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
- (x) other

* Please specify the type of organisation:

Trade Association

* Name of your organisation:

International Capital Market Association

* Contact email address:

The information you provide here is for administrative purposes only and will not be published

berit.lauridsen@icmagroup.org

* 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?)

- (x) Yes
- No

* If so, please indicate your Register ID number:

0223480577-59

* 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
- [x] other

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

Secretariat of the Green Bond Principles (GBP) and Social Bond Principles (SBP)

* Where are you based?

France

* Where do you carry out your activity?

Other country

* Please specify the country where you carry out your activity:

Internationally

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)

- [x] 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	○	○	●	○	○	○
b) Issuers' concerns with reputational risks and green definitions	○	○	○	●	○	○
c) Complex and potentially costly external review procedures	○	○	○	●	○	○
d) Uncertainty with regards the type of assets and expenditures that can be financed by green bonds	○	○	●	○	○	○
e) Lack of clarity with regards to the practice for the tracking of proceeds	●	○	○	○	○	○

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

The GBP 2018 Consultation identified impact reporting among the top-3 barriers, together with additional costs and uncertainty on alignment with "green" increasing the reputational risks.
Although many investors see green bonds as impact investing instrument and may require impact reporting, the cost and complexity of impact reporting has been cited by issuers as the primary hurdle keeping them from issuing green bonds.

Lack of beneficial pricing is also frequently mentioned by the market, although there is emerging empirical literature that describes a range of positive economic benefits associated with green bond issuance, including investor base diversification, “the green halo effect” on funding costs and positive knock-on equity valuation effects.

The EU GBS may unintentionally create additional barriers for new and existing issuers by increasing complexity, risks (including litigation risk) and costs. These are exacerbated by the uncertainty about the green Taxonomy including “do no harm”; making external reviews and verification of allocation mandatory and requiring impact reporting. It could impact the green bond market negatively, if it is too strict and/or becomes a legal requirement in the mid-term.
Creating an EU GBS should not distort the market to the disadvantage of the EU and the objective of channelling more capital to sustainable finance in Europe. We recommend that an EU GBS aligns with other international best practices and standards, including the GBP, and other on-going global harmonization in the green bond market.

To scale the EU green bond market, it is important to encourage the supply side, so potential issuers find it attractive to issue under the EU standard. Therefore, we recommend focusing on improving processes to enable supply. Many potential issuers are uncertain about how to issue a green bond, and often there are internal institutional hurdles between the financial and sustainability staff within an organisation.

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	●	○	○
Recommendation 2: Monitor impact and consider further supporting action including possible legislation after an estimated period of 3 years	○	●	○
Recommendation 3: Develop a legislative proposal for a centralised accreditation regime for external green bond verifiers to be potentially operated by ESMA	○	●	○
Recommendation 4: Set up a market-based voluntary Accreditation Committee for external verifiers of green bonds for a transition period	●	○	○

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

2000 character(s) maximum

The growth of the green bond market has been generated by the focus on an inclusive transition, and that also has been the strength of the market.

An EU GBS will create another layer of “green quality”; it adds more sophistication and it is more ambitious than current standards. It might be helpful for investors with limited in-house capacity, and it can also serve as a good example for what level of ambition to strive for. While we welcome the voluntary alignment with an EU standard, we also caution that it may create a market niche of darker green, counter-productive to encouraging a broader transition.

A principal barrier to the growth of the green bond market which is not commented on but should be acknowledged, is that there is insufficient policy attention and ambition in place at the green project level to create the pipelines of projects at a scale commensurate with the investment quantum necessary to achieve the goals of the Paris Agreement and the UN SDGs. If bankable project pipelines of green and sustainable infrastructure emerge at the scale necessary, the bond markets are readily available to make their contribution to funding and refinancing their appropriate portion of the needed investment volumes. Today, many issuers struggle to find enough volumes of green projects on their balance sheet that they can fund through their green bond programmes at the scale at which the green bond market could be sourcing capital. It is however policy interventions and alignment that needs to occur in the “real economy” (i.e. carbon pricing, fossil fuel subsidy reform, predictable and cost-effective support policies, stringent building envelope codes and fuel efficiency standards, etc.) that will create the economic underpinnings which are the true foundation for creating “additionality” in green project investment volume. See for instance OECD’s Report for the G20 (“Aligning Policies for a Low Carbon Economy”).

