

LEGAL ALERT

EUROPEAN REGULATION ON THE ISSUANCE OF GREEN BONDS

On October 5, 2023, the European Parliament approved the [text](#) of the Proposal for a Regulation of the European Parliament and of the Council on European green bonds: the **European Green Bond Regulation (Regulation)**, in line with the [Paris Agreement](#) and the goal of carbon neutrality.

A. OBJECT

The purpose of the Regulation is to establish uniform requirements for issuers wishing to use the designation “European Green Bond” (**EuGB**), distinguishing between:

- **Bonds marketed as environmentally sustainable:** these are bonds whose issuer guarantees to investors (or states through its pre-contractual information, in whatever form) that the proceeds of the bonds are used in economic activities that contribute to an environmental objective; and
- **Sustainability-linked bonds:** these are bonds whose financial or structural characteristics vary depending on whether the issuer achieves predefined environmental sustainability objectives.

Specifically, an EuGB is a financial debt instrument with the aim of financing environmentally sustainable investments, projects, expenses, or assets that meet the requirements set out in the Regulation.

Its issue must be accompanied by the publication of a prospectus, in accordance with [Regulation \(EU\) 2017/1129 of the European Parliament and of the Council of June 14, 2017](#) on the prospectus

to be published when securities are offered to the public or admitted to trading on a regulated market.

The Regulation also creates a system for the registration and supervision of external verifiers of European green bonds.

B. THINGS TO REMEMBER

- **Information and transparency obligations:** issuers wishing to issue a **EuGB** must:
 - Complete an information sheet concerning the EuGB in question, which may relate to more than one EuGB issue. The information sheet must be subject to a pre-issuance check and a positive opinion from an external verifier (Article 10 of the Regulation);
 - Draw up annual reports on the allocation of EuGB revenues to economic activities aligned with environmental sustainability, in accordance with the requirements defined in the [Taxonomy](#) (Articles 4 to 8 and 11 of the Regulation);
Draw up and publish an EuGB impact report describing the environmental impact of the use of its revenues, to be published after the revenues have been fully allocated (Article 12 of the Regulation);
- **External verifier intervention:** the information sheet and impact reports are subject to verification by external verifiers, before and after the EuGB is issued, whether they are financial issuers or sovereign entities (Articles 10, 11 and 13 of the Regulation). External verifiers are **subject to registration and supervision by ESMA** (Articles 22 et seq. of the Regulation), and a special regime applies to external verifiers from third countries (Articles 39 et seq. of the Regulation);
- **Supervision by the competent authorities:** supervisory and investigative powers are granted to the competent national authorities, including:
 - Require the provision of information or the publication of mandatory materials (fact sheets, reviews and evaluations, annual reports on their allocation or impact reports);
 - Suspending for 10 days or prohibiting an offer or admission to trading on a regulated market of EuGBs or their advertising;

- Prohibit an issuer from issuing EuGBs for a period not exceeding one year;
- Carry out inspections or investigations;
- Apply precautionary measures;
- Applying administrative sanctions or other appropriate administrative measures, including fines.

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