



BANKING AND FINANCE

Invitation for feedback on the TEG preliminary recommendations for an EU Green Bond Standard

Fields marked with * are mandatory.

Introduction

Disclaimer

This call for feedback is part of Directorate-General for Financial Stability, Financial Services and Capital Markets Union, Directorate-General for Environment, Directorate-General for Climate action and Directorate-General for Energy ongoing work on sustainable finance, for which the European Commission has set up a [dedicated Technical Expert Group \(TEG\)](#).

In its [action plan: financing sustainable growth](#), action 2 on “creating standards and labels for green financial products”, the European Commission has requested the TEG to prepare a report on an European Union (EU) Green Bond Standard, building on current best practices.

This feedback process is not an official Commission document nor an official Commission position. Nothing in this feedback process commits the Commission nor does it preclude any potential policy outcomes.

In 2018 the European Commission (EC) published its [action plan on financing sustainable growth \(action plan\)](#). In Action 2 of the action plan, the EC commits to create standards and labels for green financial products. A [technical expert group on sustainable finance \(TEG\)](#) has been set up by the EC to assist in four key areas of the action plan, one key area is the development of an European Union (EU) Green Bond Standard.

The TEG has drafted an [interim report](#), outlining the status of the work conducted so far (as of Februaryj2019). This report proposes the content of an EU Green Bond Standard (EU GBS), explains its purpose, sets its ambition level, and explains how we think the creation of this EU GBS will address the barriers to the green bond market's further development and will support its role in channeling substantial financial flows to green projects. In addition, the interim report elaborates on possible incentives, based on the EU GBS, to enhance the growth of green bond issuance and the links with other sustainable financing instruments in a wider context.

The final report will provide guidance to the EC on our proposed way forward for the EU GBS, including on possible legislative initiatives or amendments. It should also feed into the work being launched in parallel by the EC on a potential EU Ecolabel for green financial products.

Financial market participants are invited to give their feedback on the key elements of this interim report.

The deadline for providing feedback is 3 April 2019 cob

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 ec-teg-sf@ec.europa.eu.

Useful documents and links:

- [Full and downloadable version of the interim report](#)
- [Draft Green Bond Standard](#)
- [More information on this invitation for feedback](#)
- [Specific privacy statement](#)

1. Information about you

* Are you replying as a(n):

- institutional investor
- public sector issuer/ borrower (sovereigns, regions, municipalities, government backed entities)
- multilateral or bilateral financial institution, government backed agency or development bank
- corporate issuer/borrower
- financial institution acting as issuer/borrower
- financial institution acting as intermediary
- financial institution acting as lender
- NGO
- sustainability consultancy
- credit rating agency

- auditing/assurance firm
- academic
- stock exchange
- index provider
- other

* Please specify the type of organisation:

industry association representing institutional investors

* Name of your organisation:

BVI

* Contact email address:

The information you provide here is for administrative purposes only and will not be published

magdalena.kuper@bvi.de

* Is your organisation included in the Transparency Register?

(If your organisation is not registered, [we invite you to register here](#), although it is not compulsory to be registered to reply to this consultation. [Why a transparency register?](#))

- Yes
- No

* If so, please indicate your Register ID number:

96816064173-47

* Your organisation has been active in the green bond market as:

at least 1 choice(s)

- investor
- issuer
- underwriter
- external verifier
- index provider
- stock exchange
- not active so far
- considering to be active in the next 12 months
- other

* Please specify under which capacity has your organisation been active in the green bond market:

industry association representing institutional investors

* Where are you based?

Germany

*Where do you carry out your activity?

Germany



Important notice on the publication of responses

* Contributions received are intended for publication on the Commission's website. Do you agree to your contribution being published?

(see [specific privacy statement](#) )

- Yes, I agree to my response being published under the name I indicate (*name of your organisation /company/public authority or your name if your reply as an individual*)
- No, I do not want my response to be published

2. Your opinion

1.1 The TEG identifies five key barriers to the development of the green bond market (see [Section 2.2 of the report of the Technical Expert Group subgroup on Green Bond Standard](#) (the report)).