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	○	○	◉	○	○	○
Recommendation 6: Adopt an ambitious disclosure regime for institutional investors	○	○	◉	○	○	○
Recommendation 7: Consider promoting greening the financial system by expressing and implementing a preference for EU green bonds	○	○	◉	○	○	○
Recommendation 8: Develop credit enhancement guarantees for sub-investment grade green bonds	○	○	◉	○	○	○
Recommendation 9: Encourage all types of European issuers to issuing their future green bonds in compliance with the requirements of the EU GBS	○	○	◉	○	○	○

Recommendation 10: Set up a grant scheme to off-set the additional cost of external verification for issuers	( )	( )	( )	(•)	( )	( )
Recommendation 11: Promote adoption of the EU Green Bond Standard through the EU eco-label for financial products	( )	( )	(•)	( )	( )	( )

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

2000 character(s) maximum

Investors welcome a voluntary EU GBS which carefully aligned with the GBP encourages higher quality issuances, provided it does not happen at the cost of the development of the broader market.

The success of an EU GBS all depends on the implementation. If the key objective is to channel capital to finance a sustainable future by scaling up of the EU green bond market, it is important that it is a voluntary standard and that the recommendations address barriers in particular on the supply side. Regulation increasing the complexity, risks and costs, may undermine the market.

Wrong incentives can have unintended consequences, distort markets and may lead to greenwashing. These risks are higher when the Taxonomy is incomplete and does not map clearly to Green Project categories. Compensation for real costs e.g. external reviewer may help a level-playing field for green bonds, and it will be important to maintain such support until the market has become accustomed to the GBS and the Taxonomy; possibly until the green benefit e.g. a price differential, has been proven. There are both pros and cons with respect to credit enhancements, and it will require more clarification.

We agree with the spirit of encouraging investors to communicate with issuers to adopt the EU-GBS for their green bond issuances. However, we would be cautious to doing that as the GBS, in its current form, is more restrictive and not necessarily clearer than current market practices and thus may hinder market growth. Our support for the recommendation 5 would thus be dependent on the final proposal of the GBS and the mechanisms put in place to ensure that the GBS encourages the growth and integrity of the market rather than restricts it.

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;	●	○	○
b) the share of the working capital that can reasonably be attributed to the operation of such eligible, tangible or intangible, green assets;	●	○	○
c) eligible green operating expenditures related to improving or maintaining the value of eligible assets;	●	○	○

3.2 Please add any comments to your replies to question 3.1, as appropriate:

2000 character(s) maximum

We caution against broadening the scope of Use of Proceeds by including expenditures without a more explicit association with a green project or asset, and the distinction between “eligible green assets” and “eligible capex” is confusing. Green operating expenditures should only be eligible if related to improving the value of eligible green assets, not for maintaining assets which green value may be fading as technology and /or green requirements improve.

It is unclear what would qualify as “eligible green expenditures for sovereigns, sub-sovereigns and public agencies”; and how it may be different from 3b). Making it a separate 4th item (see 3.3.1 Green Projects) indicates that sovereigns, sub-sovereigns and public agencies could be allowed more flexibility for green expenditures than other issuers. We recommend that current market practice in this area be taken into account.

We recommend that issuers are transparent on the nature of green projects, including the share and type of capital and operating expenditure funded.

We experience market confusion on how to calculate “project amount” for financial issuers e.g. how are loan repayments treated when calculating the size of the green portfolio and this could be specified in the standard.

It is unclear how the Taxonomy and Use of Proceeds will apply in an international context, for instance for a green bond with an international or EU issuer, where the proceeds are used outside the EU. There also appears to be a greater flexibility in the application of the Taxonomy for international issuers.

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?	◉	○	○
b) Do you agree that a no maximum look-back period be imposed with regard to the refinancing of eligible green assets?	○	◉	○

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

Regarding green assets, instead of talking of look-back periods, we should rather consider their useful green life time. Refinancing an asset beyond its green life time when its green value may be fading as technology improves and/or green requirements change would not be in line with the overall objective of channelling capital towards a green future.

