

European green bonds

2021/0191(COD) - 30/11/2023 - Final act

PURPOSE: to regulate the use of the name ‘European Green Bond’ or ‘EuGB’ for their environmentally sustainable bonds.

LEGISLATIVE ACT: Regulation (EU) 2023/2631 of the European Parliament and of the Council on European Green Bonds and optional disclosures for bonds marketed as environmentally sustainable and for sustainability-linked bonds.

CONTENT: the regulation lays down uniform requirements for issuers of bonds that wish to use the designation ‘European green bond’ or ‘EuGB’ for their environmentally sustainable bonds, aligned with the EU taxonomy for sustainable activities and made available to investors globally.

Environmentally sustainable bonds are one of the main instruments for financing investments related to green technologies, energy efficiency and resource efficiency as well as sustainable transport infrastructure and research infrastructure.

The regulation establishes a **registration system and supervisory framework** for external reviewers of European green bonds and provides for some voluntary **disclosure requirements** for other environmentally sustainable bonds and sustainability-linked bonds issued in the EU.

The regulation is a further step in implementing the EU’s strategy on financing sustainable growth and the transition to a climate-neutral, resource-efficient economy. The new standard will foster consistency and comparability in the green bond market, benefitting both issuers and investors of green bonds.

Transparency and external review requirements

Before issuing European Green Bonds, issuers will complete the **EuGB factsheet** set out in Annex I of the Regulation and ensure that the completed EuGB factsheet has undergone a pre-issuance review by an external reviewer resulting in a positive opinion.

For every 12-month period until the date of full allocation of the proceeds of their European Green Bond and, where applicable, until the completion of the CapEx plan, issuers of European Green Bonds will draw up a European Green Bond allocation report using the template set out in Annex II of the Regulation. Issuers of European Green Bonds will be required to prepare, after the proceeds have been allocated in full and at least once during the life of the bonds, an EuGB impact report on the environmental impact of the use of the proceeds of these bonds.

To be able to use the designation ‘European Green Bond’ or ‘EuGB’, the issuer will have to publish a **prospectus**.

External reviewers

To improve the transparency of the methodology of external reviewers, to ensure that external reviewers have adequate qualifications, professional experience and independence, and to reduce the risk of potential conflicts of interest, and thus to ensure adequate investor protection, issuers of European Green Bonds will only make use of external reviewers, including from third countries, that have been **registered** and are subject to ongoing supervision by ESMA.

To ensure their independence and safeguard high standards of transparency and ethical conduct, external reviewers will 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.

Flexibility in the use of the proceeds of European Green Bonds

Under the 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. That demonstration should be included in the European Green Bond factsheet and should be validated by an external reviewer by means of a positive opinion in the pre-issuance review.

The use and the need for this flexibility pocket will be **re-evaluated** as Europe's transition towards climate neutrality progresses.

Supervision

With regard to supervision, the designated competent national authorities of the home Member State (in accordance with the Prospectus Regulation) will ensure that issuers comply with their obligations under the new standard.

Review

By 21 December 2028 and every three years thereafter, the Commission will, after consulting ESMA and the Platform on Sustainable Finance established by Regulation (EU) 2020/852, submit a report to the European Parliament and to the Council on the application of this Regulation. That report will evaluate, inter alia: the uptake of the European Green Bond standard and its market share, both in the Union and globally, in particular by small and medium-sized enterprises; as well as the impact of this Regulation on the transition to a sustainable economy, on the gap of investments needed to meet the Union climate targets and on redirecting private capital flows towards sustainable investments.

ENTRY INTO FORCE: 20.12.2023.

APPLICATION: from 21.12.2024.