



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:

Business Association

* Name of your organisation:

Deutsches Aktieninstitut

* Contact email address:

The information you provide here is for administrative purposes only and will not be published

altenbockum@dai.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:

38064081304-25

* 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

* 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 checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
b) Issuers’ concerns with reputational risks and green definitions	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

c) Complex and potentially costly external review procedures	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input 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 checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
e) Lack of clarity with regards to the practice for the tracking of proceeds	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input 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

Green bond issuances were somewhat flat in 2018. Barriers to green funding appear to be supply driven in the first place. Reporting and disclosure of details of green projects must be transparent and complete in order to allow for an educated investment decision. Nonetheless it must also be ensured that confidential information or information that relate to a competitive advantage can be treated confidential and must not be disclosed.

The “use of proceeds”-definition, which is audited by second party opinion providers, is crucial for a green /sustainable instrument. Consequently, most green issuances are limited to project funding into sustainable investment projects (e.g. funding of an offshore wind power park) instead of corresponding to “general corporate purposes”.

If policy makers wish to move towards more sustainable investments and boost the sustainable finance market, an inclusion of general corporate purposes should be considered. Based on its current size and limitations, the existing market in its present form will not be able to play a pivotal role to accelerate sustainable investments.

Another barrier is often the size and complexity of small projects. The identification and reporting on a group of smaller projects is often very time and resource intensive.

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 checked="" type="radio"/>	<input 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 checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

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

2000 character(s) maximum

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

Recommendation 11: Promote adoption of the EU Green Bond Standard through the EU eco-label for financial products	○	○	○	○	○	●
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Please add any comments to your replies on recommendations 5 to 11, as appropriate::

2000 character(s) maximum

Recommendation #6: Companies already disclose a wide range of mandatory information in the scope of their financial and non-financial reporting. Information on sustainability is therefore already available to a sufficient degree. The EU GBS should therefore not lead to any additional reporting duties or disproportionate cost increases for the real economy. Regarding any new reporting requirements, EU companies should not be forced to disclose strategic and forward-looking information that would benefit their competitors.

Recommendation #7: We are sceptic as regards a mission of the European Central Bank to promote Green Bonds because this could lead market distortions.

In general: An adequate assessment of risk should not be undermined by promoting-activities to green the financial system. Green bonds are not necessarily less riskier than conventional bonds which has been observed in the past by several insolvencies within the alternative energy sector. "Green-Support" should only be granted on a case-by-case basis and only if thorough empiric research on the risk-situation suggests it is justifiable.

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
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a) eligible green assets including physical assets and financial assets such as loans;	<input checked="" 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 checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
c) eligible green operating expenditures related to improving or maintaining the value of eligible assets;	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

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
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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 checked="" 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 checked="" type="radio"/>

4.2 If any of your answers to question 4.1 is no, what is the maximum look-back period you would propose for reference in the EU Green Bond Standard? Please explain your view:

2000 character(s) maximum

The maximum look-back period should be based on the respective business model of the company (or industry). A look-back period is generally fine as long as it is reasonable, up-to-date and still delivers a positive impact. Issuers should be able to refinance eligible green Projects throughout their lifetime.

The average lifetime of e.g. an onshore wind-turbine or a solar panel is around 20-25 years. Issuers should be able to finance for 10 years with two subsequent 5 year bonds instead of a 10 year bond. The life-span has nothing to do with the underlying asset. With a Maximum look back-period refinancing is not possible.

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

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

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 checked="" type="radio"/>	<input 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 checked="" type="radio"/>	<input 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 checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
d) Share between green project financing and refinancing	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input 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 checked="" type="radio"/>	<input 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 checked="" type="radio"/>	<input type="radio"/>	<input 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 checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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

2000 character(s) maximum

b) When there are plenty of smaller projects it should be possible to net and group the usage of proceeds as reporting for each and every small project (below a specified threshold) bears no relation to the benefits.

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,

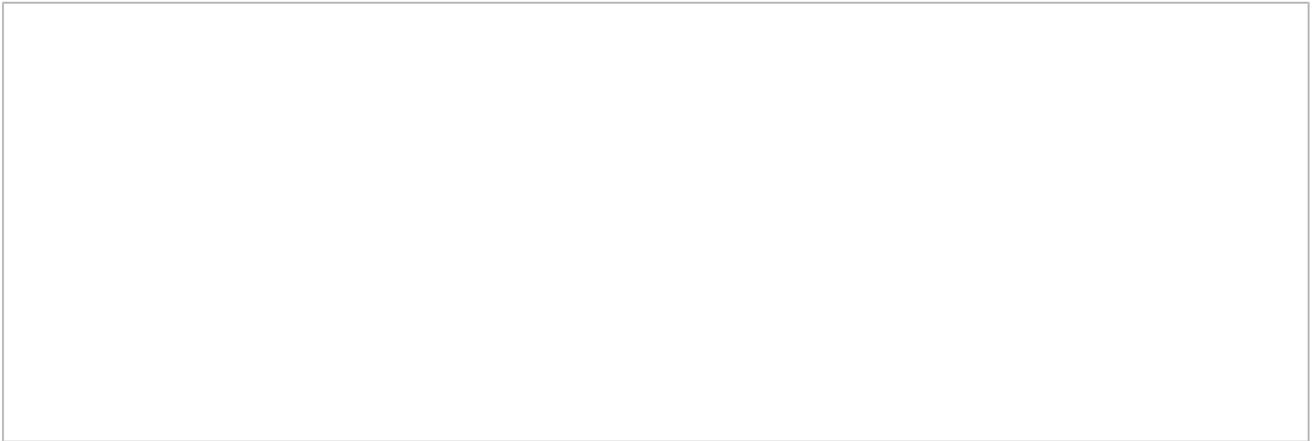
the EU green bond allocations and the actual or estimated impact reporting provided by the issuer.

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



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

Any direct intervention within the capital markets could be seen critical as it might deteriorate functioning markets and put certain financial market participants at a disadvantage, therefore no tax support, no equity support etc.

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 checked="" 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 checked="" 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 checked="" type="radio"/>	<input type="radio"/>
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	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
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	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
d) Mandatory external review (and accreditation of reviewers – expected to support reliability of information, market integrity, and promote standardisation in provision of information	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

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

The ICMA Green Bond Principles already provide a well accepted framework for the financing of green projects. We recommend to align the envisaged EU Green Bond Standard with these to foster stability and best practise in this young market Segment.

However, the current ICMA definition of green bonds suggests that the proceeds of a bond issue need to be spent on specific green investment projects. As corporates typically do not issue bonds to fund individual projects (or project portfolios) but rather to meet their overall funding requirements, for example as regards existing indebtedness or to fund investments in digitalization, an inclusion of a "general corporate purpose" (see answer to Q 1.2) deserves to be duly considered. A link between a bond issuance and a specific Project corresponding thereto cannot always be established.

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