In any case, the definition and the use of look-back period can be confusing, and we recommend that issuers are as transparent as 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?

- (x) 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

We welcome a harmonization of best market practice for green eligibility, but since the Taxonomy is incomplete and currently does not map to Green Project categories, and does not cover all relevant geographies, it is essential that there are clear guidelines for the degree of interpretation and the process for determining if the fundamentals of the Taxonomy are met.

Furthermore, it is likely to be a dynamic system continuously being improved and updated which is likely to create confusion in the markets and increase reputational and legal risks. In consequence, the “exceptional cases” may become commonplace, which will not address market uncertainty on green eligibility.

The process outlined relies heavily on a robust accreditation process of verifiers, and it will be helpful to know the accreditations committee’s role and standards, including the possible technical standards and mechanisms that would be used by ESMA (see rec. 3).

Most potential and current green bond issuers think in terms of Green Project categories, and not in environmental activities nor objectives described in the Taxonomy. Eligible Green Projects categories, often combining multiple environmental activities and objectives, have been copied directly into a significant number of international green bond regulations as well as into many issuers’ green bond frameworks and the translation is unclear.

The “do no harm” clause increases uncertainty as to whether the use of proceeds is green enough, and/or any measures taken by the issuer to mitigate potential negative impacts sufficiently. It is a potential liability, which issuers (especially banks with a loan portfolio) are unable to manage. We recommend greater clarity on how to assess “do no harm” without increasing legal and reputational risks.

If the goal of the EU Taxonomy is to identify “dark green” thresholds, we risk undermining the green transition process which is also an important learning path for the market.

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

While we in principle support the GBF, there is some concern among issuers that the GBF increases risks and costs by mapping to a Taxonomy which is not yet in place, focuses on EU objectives/activities which may be less relevant /appropriate for green projects as well as for non-EU issuers, and particularly, compliance with minimum social safeguards can prove challenging for projects outside the EU. It is unclear how the GBS applies to international issuers and projects; including EU issuers funding projects outside the EU.

We recommend more explanation on how issuers can substantiate in the GBF how their “strategy aligns with such objectives, as well as their rationale for issuing” for example by referring both to the sustainability and business strategies of the issuer, including an issuer’s short- and long-term targets, see for instance section 2 of the Green Bond Principles.

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	○	○	●	○	○	○
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	○	○	●	○	○	○

c) Nature of green projects (assets, capital expenditures, operating expenditures, etc.)	○	○	○	○	◉	○
d) Share between green project financing and refinancing	○	○	○	○	◉	○
e) Share of green projects financed by the issuer (if applicable)	○	○	○	○	◉	○
f) Actual or estimated impact of the green projects based on metrics outlined in the GBF	○	○	◉	○	○	○
g) Regional distribution of green projects	○	○	○	◉	○	○
h) Green bond ratio	○	○	◉	○	○	○

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

2000 character(s) maximum

Disclosure, transparency and reporting is essential to understand risks, and we welcome efforts to increase transparency on the amount allocated to each green project, the nature of green projects, the share between project financing and refinancing and share financed by the issuer. Investors are increasingly required to provide non-financial and impact reports, but to meet these requirement, issuers/corporates need to disclose non-financial and impact data; issuers' ability to report on e.g. compliance with the EU GBS and the classification of projects according to the Taxonomy hinges on more clarity on the Taxonomy.

Banks financing themselves with a mix of deposits, senior and hybrid instruments will be looking for more clear guidance on what an "appropriate" process to track amounts allocated to green projects mean. It is important to note that money is fungible.

Further clarity on how the Green Bond Ratio is calculated, and how this consistent with the GBF, the time frame etc. will be essential for the measure to add value to the transparency.

For many issuers, it will be difficult to report on project-by-project level due to confidentiality limitations, and they would prefer to report on a portfolio basis. For the same reason, some corporates will be reluctant to report on regional distribution of green projects.

Investors would welcome a link to relevant environmental and social impact metrics connected to the issuance.

