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UPDATE

European Green Bonds and Luxembourg's role in shaping sustainable finance

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Saniyé Tipirdamaz and Lara Forte explore how this new regulation is reshaping the legal and financial landscape, and why Luxembourg is particularly well-placed to lead in this next phase of green capital markets.

In today's markets, ESG remains a fashionable acronym, a trend that can often feel more performative than practical. But with global environmental concerns becoming more urgent, the regulatory response is becoming increasingly concrete. Nowhere is this more evident than in the European Union's latest initiative to standardise sustainable finance: the European Green Bond Standard.

The European Green Bond Standard

The European Green Bond Standard (EuGBS) has been in force since December 2024, marking a milestone in the EU's commitment to a climate-neutral economy. As part of the European Green Deal (a set of policy initiatives by the European Commission with the overarching aim of making the EU climate neutral by 2050), the EuGBS has reinforced investor trust and transparency in the green finance space.

Since the regulation took effect in 2024, at least six European Green Bonds have been issued. Italian utility company A2A opened the market in January 2025 with a €500 million European Green Bond dual-listed on the Luxembourg Stock Exchange, attracting investor orders worth more than four times the amount offered. In April this year, the European Investment Bank followed with a €3 billion 12-year European Green Bond, 13-times oversubscribed.

In legal terms, this regulation is not just symbolic, it provides clear definitions and obligations that are already shaping markets and will continue to do so for years to come. It sets out who can issue a European Green Bond, under what conditions, and for which types of projects.

Issuers can include both corporate entities and sovereign bodies established within the EU. To qualify for the European Green Bond label, at least 85 per cent of the bond's proceeds must be allocated to economic activities that align with the EU Taxonomy Regulation, meaning they meet specific technical screening criteria for environmental sustainability. The remaining 15 per cent may be directed toward activities not yet covered by the Taxonomy, provided they comply with additional safeguards, such as the 'do no significant harm' principle. Examples include economic activities such as renewable energy generation, low-carbon transportation infrastructure, energy-efficient building upgrades, water management and circular economy initiatives, among others.

Europe's shift from voluntary principles to the legally binding European Green Bonds label has cemented its status as the reference point for global sustainable finance. In doing so, it's helping to define not only market behaviour but also the broader culture of financial responsibility.

Beyond the borders of the EU, other major economies are taking note. China sold its first sovereign European Green Bond-style note in London this spring, and India's Ministry of Finance signalled it will adapt its existing sovereign green-bond framework to the EU template. This growing international interest emphasises the global relevance of the European Green Bonds and positions Europe as a model for sustainable finance.

Luxembourg's role in advancing ESG

Luxembourg has long played a prominent role in advancing ESG initiatives in Europe and globally. The establishment of the Luxembourg Green Exchange, the first platform dedicated exclusively to sustainable finance instruments, reflects a national commitment to sustainability that goes far beyond compliance.

With the European Green Bonds operational, Luxembourg continues to act as a key hub for structuring, issuing, and listing compliant green bonds. The country's well-developed financial infrastructure, experienced legal and advisory community, and proactive regulatory environment offer issuers a favourable ecosystem in which to navigate the new framework.

Seven months into the regime, the European Green Bonds label proves that ESG has moved from aspiration to enforceable legal obligation. This means ESG is no longer just a question of optics or reputation, but one of compliance and legal risk.

At Mourant, we welcomed the arrival of the European Green Bond Standard as a step toward meaningful, enforceable progress in the sustainability arena. We see first-hand how this regulation is not only reshaping markets but also driving accountability.

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