On a scale from 1 to 5, please express your view as to the importance of each of these barriers (1 indicating the lowest importance):

	1 (least important)	2	3	4	5 (most important)	Don't know / no opinion / not relevant
a) Absence of clear economic benefits associated with issuance of green bonds	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

b) Issuers' concerns with reputational risks and green definitions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
c) Complex and potentially costly external review procedures	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
d) Uncertainty with regards the type of assets and expenditures that can be financed by green bonds	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
e) Lack of clarity with regards to the practice for the tracking of proceeds	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

1.2 Have you identified other barriers to the development of the green bond market, in addition the ones listed above? Please comment as appropriate:

2000 character(s) maximum

2 With the objective to support the scaling up of the EU green bond market while at the same time safeguarding the integrity of this market, the TEG puts forward eleven preliminary policy recommendations for consideration by the European Commission.

Recommendations 1-4: Please express your agreement with the proposed recommendations by ticking the yes/no box:

	Yes	No	Don't know / no opinion / not relevant
Recommendation 1: Create a voluntary EU Green Bond Standard	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Recommendation 2: Monitor impact and consider further supporting action including possible legislation after an estimated period of 3 years	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Recommendation 3: Develop a legislative proposal for a centralised accreditation regime for external green bond verifiers to be potentially operated by ESMA	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Recommendation 4: Set up a market-based voluntary Accreditation Committee for external verifiers of green bonds for a transition period	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>

Please add any comments to your replies on recommendations 1 to 4, as appropriate:

2000 character(s) maximum

We agree with TEG's recommendation to introduce a voluntary non-legislative standard for EU Green Bonds. However, since the understanding of "green" will evolve with further development and refinement of the Taxonomy, there is a clear risk that bonds issued under the EU Standard at a certain point of time will not be compliant with it one or two years later. The lack of alignment to the new versions of Taxonomy would also mean that the EU Green Bond Standard is not meaningful, since investors would always need to look into the details of the issue in order to assess whether it complies with the current Taxonomy which would be expensive and time-consuming. For ESG funds and other financial market participants bound to observe the Taxonomy, this might create a serious impediment to investing. [Therefore, we suggest that any EU Green Bond issued under the new standard should at all times ensure that it is not in breach of the Taxonomy.]

As regards external verification, we support the development of a clear and comprehensive set of criteria for the external review of the Green Bond Framework. However, there is in our view no need to create yet another occupational profile with a separate accreditation regime. It is already common market practice that green bond issuances are subject to a second party assurance by either auditors or ESG rating agencies which are already subject to authorisation and/or independent audit. These services have not so far give rise to any quality concerns. We fear that the establishment of yet another occupation with mandatory accreditation and supervision by ESMA will further increase the costs of green bond issuances without convincing benefits.

Recommendations 5-11: Please express your agreement with the proposed recommendations by using the scale from 1 to 5 (1 indicating no agreement):

	1 (strongly disagree)	2	3	4	5 (strongly agree)	Don't know / no opinion / not relevant
Recommendation 5: Encourage investors (in particular institutional investors) to adopt the requirements of the EU-GBS and actively communicate their commitment	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Recommendation 6: Adopt an ambitious disclosure regime for institutional investors	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

<p>Recommendation 7: Consider promoting greening the financial system by expressing and implementing a preference for EU green bonds</p>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
<p>Recommendation 8: Develop credit enhancement guarantees for sub-investment grade green bonds</p>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
<p>Recommendation 9: Encourage all types of European issuers to issuing their future green bonds in compliance with the requirements of the EU GBS</p>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
<p>Recommendation 10: Set up a grant scheme to off-set the additional cost of external verification for issuers</p>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<p>Recommendation 11: Promote adoption of the EU Green Bond Standard through the EU eco-label for financial products</p>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please add any comments to your replies on recommendations 5 to 11, as appropriate::

2000 character(s) maximum

- On recommendation 5: The role of institutional investors should not be overstrained. For investment funds as investors, it must be clear that green bonds are only a small sub-section of sustainable assets. Investment strategies of ESG funds are being defined upon their investors' requests and objectives or, in case of retail investors, as response to the market needs. Most investors do not focus on specific types of assets, but are interested in a holistic approach such as the overall carbon footprint of their portfolio. Moreover, while EU Green Bonds shall focus on the environmental aspects according to the taxonomy, ESG funds' investment policies cover also social and governance issues.

