



EU TECHNICAL EXPERT GROUP ON
SUSTAINABLE FINANCE

EU GREEN BOND STANDARD

MARCH 2020





Why an EU Green Bond Standard?

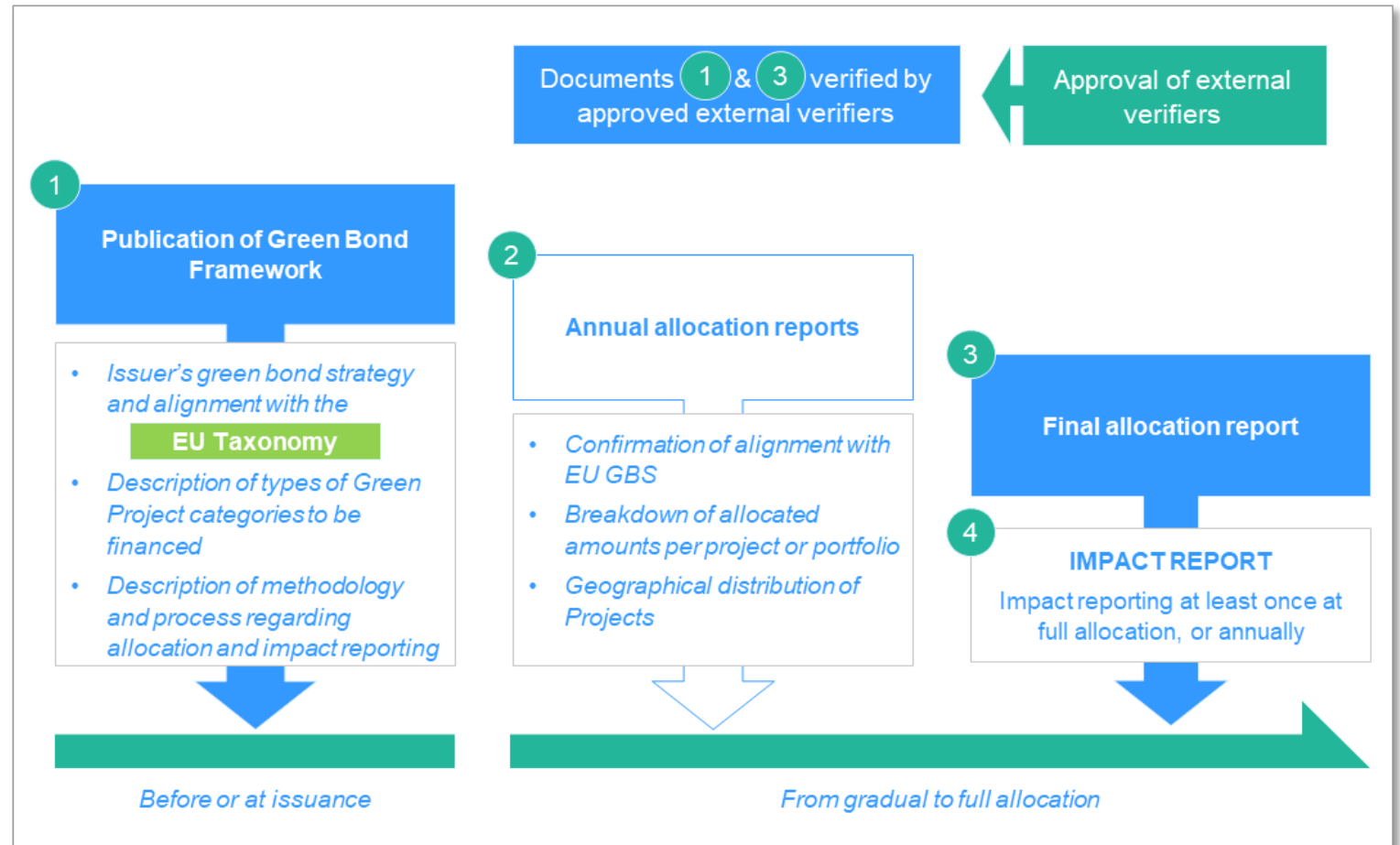
- Increase financial flows to green investments and assets
- Enhance transparency, comparability, accountability and credibility with best practice guidance for green bonds
- First Green Bond standard linked to EU Taxonomy showing the way to net zero economy by 2050
- A clear and secure way to ensure and communicate that the financed investments contribute to the important environmental goals of EU

EU Green Bond Standard –main features

Proposed core components



How would the EU GBS work?



