



# EU Strategy on Sustainable Finance

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**Caroline Wellemans**

Deputy Head of Unit  
Unit B2 –sustainable finance  
Directorate General for Financial Stability, Financial Services and  
Capital Markets Union

# EU keeps on increasing ambition on climate change




Jean Claude Juncker, 2014


2014-2019

## A Resilient Energy Union with a Forward-Looking Climate Change Policy

### Target



- **40%** cuts in greenhouse gas emissions by 2030



- **32%** renewables in energy consumption



- **32,5%** energy savings

### Progress

Climate and energy legislation, if implemented: 45% greenhouse gas emission by 2030



Ursula von der Leyen, 2019


2019-2024



## A European Green Deal:

a new growth strategy that aims to transform the EU into a fair and prosperous society with a modern, resource efficient and competitive economy

### Target



- **50%** cuts in greenhouse gas emissions by **2030**



- **Climate-neutral** continent by **2050**

# Financing the Green Transition



**Massive investments will be needed:**  
EUR260bn per year additional for 2030 climate and energy targets



**THE EUROPEAN GREEN DEAL  
INVESTMENT PLAN**

3 dimensions



## **FINANCING**

Mobilising at least EUR 1 trillion of sustainable investments by 2030



Private sector



EU budget



National budgets



## **ENABLING**

Providing incentives to unlock and redirect public and private investment



**Renewed Sustainable Finance Strategy &  
Taxonomy & EU Green Bond Standard**



## **PRACTICAL SUPPORT**

Support to public authorities and project promoters in planning, designing, and executing sustainable projects



Generation of projects

# Towards a renewed sustainable finance strategy

## 2018 Action Plan on financing sustainable growth

### Reorient capital flow towards more sustainable investments

- 1 Establish a **Taxonomy** of environmentally sustainability activities
- 2 Create **standards and labels** for green financial products
- 3 Foster investment in sustainable projects
- 4 Incorporate **sustainability** in providing investment **advice**
- 5 Develop sustainability **benchmarks**

### Mainstreaming sustainability in risk management

- 6 Better integrate sustainability in ratings and market research
- 7 Clarify institutional **investors'** and asset managers' **duties**
- 8 Incorporate sustainability in **prudential requirements**

### Foster transparency & long-termism

- 9 Strengthen corporate **sustainability disclosure**
- 10 ↑sustainable **corporate governance** and ↓ short-termism



European  
Green Deal



Renewed  
sustainable  
finance  
strategy



# EU Taxonomy

## Objective

- Provide a **classification tool** to help investors and companies to make informed investment decisions on environmentally sustainable activities
- It is a **robust, science-based, and ambitious tool**, in line with our environmental objectives, incl. those towards climate neutrality.

- ✓ **Investors' protection: certainty for economic actors** and financial market participants that their investments are truly green => ↓ risks of greenwashing
- ✓ **Easier and less costly to raise capital** (no burden to compare information)
- ✓ **Facilitate cross-border capital flows**
- ✓ **Basis for further policy action**

## What is it?

- A list of economic activities that are environmentally sustainable based on a rigorous methodology. To be included in the Taxonomy, an economic activity must meet the following criteria:

substantially contribute to 1 of the 6 objectives

+ Do not significantly harm any of the other 5 obj.

+ Minimum social\* safeguards

### 6 environmental objectives

1. Climate change mitigation
2. Climate change adaptation
3. Sustainable use & protection of water
4. Circular economy, waste prevent & recycling
5. Pollution prevention and control
6. Protection of healthy ecosystems

### Meet the technical screening criteria

(be technological neutrality, be quantitative as far as possible, take into account life cycle, etc.)

\* Observe International Labour Organisation (ILO) core labour conventions

# EU Taxonomy

## What is it not?

- ❖ A rating of good or bad companies
- ❖ A mandatory list to invest in
- ❖ Making a judgement on the financial performance of an investment
- ❖ Inflexible or static

## Use: is it obligatory ?

- **Institutional investors and asset managers** have to disclose how and to what extent their investments meet the taxonomy criteria
- **EU Member States and the EU** are required to use the EU Taxonomy when creating public labelling schemes for 'green' investment products and corporate bonds
- **Companies** under the scope of the Non-Financial Reporting Directive (NFRD) (i.e. listed companies with more than 500 employees) have to disclose how and to what extent their activities are environmentally sustainable (proportion of Capex and Opex)

