Council of the
European Union

Brussels, 16 December 2021
(OR. en)

15018/21

LIMITE

EF 389
ECOFIN 1240
CODEC 1645
ENV 995
SUSTDEV 184

Interinstitutional File:
2021/0191 (COD)

NOTE

From:	General Secretariat of the Council
To:	Permanent Representatives Committee
Subject:	Proposal for a Regulation of the European Parliament and of the Council on European green bonds - Progress report

I. INTRODUCTION

1. On 6 July 2021, the European Commission proposed a new regulation on a voluntary European green bond standard – draft Regulation of the European Parliament and of the Council on European green bonds (EuGB proposal)[1] as part of the EU sustainable finance agenda. The EuGB proposal aims to regulate the use of the designation 'European green bond' or 'EuGB' for bonds that pursue environmentally sustainable objectives. It aims to establish a system for the registration and supervision of entities acting as external reviewers for EuGB and to regulate the supervision of issuers of EuGB.

2. The proposal was published during the Slovenian Presidency term and was examined by the Working Party on Financial Services and the Banking Union (Financial Services) - Sustainable Finance / European green bond (Council Working Party – CWP) in seven informal videoconferences (19 July, 3 September, 23 September, 19 October, 5 November, 23 November, and 9 December 2021).

[1] Doc. 10027/21 + ADD 1-4.

3. For those discussions that were held at attachés/expert level, the Presidency prepared two compromise proposals covering the entire EuGB proposal.

4. The position of the European Parliament on the EuGB proposal is expected in the first quarter of 2022.

II. STATE OF PLAY

5. Climate change and environmental degradation are among the most important risks to be addressed today. As the EuGB proposal is one of the measures addressing those risks, it was considered a priority by the Presidency.

6. In order to facilitate quick progress on this file, the Presidency organised a policy debate on the EuGB proposal in the July ECOFIN. The examination in CWP followed with the first informal videoconference that was held on 19 July.

7. Member States showed support for the EuGB proposal and willingness to work intensively on this dossier with a view to reaching a mandate for interinstitutional negotiations.

8. In the introductory informal videoconference, the Commission presented the EuGB proposal and the accompanying Impact Assessment Report. Subsequently, the Presidency steered the discussions in such a way as to crystallise the main issues of relevance for Member States.

9. In addition to the CWP informal videoconferences, the Presidency was in regular and close contacts with all the delegations in order to facilitate the way towards a mandate.

10. Member States agree that the use of the "EuGB" designation should be voluntary, based on best market practices and anchored in EU Taxonomy. The standard should focus on the effectiveness, functionality, transparency, comparability, and credibility of the EU green bond market and thus encourage market participants to issue and invest in EuGB. The standard should include effective rules aimed at preventing greenwashing by ensuring that proceeds from EuGB are invested in truly sustainable projects, while protecting market integrity

11. A level playing field for EuGB issuances should be provided for, taking into account the specificities of sovereigns, where this is justified. The EuGB proposal should also provide for a level playing field for external reviewers of EuGB, considering that the market for external reviewers of EuGB should be a cross-border market.

12. The question of the treatment of sovereigns was examined in-depth to achieve better understanding of the conditions and implications, and with a view to finding possible compromise solutions. The Presidency presented a steering note on the matter and devoted a half-day session to discussions on this topic.

13. To ensure that issuers of EuGB comply with the requirements of transparency and external review set out in the EuGB proposal, national competent authorities (NCAs) should have the necessary supervisory and investigatory powers.

14. The above orientations were the basis for the presentation of a Presidency compromise proposal on the entire EuGB text in the informal videoconference on 23 November. The compromise was subject to reservations mainly in the following areas: taxonomy alignment of the use of proceeds, grandfathering, state auditors, powers of ESMA versus NCAs and the scope of supervision by NCAs.

15. A revised Presidency compromise proposal was presented in informal videoconference on 9 December. The amendments to the initial compromise proposal were aimed at further balancing and clarifying the text. On that occasion, the Presidency presented a further possible option as regards the powers of ESMA and NCAs. Despite significant progress on the file in the past six months and improvements of the text, the Presidency believes that further discussions and balancing are needed.

16. The revised Presidency compromise proposal as presented in the last informal videoconference held on 9 December together with a Presidency Note are set out in document ST 15115/21. The Presidency would like to thank all participants in the CWP for their goodwill and constructive spirit shown in the discussions on this important file.