What are eligible green projects

Use-of-proceeds

i) are aligned with the EU Taxonomy requirements

- Contribute substantially to at least one of the six environmental objectives
- Do not significantly harm (DNSH) any of these objectives
- Comply with minimum safeguards
- Comply with Technical Screening Criteria

AND

ii) finance eligible assets

- Physical assets,
- Financial assets,
- Green expenditures and selected operating expenditures by companies or,
- Similar assets, or subsidies by sovereign or sub-sovereign issuers

EU Green Bond Framework

Document proposed by the subgroup, covering issuer alignment with the EU Taxonomy, project selection and future reporting, including impact of the Green Bond or Green Bond program

- 1** *Alignment with the EU GBS*
- 2** *The environmental objectives and how the issuer's strategy aligns with such objectives*
- 3** *The process by which the issuer determines how Green Projects align with the EU Taxonomy*
- 4** *A description of the Green Projects or the type and sectors of the potential Green Projects*
- 5** *The process for linking the issuer's lending or investment operations for Green Projects to the Green Bond*
- 6** *Information on the methodology and the assumptions to be used for the calculation of key impact metrics (i) related to the EU Taxonomy; and (ii) any other additional impact metrics that the issuer will define, and*
- 7** *A description of the Reporting (e.g. envisaged frequency, content, metrics).*

Usability guide highlights

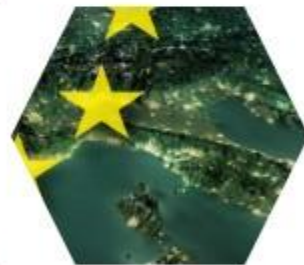
Examples on eligible use of proceeds and type of green projects

How to apply the taxonomy at project level:
How to navigate from taxonomy activities to projects
A procedural approach to the DNSH and minimum safeguards

Templates for Green Bond Framework and Reporting

High level requirements for verifiers

Clarification of the disclosure requirements under
the EU GBS and the new EU legislation



Examples of EU GBS usage (1/2)

Examples of low carbon and transition activities in the Construction and Real estate sector

- Acquisition and ownership of existing buildings, top 15% of national stock in terms of energy efficiency,
- Construction of new buildings, NZEB -20% net primary energy demand (2021 onwards).
- Individual measures to improve the energy efficiency,
- Major renovations or 30 % improvement in primary energy demand of old buildings.
- Buildings for the purpose of extraction, storage, transportation or manufacture of fossil fuels are excluded.

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 safeguards.

Examples of EU GBS usage (2/2)

Adaptation to climate change

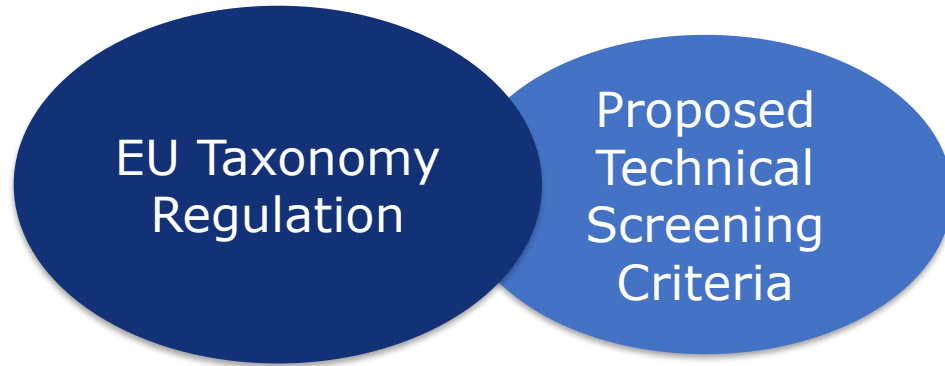
A municipality reviews its climate change vulnerabilities and creates an investment plan for several years that includes subsidies for property owners and investments to public infrastructure to build resilience to flooding and to improve drainage systems.

Financing investments that allow the issuer to meet the EU Taxonomy criteria in the future point of time

Investments that will align the activity with the EU Taxonomy criteria according to a predefined investment plan and timeline as specified in the relevant activity criteria are eligible use-of-proceeds for Green Projects.

What needs to be in place?

What do we have now?



- Voluntary issuers and investors of EU Green Bonds and market participants using the EU GBS in their investment products

What more is needed ?

Communication by the EC to establish the EU GBS

Supervision regime of the verifiers

or

Interim market-based registration solution for the verifiers

Next steps for the EU GBS

- The European Commission will explore the possibility of a legislative initiative for an EU Green Bond Standard in the context of the public consultation on the renewed sustainable finance strategy, taking place from March to May 2020.

- The GBS questions are largely based on the EU GBS model proposed by the TEG and explained in more detail in the Usability Guide (March 2020).

- The EC will continue to work closely with the TEG until the end of its mandate. A market based interim solution for registration of verifiers may be created with the support of TEG members.

- After the evaluation of the feedback and an internal impact assessment the EC will publish what form the EU GBS should have, in Q3 2020.