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

While we welcome a mandatory external review for the framework or standalone issuance before or at issuance, we caution against the double layering with a verification after allocation of proceeds, of the allocation and of the actual or estimated impact report, as it will increase the costs significantly both by broadening the scope of the review task, but also because a verification, where a certified reviewer takes on more risk, increases the liability of the reviewer which will be reflected in the price. The proposed subsidy system may partly offset this, but it remains unclear how it would be applied to issuers or assets outside the EU and how long it would be in place.

Furthermore, several green bond issuers use a programmatic approach with several issuances under the same framework and they will only update their framework and obtain a new external review when/if they either broaden the scope of their use of proceeds and/or new green project categories become eligible. Requiring an external review for each issuance under such a programmatic approach would not make economic sense for issuers.

An external review could distinguish between i) processes, management and reporting; ii) the environmental impact (rating); and iii) the consistency with the issuer's strategy, targets, ESG performance and E&S impact.

Regarding accountability of the external reviewers, both the list of external review providers considered, and the value added of their assessment should be demonstrated.

The established practice by certain sovereigns of ad hoc independent committees acting as external reviewers should also be taken into account.

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

Promoting investor preference for EU green bonds could send the wrong message in a one-planet world and it is not clear how the proposed incentives will support non-EU members, including EU-associated members, e.g. Norway.

Investors are likely to only be able to give preference to EU green bonds on a best efforts' basis in EU-directed portfolios, not international portfolios, as investors also need to consider their risk diversification. They may also have an independent opinion on the quality or shade of green, including an interest in a transitional green. We caution on favouring EU green bonds in prudential rules since these need to be risk-based, although we concur with the importance of factoring in sustainability risks as part of a holistic prudential assessment.

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)	○	○	●	○	○	○
b) Favoring EU green bonds in relevant financial sector regulation and prudential rules	●	○	○	○	○	○

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

An appropriate incentive structure requires careful thinking to avoid unintended consequences, including a plan for retrieving or roll-back grant/subsidies to projects that do not go ahead.

The GBS seems to focus on growing the demand side, but more demand will not necessarily create more supply and we need more supply to grow the market. Incentives should focus on how to build or boost a green pipeline of eligible green projects. That means incentives should focus on how to incentivize at the issuer level.

The EU should look at “brown-disadvantages”, remove (or phase out) subsidies in sectors we know are harming the environment. This will spur transition and the supply of green assets.

We caution against regulation and prudential rules favouring EU green bonds other than on a risk-basis.

An appropriate incentive structure cannot stand alone but need to be accompanied by appropriate policy interventions and alignment in the “real economy” (i.e. carbon pricing, fossil fuel subsidy reform, predictable and cost-effective support policies, stringent building envelope codes and fuel efficiency standards, etc.) to create the economic underpinnings for creating green project investment volume.

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			X			

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	○	○	◉	○	○	○
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	○	◉	○	○	○	○
d) Mandatory external review (and accreditation of reviewers – expected to support reliability of information, market integrity, and promote standardisation in provision of information	○	◉	○	○	○	○

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

2000 character(s) maximum

While we welcome increased harmonisation and transparency, we are also concerned that the EU GBS may impact the green bond market negatively, by increasing complexity, risks and costs discouraging issuers from issuing green bonds.

The likelihood of the EU GBS meeting the objective through improved clarity on green definition depends on the completeness and usability of the EU Taxonomy. We refer to ICMA's feedback to the Consultation on the usability of the Taxonomy.

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

Please comment as appropriate:

2000 character(s) maximum

The timing of the EU GBS seems rushed which increases new and existing issuers' compliance risks even with the grandfathering clause. We recommend further clarity on the Taxonomy before promoting an EU green bond standard or deciding on an appropriate incentive structure.

The "Do no harm" can entail litigation risk – further reassurance and clarity that issuers cannot be liable if a reasonable assessment process has been undertaken. Issuers should also not be liable if there are changes or improvements to the Taxonomy.

We understand that there are no requirements with respect to management of cash under the EU GBS, however we would recommend defining a time frame within which the allocation should be disbursed as well as encourage transparency on the use of unallocated funds.

ICMA and GBP Executive Committee continue to be deeply engaged with the EU GBS initiative and remain at the EU's disposal for further dialogue and feedback.

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)

Draft Green Bond Standard (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)

Specific privacy statement (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)

Contact

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