













Procedure file

Basic information	
<p>COD - Ordinary legislative procedure (ex-codecision procedure) Regulation</p> <p>2021/0191(COD)</p>	Awaiting Parliament's position in 1st reading
<p>European green bonds</p> <p>Subject 2.50.03 Securities and financial markets, stock exchange, CIUTS, investments 3.70.20 Sustainable development</p> <p>Legislative priorities Joint Declaration 2022 Joint Declaration 2023-24 Joint Declaration 2021</p>	

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	 Economic and Monetary Affairs	 TANG Paul	01/09/2021
		Shadow rapporteur	
		 HANSEN Christophe	
		 BOYER Gilles	
		 EICKHOUT Bas	
		 BECK Gunnar	
		 MOŹDŹANOWSKA Andželika Anna	
		 GUSMÃO José	
	Committee for opinion	Rapporteur for opinion	Appointed
	 Environment, Public Health and Food Safety		21/09/2021
		 EICKHOUT Bas	
	 Budgets		16/11/2021
		 FERNANDES José Manuel	

Key events

06/07/2021	Legislative proposal published	COM(2021)0391	Summary
13/09/2021	Committee referral announced in Parliament, 1st reading		
16/05/2022	Vote in committee, 1st reading		
16/05/2022	Committee decision to open interinstitutional negotiations with report adopted in committee		
20/05/2022	Committee report tabled for plenary, 1st reading	A9-0156/2022	Summary
06/06/2022	Committee decision to enter into interinstitutional negotiations announced in plenary (Rule 71)		
08/06/2022	Committee decision to enter into interinstitutional negotiations confirmed by plenary (Rule 71)		
24/05/2023	Approval in committee of the text agreed at 1st reading interinstitutional negotiations	PE749.010 GEDA/A/(2023)003445	

Forecasts

04/10/2023	Debate in plenary scheduled
05/10/2023	Vote in plenary scheduled

Technical information

Procedure reference	2021/0191(COD)
Procedure type	COD - Ordinary legislative procedure (ex-codecision procedure)
Procedure subtype	Legislation
Legislative instrument	Regulation
Legal basis	Treaty on the Functioning of the EU TFEU 114-p1
Mandatory consultation of other institutions	European Economic and Social Committee
Stage reached in procedure	Awaiting Parliament's position in 1st reading
Committee dossier	ECON/9/06780

Documentation gateway

Legislative proposal	COM(2021)0391	06/07/2021	EC	Summary
Document attached to the procedure	SEC(2021)0390	07/07/2021	EC	
Document attached to the procedure	SWD(2021)0181	07/07/2021	EC	

Document attached to the procedure		SWD(2021)0182	07/07/2021	EC	
European Central Bank: opinion, guideline, report		CON/2021/0030 OJ C 027 19.01.2022, p. 0004	05/11/2021	ECB	
Committee draft report		PE700.638	30/11/2021	EP	
Economic and Social Committee: opinion, report		CES3634/2021	08/12/2021	ESC	
Amendments tabled in committee		PE704.629	21/01/2022	EP	
Committee opinion	ENVI	PE697.683	18/02/2022	EP	
Committee opinion	BUDG	PE703.184	17/03/2022	EP	
Committee report tabled for plenary, 1st reading/single reading		A9-0156/2022	20/05/2022	EP	Summary
Coreper letter confirming interinstitutional agreement		GEDA/A/(2023)003445	10/05/2023	CSL	
Text agreed during interinstitutional negotiations		PE749.010	10/05/2023	EP	

Additional information

Research document	Briefing	12/01/2022
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European green bonds

PURPOSE: to put in place a common set of requirements for a harmonised standard for European green bonds, which will further simplify environmentally sustainable investments and support a coordinated way of improving the functioning of the single market.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: over the last number of years, the EU has become significantly more ambitious in tackling climate change. The Commission has already taken unprecedented steps to build the foundations for sustainable finance. Sustainability is the central feature of the EU's recovery from the COVID-19 pandemic and the financial sector will be key in helping to meet the targets of the European Green Deal.

The European Green Deal Investment Plan envisages the establishment of a standard for environmentally sustainable bonds to further increase investment opportunities and facilitate the identification of environmentally sustainable investments through a clear label. These environmentally sustainable bonds are one of the main instruments for financing investments related to low-carbon technologies, energy and resource efficiency as well as sustainable transport infrastructure and research infrastructure.

Given the existing divergences and absence of common rules, it is likely that Member States will adopt diverging measures and approaches, which will have a direct negative impact on, and create obstacles to, the proper functioning of the internal market, and be detrimental to issuers of environmentally sustainable bonds.

Thus, the need for a harmonised green bond standard to be applied across the Union by both public and private green bond issuers.

This proposal for a European Green Bond is anchored in the Taxonomy Regulation (EU) 2020/852. The Taxonomy Regulation establishes a classification of economic activities according to their environmental sustainability, with full compliance with minimum social safeguards as one of the determining criteria.

CONTENT: the proposal aims to (i) establish uniform requirements for bond issuers who voluntarily wish to use the European Green Bond or EuGB designation for their environmentally sustainable bonds in the Union, and (ii) establish a registration system and a framework for monitoring external examiners of European Green Bonds.

Conditions for the use of the European Green Bond designation

The proposal:

- the limits the use of the European Green Bond or EuGB designation to issuers of bonds that meet specific requirements until the bond matures. This framework would be open to any bond issuer, including issuers of covered bonds and securitisations issued by a securitisation vehicle. In addition, the issuers concerned could be established both inside and outside the EU;

- requires that all use of bond proceeds shall relate to economic activities that meet the requirements for environmentally sustainable economic activities set out in Taxonomy Regulation, namely: making a substantial contribution to one or more of the environmental objectives and not significantly harming any of those environmental objectives.