- On recommendation 6: We strongly disagree with even more disclosure requirements in relation to sustainable investments, including those on "comply or explain" basis. Information requirements for ESG products and their providers are extensively laid down in the Disclosure Regulation which has already been agreed by the EU Institutions. Further requirements with different details will add to the complexity and create inconsistencies and overlaps of disclosures. Moreover, there is no particular reason to require disclosures in relation to green bond holdings only, but not in relation to other assets such as equity investments. Lastly, the current systems will not enable funds and other institutional investors to distinguish EU Green Bonds from other green bond holdings. The envisaged reporting would require some kind of "shadow accounting" which will create red tape and might act as deterrent to investor's engagement in EU Green Bonds.

- On recommendation 9: We agree that the technical criteria for the future EU ecolabel should refer to the EU GBS as possible instruments to achieve compliance with the Taxonomy. However, investments in EU Green Bonds should by any means not be compulsory for financial products in order to qualify for the EU ecolabel.

3.1 The TEG proposes that the proceeds from EU green bonds be allocated to green projects ([Section 4.1 of Annex 1 draft model of the EU Green Bond Standard](#) to the report).

Do you agree that green projects may include the following items?

	Yes	No	Don't know / no opinion / not relevant
a) eligible green assets including physical assets and financial assets such as loans;	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b) the share of the working capital that can reasonably be attributed to the operation of such eligible, tangible or intangible, green assets;	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

c) eligible green operating expenditures related to improving or maintaining the value of eligible assets;	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
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3.2 Please add any comments to your replies to question 3.1, as appropriate:

2000 character(s) maximum

4.1 The TEG proposes ([Section 4.1 of Annex 1 draft model of the EU Green Bond Standard to the report](#)) that eligible green expenditures qualify for refinancing with a maximum three years look-back period before the issuance year of the EU green bond, while eligible green asset qualify with no maximum look-back period.

Do you agree that a maximum look-back period be imposed with regard to the refinancing of eligible green expenditures?

	Yes	No	Don't know / no opinion / not relevant
a) Do you agree that a maximum look-back period be imposed with regard to the refinancing of eligible green expenditures?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

b) Do you agree that a no maximum look-back period be imposed with regard to the refinancing of eligible green assets?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
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5.1 The TEG proposes ([Section 3.3.1 of the report](#)) that in cases where:

- i. the Taxonomy is not yet in force;**
- ii. the technical criteria are not yet available;**
- iii. or when technical criteria are considered not directly applicable due to the innovative nature, complexity, and/or the location of the green projects,**

the issuer be allowed to rely on the fundamentals of the Taxonomy to verify the alignment of their green projects with the Taxonomy.

Do you agree with this approach?

- Yes
- No
- Don't know / no opinion / not relevant

5.2 Please add any comments to your reply to question 5.1, as appropriate:

2000 character(s) maximum

In an ideal world, the EU GBS should be developed only as a second step following the establishment of the Taxonomy. However, this approach seems not feasible in view of the considerable political pressure to facilitate expeditious evolution of sustainable finance. Hence, we agree with the proposed approach. On the other hand, we see considerable risks in the proposed grandfathering of "legacy EU Green Bonds". As explained above, there is a clear risk that bonds issued under the EU GBS at a certain point of time will become non-compliant one or two years later. The lack of alignment to the new versions of Taxonomy would also mean that the EU Green Bond Standard is not meaningful, since investors would always need to look into the details of the issue in order to assess whether it complies with the current Taxonomy which would be expensive and time-consuming. For ESG funds and other financial market participants bound to observe the Taxonomy, this might create a serious impediment to investing. [Therefore, we suggest that any EU Green Bond issued under the new standard should at all times ensure that the Taxonomy is not breached.]

6.1 The TEG proposes ([Section 4.1 of Annex 1 draft model of the EU Green Bond Standard to the report](#)) that the issuer produces a green bond Framework (GBF) which confirms the voluntary alignment of green bonds with the EU Green Bond

Standard and provides details on key aspects of the use of proceeds and the issuer's green bond strategy and processes.

Do you agree with the envisaged content and role of the GBF?

