



NextGenerationEU: European Commission gearing up for issuing €250 billion of NextGenerationEU green bonds

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The European Commission has today adopted an independently evaluated Green Bond framework, thus taking a step forward towards the issuance of up to €250 billion green bonds, or 30% of NextGenerationEU's total issuance. The framework provides investors in these bonds with confidence that the funds mobilised will be allocated to green projects and that the Commission will report on its environmental impact.

Now that the framework has been adopted, the Commission will soon proceed with the first green bond issuance in the month of October, subject to market conditions.

Commissioner in charge of Budget and Administration, Johannes **Hahn**, said: *"The EU's intention to issue up to €250 billion in green bonds between now and end-2026 will make us the largest green bond issuer in the world. This is also an expression of our commitment to sustainability and places sustainable finance at the forefront of the EU's recovery effort".*

As announced earlier this year, the Commission has also reviewed its plan for funding the recovery in 2021 and confirmed its intention to issue a total of around €80 billion of long-term bonds this year, to be topped up by tens of billions of euros of short-term EU-Bills.

The Commission will be offering the EU-Bills exclusively via auctions, with its auctioning programme due to start on 15 September. The Commission will be organising typically two auctions per month for EU-Bills, on the first and third Wednesday of the month. The auctioning programme will also be used for bonds, in addition to syndications. Under its issuance calendar released today, the Commission in general will be holding one auction and one syndication per month for its bonds.

Commissioner Johannes **Hahn** added: *"The confirmation of our original funding plan for 2021 is a sign of the excellent planning and preparatory work done so far. The launch of our auctioning platform is another piece of great news, which will further raise the attractiveness of EU borrowing and have a lasting impact on the EU capital markets."*

NextGenerationEU Green Bond framework – a state-of-the-art exercise

Today's NextGenerationEU green bond framework has been drafted in line with the green bond principles of the International Capital Market Association (ICMA), which is a market standard for green bonds. In line with standard practice, the framework has been reviewed by a second party opinion provider, Vigeo Eiris, part of Moody's ESG Solutions, which considers that the framework is aligned with the ICMA's Green Bond Principles, is coherent with the EU's wider Environmental, Social and Governance (ESG) strategy and will provide a robust contribution to sustainability.

The framework has been aligned, to the extent feasible, with the European green bond standard. The EU Green Bond standard proposal was tabled by the Commission in July 2021 with a subsequent co-decision process in the European Parliament and Council, which will be followed by an implementation period prior to entry into force. This alignment is reflected for example in the fact that a portion of the eligible investments under the Recovery and Resilience Facility (RRF) – the main instrument to drive Europe's recovery - have integrated the EU taxonomy technical screening criteria.

Making sure that the green bonds are used for green objectives

Today's framework demonstrates to the investor community how the funds raised by the NextGenerationEU green bond issuance will be used for green objectives.

More concretely, the NextGenerationEU green bond proceeds will finance the share of climate-relevant expenditure in the RRF. Every Member State has to dedicate at least 37% of their national Recovery and Resilience Plan – the roadmap to spending the funds under the Recovery and Resilience Facility – to climate-relevant investments and reforms, with many Member States planning to do more than required.

Under the RRF rules, Member States will report to the Commission the green expenditures that they make. The Commission will use that information to show to investors how the green bonds proceeds have been used to finance the green transition. The reporting will be organised around nine categories as identified in the NextGenerationEU Green Bond framework, with clean energy, energy efficiency and clean transportation taking the largest share.

Reporting

In line with standard practice, the framework will report on both allocation and impact. For the allocation reporting, the Commission will use Member States' data on spending on green projects. An independent external auditor will verify the allocation reporting.

Impact reporting will be a cross-Commission exercise, drawing on the wide expertise inside the institution. This reporting will allow investors in NextGenerationEU green bonds to gauge the beneficial impact of their investment. To ensure that the impact reporting is meaningful, unbiased and accurate, the European Commission will rely on independent expert advice. On this basis, the Commission will disclose how the proceeds of the NextGenerationEU green bonds have been allocated to different investment categories and Member States.

Next steps

Following the release of the framework, the launch of NextGenerationEU green bonds is imminent, with the first issuance already planned for October 2021, using the syndicated issuance format.

Background

NextGenerationEU is a temporary recovery instrument of some €800 billion in current prices to support Europe's recovery from the coronavirus pandemic and help build a greener, more digital and more resilient Europe.

To finance NextGenerationEU, the European Commission – on behalf of the EU – will raise from the capital markets up to around €800 billion between now and end-2026. €421.5 billion available mainly for grants (under RRF and other EU budget programmes); €385.2 billion for loans. This will translate into borrowing volumes of an average of roughly €150 billion per year.

Given the volumes, frequency and complexity of the borrowing operations ahead, the Commission will follow the best practices used by large and frequent issuers, and has implemented [a diversified funding strategy](#).

In September 2020, the European Commission announced its intention to raise 30% of the NextGenerationEU funds through the issuance of green bonds and use the proceeds to finance green investments and reforms, in a clear sign of its commitment to sustainability.

For More Information

[Green Bond framework](#)

[Questions and Answers on NextGenerationEU Green Bond framework](#)

[NextGenerationEU Green Bonds](#)

[EU as a borrower website](#)

[Recovery plan for Europe](#)

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