Transparency and external review requirements for European green bonds

The issuance of a green bond should be fully transparent, with detailed reporting requirements.

The proposal clarifies that the bond may only be offered to the public in the Union after prior publication of the European green bond factsheet on the issuers website together with the pre-issuance review of the European green bond factsheet by an external reviewer. It imposes an obligation upon the issuer to draw up European green bond annual allocation reports yearly.

Conditions for taking up activities as external reviewers for European green bonds

The proposal includes a requirement to be registered and to meet the conditions for registration on an ongoing basis. Once registered, an external reviewer may conduct its activities throughout the entire territory of the Union. An external reviewer has to apply for registration from the European Securities and Markets Authority (ESMA). These measures do not apply to state auditors and other public entities mandated by sovereign issuers to assess compliance with the Regulation.

Rules on the provision of services by third-country external reviewers

The proposal lays down the powers of national competent authorities to supervise bond issuers. It also includes several provisions that specify the administrative sanctions and other administrative measures that competent authorities may impose as well as rules on the publication and reporting to ESMA of those sanctions.

It also sets out ESMA's powers with regard to the supervision of external reviewers. These include the power to request information by simple request or by decision, the power to conduct general investigations as well as the power to conduct on-site inspections.

European green bonds

The Committee on Economic and Monetary Affairs adopted the report by Paul TANG (S&D, NL) on the proposal for a European Parliament and Council regulation on European green bonds.

The committee recommended that the European Parliament's position adopted at first reading under the ordinary legislative procedure should be amended as follows:

Objectives

The proposal as amended would aim to better regulate the green bond market, strengthen its supervision and reduce greenwashing.

The Regulation would have three objectives:

- to ensure the comparability of bonds marketed as environmentally sustainable in the EU;
- to establish uniform requirements for the use of the name European Green Bond or EuGB;
- to establish a simple registration system and supervisory framework for external reviewers by making a single supervisory authority responsible for the registration and supervision of external reviewers in the EU.

To facilitate comparison and prevent greenwashing, minimum sustainability disclosure requirements should apply to bonds marketed as environmentally sustainable and sustainability-related in the EU.

Alignment with the product use taxonomy

Eligible capital expenditure should relate to economic activities that meet or will meet the taxonomy requirements within five years from the issuance of the bond, unless a longer period of up to ten years is duly justified by the specific features of the economic activities and investments concerned and documented in a CapEx plan.

New requirements on benefitting entities

To avoid brown companies (i.e. with highly polluting industries) using the EuGB label to pretend to be greener than they really are, the amended proposal requires that all EuGBs have verified transition plans. The text also ensures that all issuers of green bonds have processes in place to identify and limit the principal adverse impacts of their activity.

Issuers of bonds marketed as environmentally sustainable in the Union that do not use the designation European green bonds or EuGB should disclose in their pre-contractual disclosures: (i) a clear and reasoned explanation of how the bond takes account of principal adverse impacts on sustainability factors; (ii) information on how the environmental characteristics of the bond are met. They should also indicate in the annual periodic reports the extent to which the environmental attributes are met.

Exclusion of non-cooperative countries and territories for tax purposes

Issuers of European Green Bonds that are located in countries on the EU list of non-cooperative countries and territories for tax purposes or, in the case of sovereign issuers, that facilitate tax evasion through their legal system, would not be allowed to use the European Green Bond designation.

Taxonomy equivalence

Where a third country has in place a taxonomy to facilitate sustainable investment which is substantially equivalent to the EU taxonomy, the Commission should, following a positive recommendation from the Platform on Sustainable Finance established under Regulation (EU) 2020/852, adopt delegated acts in order to supplement this Regulation by authorising that the use of proceeds of an EuGB can be allocated in accordance with that third-country taxonomy.

Civil liability

Civil liability provisions should apply to issuers of European green bonds in relation to damages incurred by investors due to an infringement of the taxonomy-aligned allocation of proceeds.

Stronger supervision

Supervision is strengthened in various ways. The potential for conflicts of interest for external reviewers assessing EuGBs should be reduced and provisions are included to ensure that authorities can prohibit companies from issuing EuGBs if they do not comply with the rules.

Increased transparency for gas and nuclear

The adopted text imposes stricter transparency requirements, so that where the issuer of a green bond plans to use the proceeds of the issue for nuclear or fossil gas activities, a statement should be prominently displayed on the first page of the EuGB information sheet.

Review

The application of the Regulation should be reviewed by the Commission five years after its entry into force and every three years thereafter, based on input from the Sustainable Finance Platform. Two years after the entry into force of the Regulation, the Commission should also produce an impact assessment to determine whether the European Green Bond standard should become mandatory.

Transparency				
BOYER Gilles	Shadow rapporteur	ECON	25/05/2023	Financial Conduct Authority
BOYER Gilles	Shadow rapporteur	ECON	16/05/2023	Crédit Agricole S.A.
BOYER Gilles	Shadow rapporteur	ECON	26/04/2023	Zurich Insurance Company Ltd
BOYER Gilles	Shadow rapporteur	ECON	20/02/2023	Forefront Advisers
TANG Paul	Rapporteur	ECON	01/02/2023	Climate Bonds Initiative Europe
TANG Paul	Rapporteur	ECON	25/01/2023	International Capital Market Association
BOYER Gilles	Shadow rapporteur	ECON	09/12/2022	Crédit Agricole S.A.
BOYER Gilles	Shadow rapporteur	ECON	26/09/2022	ENEL SpA
BOYER Gilles	Shadow rapporteur	ECON	26/09/2022	FRANCE INVEST
BOYER Gilles	Shadow rapporteur	ECON	12/09/2022	EURALIA
BOYER Gilles	Member	17/07/2023	#SustainablePublicAffairs	