Further voluntary use by a range of actors

# TEG on Sustainable Finance assists the Commission

35 experts - from July 2018 to year-end 2019

1

**Disclosures (reporting)**

guidance to improve corporate disclosure of climate-related information



Call for feedback

2

**Taxonomy**

Technical screening criteria for environmentally sustainable economic activities



Call for feedback

3

**Benchmarks**

Minimum standards for the two new types of climate benchmarks & Benchmarks ESG disclosures



Interim  
June 2019



Call for feedback



4

**Green Bond Standard**

An EU Green Bond Standard



Interim  
Mars 2019



Call for feedback



# The Technical Expert Group report on taxonomy – June 2019 (1/3)


## TEG








Composed of **35 experts** from civil society, academia, business and the finance sector, as well as **10 additional** members and observers from EU and international public bodies

- All assessments made by TEG were based on **scientific evidence, literature and international practice**
- TEG report **initial** focus is on **climate change mitigation and adaption**

## 7 Sectors 67 activities

- highest-emitting macro sectors (represent 93.2% of GHG emissions in the EU)



	Agriculture and forestry
	Manufacturing
	Electricity, gas, steam and air conditioning supply
	Water, sewerage, waste and remediation
	Transport
	Information and Communication Technologies (ICT)
	Buildings

## Screening criteria

- Substantial contribution to one environmental objective (for climate change mitigation → e.g. GHG emission thresholds)
- Do not significant harm to any of the other environmental objectives

