

European green bonds

2021/0191(COD) - 20/05/2022 - Committee report tabled for plenary, 1st reading/single reading

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 environment 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.