- Yes
- No
- Don't know / no opinion / not relevant

6.2 Please add any comments to your reply to question 6.1, as appropriate:

2000 character(s) maximum

We welcome the proposed standard for a GB Framework which should enhance the information supply of institutional investors. In our view, however, it is important not to impose too strict disclosure requirements and in particular to allow for more generic information for competitive reasons in order to ensure that the conditions for EU Green Bonds are attractive from issuers' perspective. [We also think that the GB Framework should become part of the GB prospectus in order to enhance the issuer's commitment.]

7.1 The TEG proposes ([Section 4.3 of Annex 1: draft model of the EU Green Bond Standard to the report](#)) that the EU green bond issuer reports at least annually, until full allocation of the bond proceeds to green projects and thereafter, in case of any material change in allocation.

Please express your agreement with the proposed recommendations by using the scale from 1 to 5 (1 indicating no agreement):

	1 (strongly disagree)	2	3	4	5 (strongly agree)	Don't know / no opinion / not relevant
a) Statement of compliance with the EU Green Bond Standard	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>

b) Amount allocated to each green projects or green project categories; with the classification of such projects according to the EU Taxonomy and/or to EU environmental objectives	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
c) Nature of green projects (assets, capital expenditures, operating expenditures, etc.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
d) Share between green project financing and refinancing	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
e) Share of green projects financed by the issuer (if applicable)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
f) Actual or estimated impact of the green projects based on metrics outlined in the GBF	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
g) Regional distribution of green projects	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
h) Green bond ratio	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>

7.2 Please add any comments to your replies to question 7.1, as appropriate:

2000 character(s) maximum

It is important that the annual reporting continues for the entire lifetime of the GB until maturity. In our experience, the allocation of proceeds to specific projects is often completed at an early stage of an GB issue. However, for asset managers and other institutional investors, regular confirmation of compliance with the EU GBS will be crucial in order to be able to maintain their holdings e.g. in ESG funds. [As explained above, we are of the view that "legacy EU Green Bonds" should not be admitted and GB issuers to be obliged to ensure compliance with the current version of the Taxonomy at all times.]

8.1 The TEG proposes ([Section 4.4 of Annex 1: draft model of the EU green bond standard to the report](#)) that the issuer appoints External Reviewers to verify both:

- i. before or at issuance, the issuer's GBF, AND;**
- ii. after allocation of proceeds,**

the EU green bond allocations and the actual or estimated impact reporting provided by the issuer.

Do you agree with this approach to verification as proposed by the TEG?

