need to document their practices on a much more sophisticated level and issuers will potentially have to make ex ante controls of the different projects. This will cause a need for very significant investments in manpower and IT and still the issuers will take on a new conduct risk – given that they will need to have the ability to disclose enough information to the verifiers (especially for assets outside the EU).

Alignment with other EU and local regulation:
Some DNSH criteria are very specific and likely not included or aligned in EU / local country legislation (e.g.

the recycling rate of a construction site of a new building). Assessing compliance with such DNSH criteria could be an administrative burden. We advocate that the current DNSH criteria will be benchmarked/mapped by the EU with existing (local) legislation to be able to make a better estimation of the practical impact of assessing compliance with the DNSH criteria. In our view the DNSH criteria should also be aligned with EU legislation as much as possible for efficiency reasons.

We see a strong need to develop a guidance by the GBS to clarify and assess DNSH criteria, combined with the creation of tools to facilitate data collection and assessment.

**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?**

- (x) 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 If you do think the EU GBS should provide further guidance on these types of activities, please identity the relevant issues or incentives:**

*5000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The EU GBS should provide guidance on these types of activities to prevent greenwashing, as R&D is fundamental for certain investments, however given the nature of R&D, some flexibility should be left to the discretion of the issuer.

## 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
- (x) No
- ( ) Don’t know / no opinion / not relevant

**Question 10.1 Please specify the reasons for your answer to question 10:**

*5000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

At this early stage of application, we do not see need for changes to the TEG's proposed standard, especially considering an increase in green investments depends in a wider array of factors than rather just green bond issuance. We would foresee changes only after a certain period of use if justified. The EU Taxonomy should be a 'living document' that will be updated regularly to maintain relevance and reflect new and emerging green activities to support these through green investment. It should be also monitored by the Platform whether the definitions and criteria lead to exclusion of large amounts of assets from sustainable financing due to non-available data.

**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?**

- (selected) 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 think that maintaining the "green bonds status" (grandfathering) gives more financial certainty and stability to the issuers (e.g corporates) that have started medium/long term investments in the real economy and to the investors that have invested in green bonds issued under certain Taxonomy criteria. In addition, it seems necessary that eligible assets at issuance remain eligible until maturity of the bond to facilitate the management of proceeds by the issuer and be able to use new green assets for new issuances.
Green bonds based on (/secured by) activities not yet defined should also be subject to grandfathering, in the same way as other green bonds, to ensure that the issuance of green bonds based on these activities is not hampered.

While we consider the periodic review of the Taxonomy a positive element, the potential of a Green Bond no longer being considered green in the future would cause many issuers to refrain from issuing Green Bonds in the first place. It would most likely also cause investors to be much more reluctant to invest as they would then face the risk of having to exit the investment prematurely.

## 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' No c app |
|---|---|---|---|---|---|---|
| Verification | ○ | ○ | ● | ○ | ○ | |
| Reporting | ○ | ○ | ● | ○ | ○ | |
| More internal planning and preparation | ○ | ○ | ○ | ● | ○ | |
| Other | ○ | ○ | ● | ○ | ○ | |

### Please specify what are the other elements of issuing green bonds you are referring to:

*5000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

For a corporate issuer the highest extra costs are linked to the verification and reporting requirements, especially for the smaller issuers. For a bank issuer, internal planning and preparation will create r extra costs, as will  verification and reporting requirements.
From an issuer perspective, internal costs are expected, to identify eligible assets, perform the pre-assessment project by project (for Corporate Banking) or at portfolio level (for Retail Activity), collect required information for reporting, set up a dedicated governance (framework, committee…), flag assets in databases…. Several teams/departments across the Bank will have to be involved.
The combination of higher costs with a higher complexity (mapping of the assets with the EU Taxonomy) could discourage investors. We anticipate that the emission spreads would not cover the increasing costs. Potential incentives should  therefore partially cover the costs increase.

With regards to other elements leading to extra costs we would like to highlight: More communication efforts needed.

### 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.

We do anticipate increased costs for issuing green bonds under the EU GBS even if issuers are already using other equivalent international standards. Extra cost are expected for compliance with the EU taxonomy.
In addition, it is likely that the external verification will be more costly than the current Second Party Opinions, as more work will be required to assess compliance with the Taxonomy Thresholds and the DNSH criteria. Also, the verifiers might charge additional costs given that they need to be accredited verifiers. It’s essential that this accreditation regime does not significantly increase costs for these companies.

### 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
- (x) 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.

The EU Green Bond Standard is expected to generate more costs compared to existing market standards (GBP) due to the extra elements required to ensure EU Taxonomy alignment. Higher costs for issuers, should be balanced with incentives to compensate this increase.
As highlighted above, it is likely that the taxonomy compliance and external verification will be the main driver of cost, being more costly than the current Second Party Opinions, as more work and information will be required to assess compliance with the Taxonomy Thresholds and the DNSH criteria by verifiers.
This rise in costs may be reduced over time once issuers are familiar with using the standard.