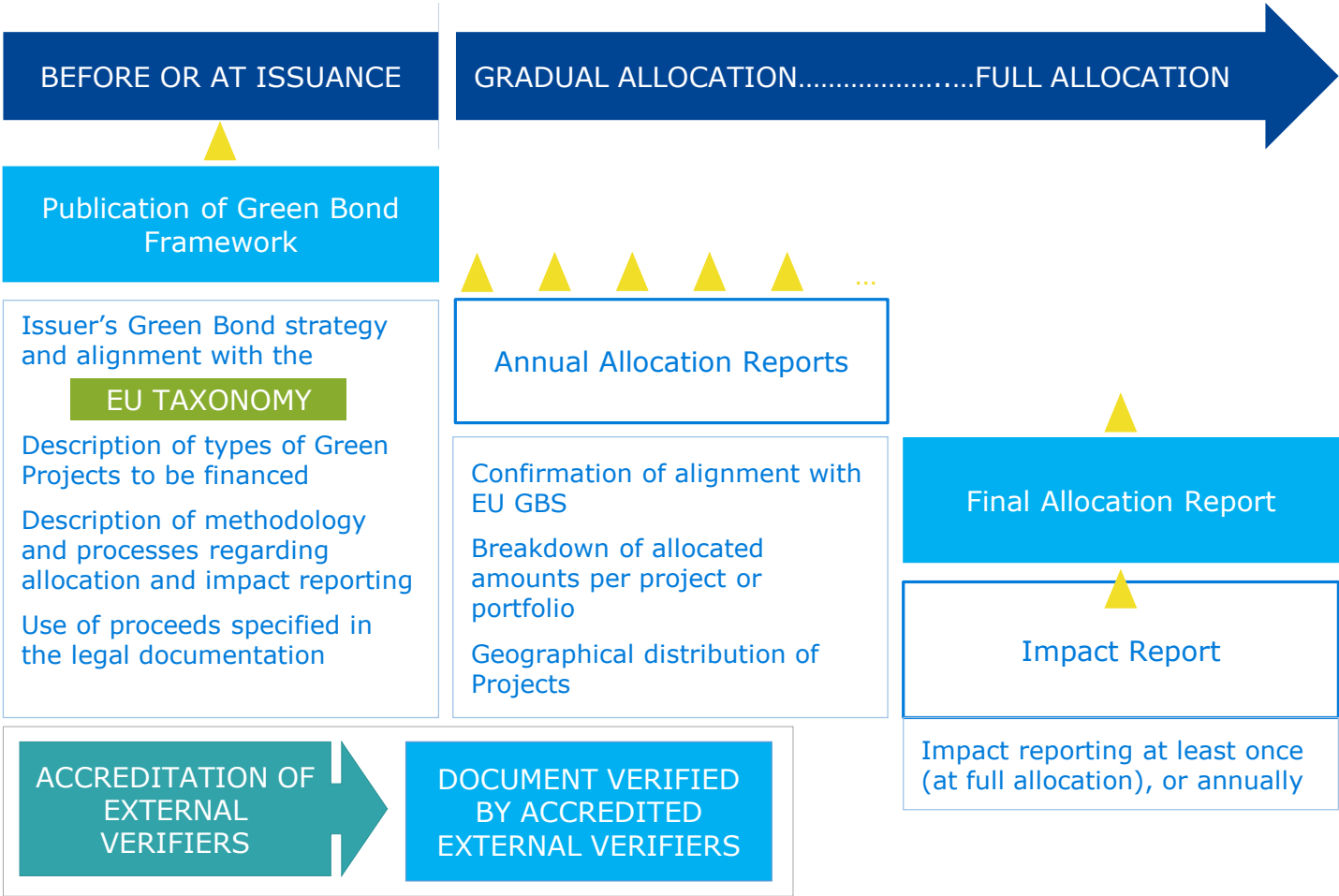


# TEG report on Green Bonds Standard – June 2019

## Proposed core components



## How would the EU-GBS work?



# International Cooperation on Sustainable Finance



- **Financial markets are international** and interconnected **and so are the challenges** to deliver on the Paris Agreement and the Sustainable Development Goals.
- They offer a great opportunity to help all countries finance their transition towards a low carbon economy by linking global sources of funding with local financing needs.
- This potential is however largely untapped.



- To mobilise international investors, we need to promote integrated markets for environmentally sustainable finance at global level.
- This is the reason why the European Union together with relevant authorities from Argentina, Canada, Chile, China, India, Kenya and Morocco launched on 18 October 2019:

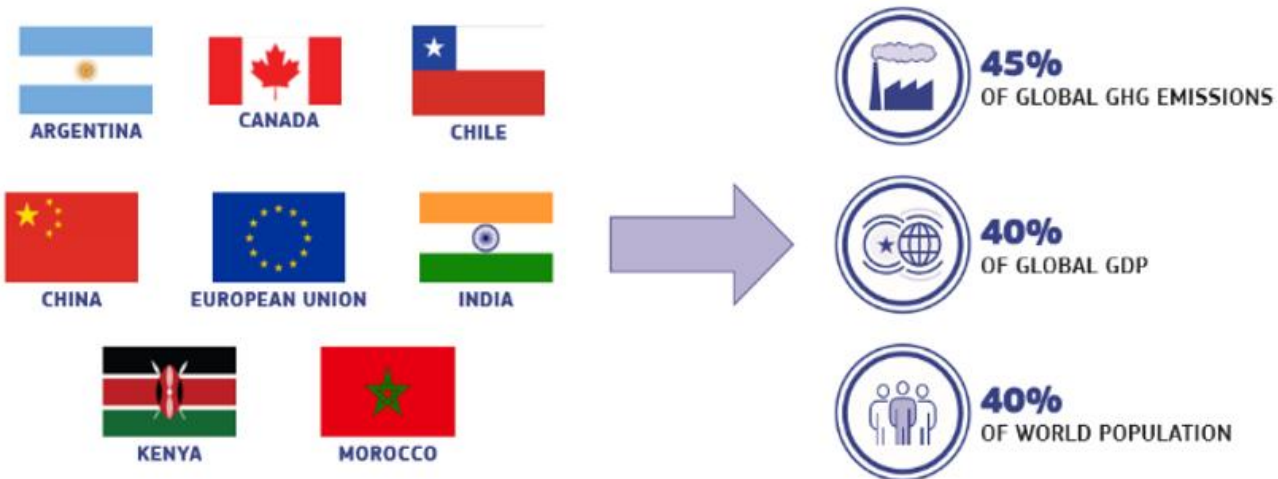
**International Platform on Sustainable Finance (IPSF).**

# The International Platform on Sustainable Finance

## Objective

- Countries agree to exchange best practices and coordinate efforts on environmentally sustainable finance initiatives in the areas of taxonomies, disclosures, standards and labels.
- The IPSF is members-driven and open to those jurisdictions which are taking actions and willing to promote international cooperation in the area of environmentally sustainable finance.
- Building coherent international strategies such as the **IPSF is vital** to stimulate investment and redirect capital flows towards our climate objectives at the scale required for the most important economic transition of our times.

## Members



## Observers



# The International Platform on Sustainable Finance



## WHAT THE IPSF IS

It is a multilateral forum for facilitating **exchanges**.

It compares and coordinates efforts on initiatives and approaches to environmentally sustainable finance, while respecting national and regional contexts.

It is a forum for **public authorities** in charge of developing environmentally sustainable finance policies and initiatives (ministries of finance/economy, central banks, and supervisory and regulatory authorities).



## WHAT THE IPSF IS NOT

It is **not an institutionalised body**, nor does it create any binding, legal or financial obligations on any member under domestic or international law.

