

European green bonds

2021/0191(COD) - 05/10/2023 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 418 votes to 79, with 72 abstentions, a legislative resolution on the proposal for a regulation of the European Parliament and of the Council on European green bonds.

The European Parliament's position adopted at first reading under the ordinary legislative procedure amends the Commission proposal as follows:

Subject matter

This Regulation lays down uniform requirements for issuers of bonds who wish to use the designation **‘European Green Bond’ or ‘EuGB’** for their bonds that are made available to investors in the Union. The rules are aligned with the framework of the **European taxonomy**, which defines the economic activities that the EU considers to be environmentally sustainable.

Transparency

All companies choosing to adopt the standards and therefore also the EuGB label when marketing a green bond should be required to disclose considerable information about how the bond’s proceeds should be used. They should also be obliged to show how these investments feed into the transition plans of the company as a whole. To be able to use the designation ‘European Green Bond’ or ‘EuGB’, the issuer will have to publish a **prospectus**.

In order to prevent greenwashing in the green bond market in general, the Regulation also provides for optional disclosure templates for bonds marketed as environmentally sustainable and for sustainability-linked bonds in the EU. No later than twelve months after the date of entry into force of the Regulation, the Commission should publish guidelines establishing templates for voluntary pre-issuance disclosures for issuers of bonds marketed as environmentally sustainable and sustainability-linked bonds.

Securitised exposures

Specific disclosure and exclusion requirements should apply to bonds resulting from **securitisation** that are designated as ‘European Green Bond’ or ‘EuGB’ in order to enhance the confidence of investors and ensure that they are fully informed about the environmental characteristics of the transaction.

For the purposes of this Regulation, securitised exposures should not comprise exposures financing the exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, and trade of fossil fuels.

Exposures financing electricity generation from fossil fuels, co-generation of heat/cool and power from fossil fuels, or production of heat/cool from fossil fuels, where the activity meets the criteria for ‘do no significant harm’, may be included in the pool of securitised exposures for the purposes of this Regulation.

External reviewers

The regulation establishes a **registration system and supervisory framework** for external reviewers of European green bonds.

To ensure their independence and safeguard high standards of transparency and ethical conduct, external reviewers should comply with organisational requirements and rules of conduct to mitigate and avoid situations of actual or potential conflict of interest or manage those conflicts adequately when they are unavoidable.

External reviewers should not be entitled to conduct an external review in the case of a conflict of interest that cannot be properly addressed.

Flexibility

Under the new regulation, all proceeds of EuGBs should be invested in economic activities that are aligned with the EU taxonomy, provided the sectors concerned are already covered by it. For those sectors not yet covered by the EU taxonomy and for certain very specific activities there will be a **flexibility pocket of 15%**.

Where an issuer allocates the proceeds of a European Green Bond, it should describe in the European Green Bond factsheet the activities concerned and the estimated percentage of the proceeds intended to finance such activities as a total and also per activity. It should also ensure that those activities meet **do not cause significant harm to any of the environmental objectives** and that they are carried out in compliance with the minimum safeguards.

Monitoring

As regards supervision, the national competent authorities of the home Member State designated (in line with the Prospectus Regulation) should supervise that issuers comply with their obligations under the new standard. Competent authorities should be able to exercise their supervisory powers before and after the issuance of the European Green Bonds.