



Report on EU Green Bond Standard

OVERVIEW

1. What is the task of the TEG?

Action 2 of the Commission's Action Plan on financing sustainable growth calls for the creation of standards and labels for green financial products. The TEG has been asked to prepare a report on an EU green bond standard by Q2 2019, building on current best practices.

2. What are the TEG's main recommendations/key conclusions?

Proposed scope and objective of an EU Green Bond Standard:

The TEG proposes that the Commission creates a **voluntary, non-legislative EU Green Bond Standard** to enhance the effectiveness, transparency, comparability and credibility of the green bond market and to encourage the market participants to issue and invest in EU green bonds.

Proposed definition of an EU Green Bond:

The TEG recommends that an EU Green Bond could be any type of listed or unlisted bond or capital market debt instrument issued by a European or international issuer that is aligned with the EU Green Bond Standard.

Proposed core components of EU Green Bond Standard:

Building on best market practices, the EU Green Bond Standard would comprise four critical elements:

1. **Alignment with EU-taxonomy:** proceeds from EU Green Bonds should go to finance or refinance projects/activities that (a) contribute substantially to at least one of the six taxonomy Environmental Objectives, (b) do not significantly harm any of the other objectives and (c) comply with the minimum social safeguards. Where (d) technical screening criteria have been developed, financed projects or activities shall meet these criteria, allowing however for specific cases where these may not be directly applicable.



2. **Publication of a Green Bond Framework**, which confirms the voluntary alignment of green bonds issued with the EU GBS, explains how the issuer’s strategy aligns with the environmental objectives, and provides details on all key aspects of the proposed use-of-proceeds, processes and reporting of the green bonds.
3. **Mandatory reporting** on use of proceeds (allocation report) and on environmental impact (impact report).
4. **Mandatory verification** of the Green Bond Framework and final allocation report by an external reviewer.

Accreditation:

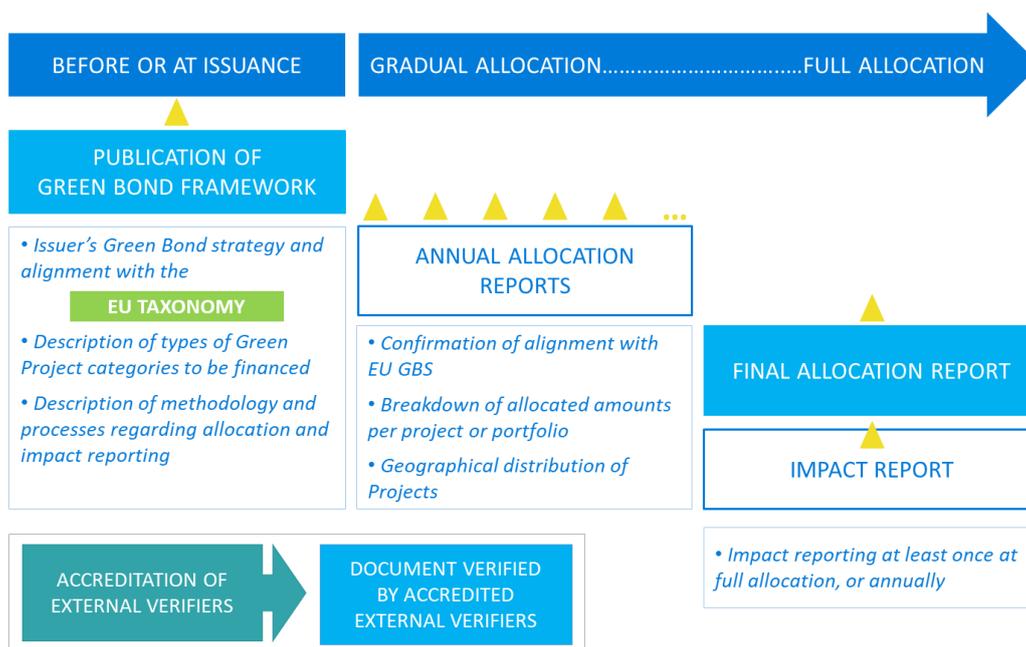
The TEG recommends that external verifiers are formally accredited and supervised. The TEG believes that the most suitable European authority to design and operate such an accreditation regime for verifiers would be the European Securities and Markets Authority (ESMA). As this will take time, they recommend to set-up an interim registration process for external verifiers of green bonds, for a transition period of up to three years, in close cooperation with the EC.

Supporting recommendations:

The TEG is proposing six additional preliminary recommendations suggesting how the EC, EU Member State governments and market participants can support the uptake of the EU GBS through both demand and supply-side measures.

Value added:

The standard would solve several barriers in the current market, including reducing uncertainty on what is green by linking it with taxonomy, standardising verification and reporting processes, and having an official standard to which incentives could be attached.



3. What are the next steps?

The next Commission will be in charge of deciding whether to take the TEG’s recommendations forward and how. In addition, the TEG’s mandate has been extended until the end of the year. During the extension, the group will inter alia advise the Commission on the link to taxonomy, should any changes be needed due to the negotiations or the taxonomy call for feedback. It will also further work on designing/setting up the temporary, voluntary registration system of approved verifiers.

