



Establishment of an EU Green Bond Standard

MEDEF Position paper

Given the necessity to establish a common language to accelerate the sustainable finance dynamic and to avoid the multiplication of unharmonized rules to which both issuers and investors would have to adapt themselves to, MEDEF agrees with the idea of aligning the eligible projects to the EU Green Bond Standard (EU GBS) with the EU Taxonomy. This alignment would also ensure the high-quality of the standard, crucial to avoid greenwashing.

MEDEF wants nevertheless to remind that the technical standards of the Taxonomy must not be excessively complex to ensure a level playing field for both big and smaller issuers. At this stage, the complexity of the TEG report for the first two criteria, the time needed to develop the other environmental criteria, the addition of the DNSH and the fact that many activities are not classified does not enable an easy streamlining between green bonds' legislation and the Taxonomy.

The necessity of a common language on green bonds in the EU also implies that the EU-GBS takes into consideration the preexistence of standards relying on criteria established by the FSB or private actors, such as the ICMA Green Bond Principles, largely used by issuers and investors in Europe, or the CBI (Climate Bond Certification). The risk of misalignment should be taken in consideration while establishing the EU-GBS as it could harm the development of the EU-GBS and make the market less easy to understand.

When it comes to the content of this standard, MEDEF would like to remind the importance of establishing criteria that are "issuer-oriented", that is to say that the standard should not only take into consideration the markets' expectations, but also the operational challenges companies face. MEDEF therefore encourages a dialogue between the Commission and the different stakeholders to build joint criteria.

MEDEF also encourages an inclusive approach the activities approved by the EU-GBS to allow some projects beneficial to a sustainable economy to find financing and to broaden the scope of eligible projects for investors, while still being a reliable and demanding standard. As for the establishment of the technical criteria of the taxonomy, MEDEF finds important to avoid dividing the projects between "green" and "brown", with the risk of excluding whole sections of the "traditional" market (industry, energy sector, transport, etc.), without taking sufficient account of the progress within value chains and the complexity of synergies between companies and between sectors. Therefore MEDEF encourages the EU-GBS, like the Taxonomy, to include transition activities.

To conclude on the practical implications of a EU-GBS, MEDEF thinks it is important that the EU-GBS does not result in costs that would be too heavy to bear for issuers. Integrating the taxonomy criteria into the assessment of what is considered sustainable or not

among assets of a balance sheet of a company would indeed represent an addition cost. Additional certifications also represent costs for issuers. For the smallest companies, who will not raise large amount of funds and not very often, a standardization based on clear and simple principles is necessary to avoid setting high barriers to entry, and to guarantee a wide use of the EU-GBS, in competition with other existing standards.