It does not create global standards nor does it impose to its members to adhere to other members' rules or approaches on environmentally sustainable finance.

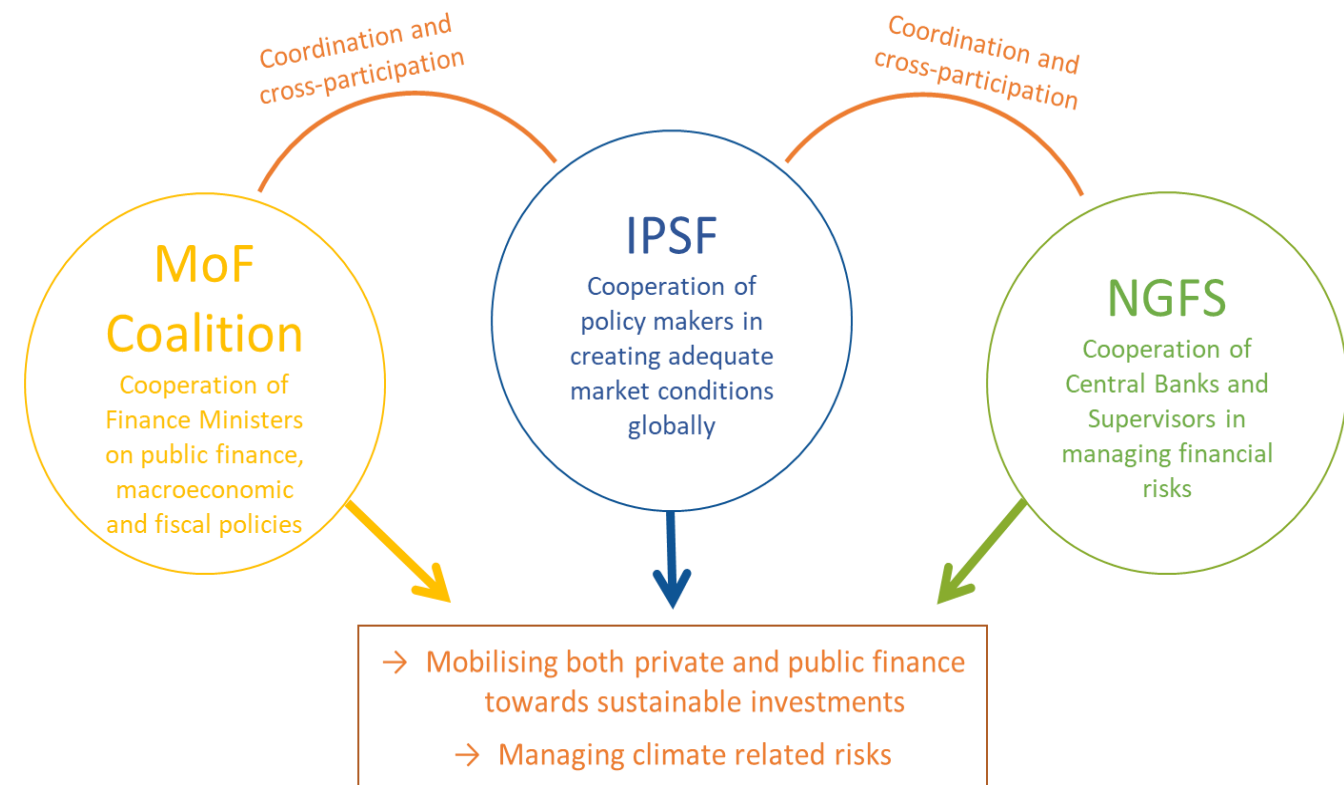
It is not a forum for **private companies** whether or not, working on environmentally sustainable finance issues.



The IPSF is **open to public authorities**, which are taking action and willing to promote international cooperation in the area of environmentally sustainable finance.  
Join us by sending your application to the IPSF secretariat ([fisma.ipsf@ec.europa.eu](mailto:fisma.ipsf@ec.europa.eu)).

***Together, we can make a difference!***

# International Cooperation on Sustainable Finance



- The IPSF will complement

⇒ the **Network of central banks and supervisors for Greening the Financial System (NGFS)**

⇒ the **Coalition of Finance Ministers for Climate Action**.

Public authorities of different jurisdictions have decided to cooperate and coordinate their efforts on:

- **supervision and prudential practices;**
- **public finance, macro-economic and fiscal policies;**
- **approaches and initiatives (including regulatory tools) for capital markets.**



# Thank you

February 2020