

The Danish Financial Supervisory Authority
Århusgade 110
2100 København Ø

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Contribution to the Danish government's response to the EU consultation on the establishment of an EU Green Bond Standard

As follows from the consultation paper on the establishment of an EU Green Bond Standard the objective of the consultation is to gather input from relevant stakeholders for the Commission considerations on how to take the recommendations of the Commission's Technical Expert Group on sustainable finance (TEG) forward. Thus, the Danish Chamber of Commerce's input to the Danish government's response to the consultation is elaborated in the following.

General comments

As the Danish Chamber of Commerce has highlighted in previous similar contributions to EU consultation on the Commission's ongoing work on sustainable finance the Danish Chamber of Commerce highly supports the EU Commission's strong ambition to not only set requirements for businesses in relation to achieving the ambitious goals in relation to the sustainable transition but also to support this transition through the enhancement of EU-investments to flow in their direction as well as a strategy for encouraging private investments in sustainable solutions, which includes the establishment of an EU Green Bond Standard. The importance of securing investment flows towards sustainable solutions to encourage sustainable transition for investors, new business models to arise and existing business models to evolve into a sustainable future cannot be underestimated. The Covid-19 outbreak and rebuilding the economy across the EU should also in the eyes of the Danish Chamber of Commerce focus on investments in sustainable solutions.

It is of great importance to The Danish Chamber of Commerce that Denmark keeps a leading position in regards to sustainable transition and the Danish Chamber of Commerce therefore encourages the Danish government to participate in an active manner to support not only the ongoing development on sustainable transition in Denmark but also at an EU- and international level.

The Danish Chamber of Commerce is of the opinion that the Danish support in this manner should be based on the ongoing dialogue with the Danish business community who is deeply involved in the climate case and has already taken initiatives in regards of sustainable transition. This applies for instance in the active participation and leadership of the 13 "climate partnerships", and the ongoing follow up work from the recommendations as a result of the partnerships.

It is of great importance to the Danish Chamber of Commerce that requirements set out to enhance investment flows towards sustainable solution is based on securing a level playing field for companies across the EU. It is therefore crucial to ensure, that the EU Green Bond Standard does not place unnecessary burdens on the free market mechanisms and competitiveness of business and that already existing green initiatives are not undermined by unnecessary burdens. The regulation of capital market infrastructure should be fit for purpose to encourage investment in sustainable solutions. By creating an investment environment that is attractive and competitive, ground-breaking new sustainable solution are much more likely to occur.

It is in this context crucial to ensure that all relevant solutions contributing to green, sustainable transition are included in the EU-initiatives, including the EU Taxonomy and the EU Green Bond Standard.

Specific comments

The recommendations by the TEG

The key recommendations by the TEG on building Green Bond Principles and the Climate Bonds Initiative labelling scheme is – as also follows from the consultation paper – are based on the following principles:

- 1) Alignment of the use of the proceeds from the bond with the EU taxonomy
- 2) The publication of a Green Bond Framework
- 3) Mandatory reporting on the use of proceeds (allocation reports) and on environmental impact (impact report)
- 4) Verification of compliance with the Green Bond Framework and the final allocation report by an external registered/authorised verifier

1) Alignment of the use of the proceeds from the bond with the EU taxonomy

The Danish Chamber of Commerce finds it crucial to link the EU Green Bond Standard with the EU Taxonomy to ensure alignment. It is crucial that the coming work of the Commission to adopt delegated acts on establishment of technical screening criteria focuses on making sure that all relevant solutions contributing to green, sustainable transition – across different sectors – are included in the EU-initiatives. This is crucial to ensure that businesses contributing to green solutions does not fall outside the scope of the regulation and because of this are faced with challenges to obtain financing of their solution, project or the like.

2) The publication of a Green Bond Framework

The Danish Chamber of Commerce generally supports the development of EU-standards and uniform practices with the intend of enabling easier access for investors, companies and private savers to information about the green solution, projects etc. It is important to underline that any regulation or action on this point should not entail unnecessary burdens on businesses that are not proportional with the advantages both for the business itself and for investors. For as long as the scope and content in the delegated acts following the EU Taxonomy are not in place it is difficult to foresee the where the correct balance point for the Green Bond Framework is.

3) Mandatory reporting on the use of proceeds (allocation reports) and on environmental impact (impact report)

As mentioned above, the business community in Denmark already has an ongoing dialogue and suggestions regarding sustainable transition. This includes an ongoing discussing concerning which is the best solution on company reporting and transparency on sustainability. The Danish Chamber of Commerce is supportive of this ongoing work and dialogue.

It is important to emphasize that any regulation on this point should be aligned with international reporting guidelines and best practices and should not entail unnecessary burdens on businesses. In general, unnecessary administrative burdens that are not proportional with the advantages must be avoided.

4) Verification of compliance with the Green Bond Framework and the final allocation report by an external registered/authorised verifier

The Danish Chamber of Commerce is generally positive towards initiatives with the intend of enabling easier access for investors, companies and private savers to reliable information about the green solution, projects etc. in which the investor is placing an investment. External verification aligning a project or the like with leading best market practices by formally accredited verifiers is, thus, in general a positive thing.

It is also in this context important to ensure that this initiative does not entail unnecessary burdens on business which is not proportional with the advantages of the initiative. This could for instance be that the external verification process becomes too expensive for issuers to use in light of the potential investment in the project and on this ground are faced with challenges to obtain financing of projects. This could undermine some incentive to issue Green Bonds in competitive, ground-breaking new sustainable projects.

Furthermore, the TEG recommends established an accreditation regime for verifiers placing the oversight and supervision of the external review with ESMA and – while the TEG proposes the development and preparation of this centralised approach to accreditation with an estimated timeframe of 2-3 years – an interim market-based voluntary approach.

The Danish Chamber of Commerce suggests that the market-based voluntary approach with the inclusion of representatives of key market participants, representatives of the future EU Platform on Sustainable Finance, as well as organisations with hands-on experience in designing, setting up and operating verification schemes for sustainability standards should be the starting point basing the verification on the free market mechanisms and competitiveness of business. Hereafter – on basis of evaluation of experiences with the voluntary market – a centralised approach by ESMA can be considered if the voluntary approach is not satisfactory.

Best regards,

Selina Lautrup Rosenmeier

Legal Consultant