



Technical Expert Group on
Sustainable Finance

Green Bond Standard

Task of the TEG for green bonds and the next steps

- A proposal for a voluntary Green Bond Standard based on the current best practices. In addition, the report addresses the related incentives and a proposal to create an accreditation regime for verifiers.
- The report will be carefully considered as a basis for next steps taken by the next Commission including the work on EU Ecolabels for financial products.
- The subgroup and TEG will continue to support the EC with:
 - advice on the link between the EU-GBS and the Taxonomy
 - provide input and on the possible role on the future sustainability platform
 - work on designing the interim voluntary registration system for external verifiers,
 - develop user guidance.

Ambition of the EU Green Bond Standard

- Increase the financial flows to green investments and assets
- Enhance transparency, comparability, accountability and credibility of EU Green Bonds with an EU-GBS presenting best practice
- Address barriers to green bond market development
 - Lack of supply of eligible green projects and assets
 - Issuer concerns with reputational risks and green definitions
 - Absence of clear benefits for issuers
 - Labor intensive reporting procedures
 - Complex external review procedures
 - Uncertainty of types of assets and expenses that can be financed

How will EU-GBS add clarity and credibility?

It will:

1. Reduce uncertainty by aligning with the EU taxonomy: proceeds of the EU Green Bonds should go to finance or refinance projects and investments that **contribute substantially** to one of the EU environmental objectives, while **not significantly harming** the other five objectives
2. Clarify and expand the **definitions of eligible green projects, costs and expenditures**
3. Ensure transparency and accountability by requiring **mandatory** publication of the **green bond framework, allocation and impact reporting**
4. Improve comparability by providing **templates** for the green bond framework and reporting
5. Create credibility by **mandatory verification by accredited verifiers**

Examples of EU GBS – EU Taxonomy eligible use of proceeds (1/2)

1. Climate change mitigation: sectors that are already low carbon

- **Renewable energy production in Europe:** solar, wind, hydro
- **Low carbon transportation:** electric cars

2. “Greening of” sectors by tightening the criteria that ensure substantial contribution to climate change mitigation without significant harming the other objectives, with gradual decline in the thresholds to net zero emissions by 2050

- **Construction and real estate:** Energy performance level of B or better, or 30 % improvement in energy efficiency of old buildings, (subject to revisions)
- **Steel company** upgrading its production facility, provided the upgrade leads to steel production **in line with the thresholds** for **climate change mitigation** as proposed in the EU Taxonomy.

Examples of EU GBS – EU Taxonomy eligible use of proceeds (2/2)

3. Activities that enable Climate Change mitigation

Development and/or use of ICT solutions that facilitate data collection and its modelling for decision making enabling GHG emission reductions.

4. Climate change mitigation, no thresholds (yet)

Aviation company financing **R&D** into **electric planes**, provided both issuer and verifier believe the electric planes would substantially contribute to climate change mitigation, do no significant harm to the other environmental objectives, and comply with minimum social safeguards.

5. Circular economy, no thresholds (yet)

Consumer company wishing to upgrade its production to make their products more **recyclable**, could issue a **EU GBS**, provided both issuer and verifier believe the investments substantially contribute to circular economy according to the fundamentals presented in the taxonomy regulation, do no significant harm to the other environmental objectives, and comply with minimum social safeguards.