- Yes
- No
- Don't know / no opinion / not relevant

8.2 Please add any comments to your reply to question 8, as appropriate:

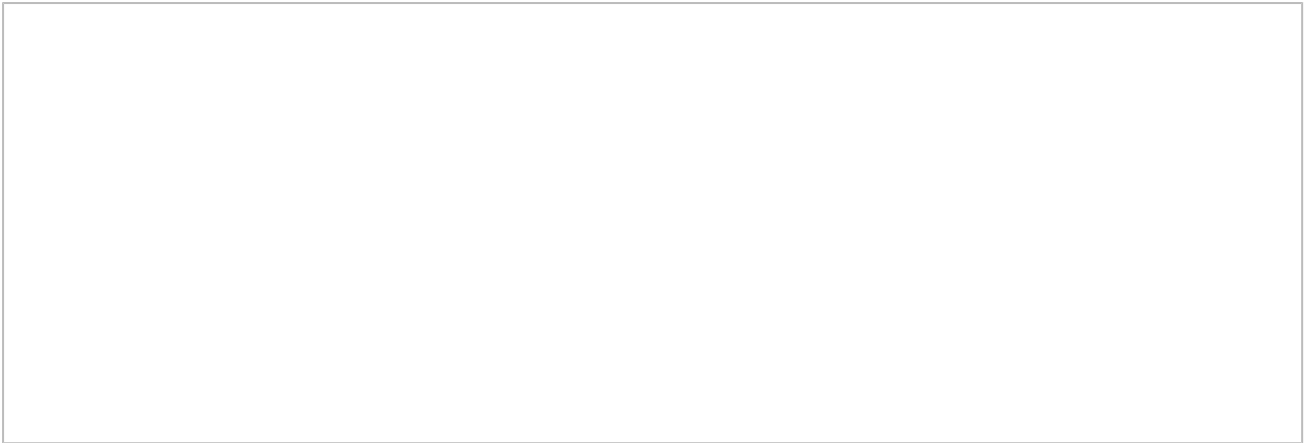
2000 character(s) maximum

We agree with the requirement for external verification of the GB Framework as well as regular checks of compliance with the EU GBS, allocation of proceeds and impact reporting. In this regard, we support the development of a clear and comprehensive set of criteria as a basis for the external review. However, there is in our view no need to create yet another occupational profile with a separate accreditation regime. As explained above, it is already common market practice that green bond issuances are subject to a second party assurance by either auditors or ESG rating agencies which are already subject to authorisation and/or independent audit. These services have not so far give rise to any quality concerns. We fear that the establishment of yet another occupation with mandatory accreditation and supervision by ESMA will further increase the costs of green bond issuance without clear benefits.

9. The TEG puts forward ([Section 5 of the report](#)) for consideration by the European Commission, a series of proposals for incentives to support the EU green bond market.

Do you have any comment on the incentives stated in the Section 5.1?

2000 character(s) maximum



10.1 Some of these [proposals stated in 5.2](#) pose challenges to their implementation – requiring the engagement of several authorities, the acquisition of new competencies and involving prolonged timelines. These proposals will require further analysis by the TEG as well as outreach and feedback from a broad range of stakeholders.

Please express your view on the potential effectiveness of such proposals using the scale from 1 to 5, with 1 indicating no effectiveness:

	1 (not effective at all)	2	3	4	5 (very effective)	Don't know / no opinion / not relevant
a) Tax incentives at issuer or investor level (including accelerated depreciation for assets financed by green bonds and loans)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b) Favoring EU green bonds in relevant financial sector regulation and prudential rules	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

10.2 Have you considered any other proposals for incentives in addition to the ones outlined by the TEG in [Section 5 of the report](#)?

Please comment as appropriate:

2000 character(s) maximum

11.1 The objective of the EU GBS is to support the scaling up of the green bond market in the EU, while at the same time safeguarding the integrity of this market.

Through which of the means is the EU GBS likely / unlikely achieve to this objective ?

Please express your view using the scale from 1 to 5, with 1 indicating unlikely.

	1 (very unlikely)	2	3	4	5 (very likely)	Don't know / no opinion / not relevant
a) Alignment of eligible green projects with the EU Taxonomy – expected to reduce uncertainty over greenness and provide clear guidance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

<p>b) Clarification with regards to some key elements involved in green bond issuance: tracking of proceeds, nature of eligible assets / expenditures – expected to reduce uncertainty and provide clear guidance</p>	○	○	○	○	○	○
<p>c) Requirement for the publication of issuer’s GBF and for allocation- and impact reporting – expected to increase transparency and promote standardisation in provision of information</p>	○	○	○	○	○	○
<p>d) Mandatory external review (and accreditation of reviewers – expected to support reliability of information, market integrity, and promote standardisation in provision of information</p>	○	○	○	○	○	○

11.2 Please add any comments to your replies to question 11, as appropriate:

2000 character(s) maximum

12. Are there any other relevant issues that you would like to bring to the attention of the T E G :

Please comment as appropriate:

2000 character(s) maximum

3. 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:

Useful links

[TEG interim report on EU Green Bond Standard \(https://ec.europa.eu/info/files/190306-sustainable-finance-teg-interim-report-green-bond-standard_en\)](https://ec.europa.eu/info/files/190306-sustainable-finance-teg-interim-report-green-bond-standard_en)

[Draft Green Bond Standard \(https://ec.europa.eu/info/files/190306-sustainable-finance-teg-interim-report-green-bond-standard_en\)](https://ec.europa.eu/info/files/190306-sustainable-finance-teg-interim-report-green-bond-standard_en)

[Feedback invitation details \(https://ec.europa.eu/info/publications/190306-sustainable-finance-interim-teg-report-green-bond-standard_en\)](https://ec.europa.eu/info/publications/190306-sustainable-finance-interim-teg-report-green-bond-standard_en)

[Specific privacy statement \(https://ec.europa.eu/info/files/190306-sustainable-finance-teg-interim-report-green-bond-standard-privacy-statement_en\)](https://ec.europa.eu/info/files/190306-sustainable-finance-teg-interim-report-green-bond-standard-privacy-statement_en)

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

Contact

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