**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 | | | | X | | |
| Alleviations from prudential requirements | | | | | X | |
| Other financial incentives or alternative incentives for investors | | | | | X | |
| Other incentives or alternative incentives for issuers? | | | | X | | |

**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.

Incentives will reduce the cost of loans to finance green assets or project or to refinance these loans and attract further investments. This could, in turn, lead to increased green asset generation, which will spur issuance:

We consider necessary for corporate issuers, especially SME, to introduce public guarantee schemes at EU level (e.g. EIB or Invest EU) in order to enhance the credit risk profile for the investors.; For banks , prudential requirement incentives for certain exposures identified by EBA can be considered if they are characterized by a reduced prospective risk due to their environmental sustainability. Such incentives will reduce the cost of loans to finance green assets or project or to refinance these loans and attract further investments. This could, in turn, lead to increased green asset generation, which will spur issuance.

We also consider necessary to introduce tax incentives aimed to attract medium/long term investors as investment funds and to reduce the haircut for the ECB eligibility of green bonds, or increased contribution to MREL. For non-frequent issuers (e.g SME, banks) we consider necessary to introduce also grants to cover some costs of the issuance.

In addition, a possible subsidy to offset the additional cost of external verification/second opinion or targeted fiscal incentives is likely to increase the attractiveness of green bonds as it offset the issuance costs with conventional bonds. If there is lower risk of Green Covered Bonds, a preferential prudential treatment compared to other funding instruments not collateralised by sustainable assets could be reasonably expected. We support the recommendations of the TEG suggesting that the EBA, as part of its mandate, also assesses the possibility to develop a segment of green bonds that would define the conditions to be met by the EU-Green Bond Standard in order to possibly benefit from a preferential prudential treatment.
Green Bonds, Green Loans or Green securitisation should be included under the eligible assets as acceptable collateral if certain attributes are met.

## 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.

There should be no differentiation among different type of issuers or sectors. The use of EU GBS for government bonds should be fostered taking into account t the special nature of public expenditures with regards the taxonomy and the eligibility of public expenditures for green bonds issued by public sectors (we have observed that in the use of proceeds of some sovereign issuers several activities not covered by the Taxonomy have been included).

E.g. in Germany - Grüne Bundesanleihe: The inaugural Green Federal security is to be issued in September 2020 in the 10-yr part of the curve, potentially followed by a 5-yr bond in Q4 2020. The Framework of the Grüne Bund is also in line with the key elements of the draft EU Green Bond Standard.

**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?**

- (x) 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:**

*5000 character(s) maximum*
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Costs of green bonds tend to be higher than standard bonds, yet at this stage it is hard to forecast the impact of GBS on funding availability and cost of financing. However, increased demand for green bonds could hopefully increase the overall amount of funding available for green projects adding new channels to raise funds on the capital markets.
Green bonds in current markets are priced only marginally lower for issuers compared to regular bonds and the EU taxonomy and GBS would not significantly change this unless investors would decouple the green element from the credit element and accept a significant different pricing which would only happen in case of an incentive for these investors.

## 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. | ○ | ○ | ○ | ○ | ● | ○ |
| 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. | ○ | ○ | ○ | ● | ○ | ○ |
| 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. | ○ | ○ | ● | ○ | ○ | ○ |
| Social bonds in general are mostly a marketing tool with limited impact on social objectives. | ○ | ● | ○ | ○ | ○ | ○ |
| Social bonds in general require greater transparency and market integrity if the market is to grow. | ○ | ○ | ○ | ● | ○ | ○ |

**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.

Banks’ financing of the projects with specific social characteristics during the crisis has increased as did the issuance of social bonds. It is expected that banks will, in the future, be increasing financing of social beneficial projects, be it educational projects required to prepare the workforce for the more sustainable sectors, such as renewables, the which are expected to create new job opportunities or to finance the digital transition. Given the early stage of markets developments, developing a Social Bond standard could be premature (representing a barrier for many issuers -especially SMEs to enter this market-), however, addressing social concerns and ensuring fair and a just recovery and transition will require accelerating the development of  social criteria in addition to the Sustainable Finance taxonomy, even if simplified, to begin with. Consistency of definitions are important not only for transparency reasons and for avoiding “social washing” but also for inclusion of social bonds into recovery programmes and attracting funding.

**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.

It depends on the financial incentives implemented. - Please see the answers to question 14.1.

## 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)

Consultation document (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)

More on EU Green Bonds Standard (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)

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

### Contact

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