



Expenditures to be financed by NextGenerationEU green bonds

The European Commission shows NGEU green bond expenditure in a dedicated dashboard. The dashboard shows which measures in the Recovery and Resilience Plans (RRPs) are receiving financing from NGEU green bonds¹. To determine whether individual measures will receive financing from NGEU green bonds, the Commission has put in place a robust multilevel framework of control and assessment procedures.

Recovery and Resilience Plan assessment

First, all the national RRP are assessed for compliance with the eligibility and assessment criteria under the Recovery and Resilience Facility Regulation. Under this regulation, all measures are assessed against three criteria of particular relevance from a green bond perspective: a) whether the intervention field given to the measure (which determines the corresponding climate coefficient of 40% and 100%) is correctly assigned; b) whether the measures comply with the Do No Significant Harm principle (DNSH) as defined in the Taxonomy regulation Art. 17 and specific RRF related guidance² and c) whether the measures are consistent with National Energy and Climate Plans. The assessment also ensures that milestones and targets are agreed. This allows the Commission to trace the implementation of the measures in a meaningful and rigorous way. Following a positive assessment, the RRP are adopted by the Council through a Council Implementing Decision which sets out the reforms and investments to be implemented, the milestones and targets to be reached, and the amount of funding to be released if milestones/targets are met.

¹ The Commission issued the first NGEU green bond in October 2021 based on the NGEU green bond framework. The NGEU green bond framework has been reviewed by an independent second party opinion provider, who attested to NGEU green bonds' robust contribution to sustainability and confirmed that the framework is aligned with the four core components of the ICMA Green Bond Principles.

² Commission Notice Technical guidance on the application of 'do no significant harm' under the Recovery and Resilience Facility Regulation 2021/C 58/01.

Due diligence

Second, all measures are subject to an additional due diligence exercise prior to being admitted to the pool of measures that will receive financing from NGEU green bonds. The due diligence exercise aims to minimise the risk that individual projects financed by NGEU green bonds are not in line with the strict and conservative standards that investors expect with respect to their relevance and impact. It is important to stress that the criteria for inclusion in the pool differ from the criteria applied to determine whether measures contribute to climate objectives. In particular, whether or not a measure is included in the pool does not impact the attribution of climate intervention fields in the context of the RRF Regulation.

Implementation of measures

Third, in the context of payment requests and in line with the performance-based nature of the RRF, the Commission carefully monitors the implementation of all measures. The plans contain milestones and targets for all measures, on which Member States report biannually (one year before their expected completion) and when requesting payments. Before payment, the Commission draws on detailed evidence to assess whether the milestones and targets have been satisfactorily fulfilled. In select cases where it was not possible ex-ante to ensure that the measure would fulfil requirements related to DNSH or climate objective intervention fields (for instance because the measure was a financial instrument which allows investment in several sectors), specific conditions on the ‘green-ness’ of the measures have been included in the milestones and targets. The Commission will assess these conditions as part of checking milestones and targets for the relevant payment requests. The information provided will allow the Commission to follow the implementation of each measure carefully and identify any possible issues which may arise. If such conditions are not fulfilled, payment will first be suspended and, if no corrections are made by the Member States, proportionally reduced. If during the monitoring of the plans doubts arise as to whether a specific measure fully meets the standards expected from NGEU green bonds, the measure can be removed from the pool. In the context of the payment requests, Member States also report the amount of money actually spent on the individual measures that are included in the pool. This allows the Commission to track green bond proceeds through to their final allocation to the specific measures.

Checking the information

Fourth and finally, the Commission has the opportunity to check the information Member States provide on the completion of milestones and targets. The Commission will include both system audits on Member States’ monitoring and control systems and undertake risk-based ex-post audits on the fulfilment of specific milestones or targets, including those related to measures with a climate objective. In cases where an audit or any other evidence raises doubts on whether a specific measure fully meets the standards expected from NGEU green bonds, the measure can be removed from the pool. Among other criteria, this control framework assures that no measures for energy creation from nuclear or from gas are included in the pool.

Dashboard and Allocation

The Green Bond Dashboard's objective is to provide full transparency about how the financing raised from NGEU green bonds is invested by EU countries and which green measures are being financed. It provides a real-time overview of the measures included in the pool of green bond expenditures. This full transparency seeks to further reassure investors that the Commission is issuing green bonds in line with the highest standards and best market practices.

The dashboard will be updated regularly to include new reporting by the Member States on expenditure for measures included in the pool. When new or revised plans which affect the list of measures included in the pool are approved, updates will also be made, both to add new measures or remove measures that should no longer remain in the pool.

The initial pool published in March 2022 is based on the plans approved as of the end of February 2022 (22 out of 27). At that time, following the due diligence process described in previous section, the Commission has included measures in the green bond financing pool corresponding to close to EUR 160 billion, or around 30% of NGEU funds included in the 22 approved RRP's to date. This high level of green expenditure reflects both the high quality of measures in the RRP's and the fact that many Member States have actually exceeded the 37% climate target in their national plans, including a higher proportion of measures contributing to climate objectives than required. The Commission has not yet processed the assessment of the 22 approved plans in full. It will conclude the processing and update the dashboard accordingly prior to the first allocation report.