European Commission

FINANCING SUSTAINABLE GROWTH

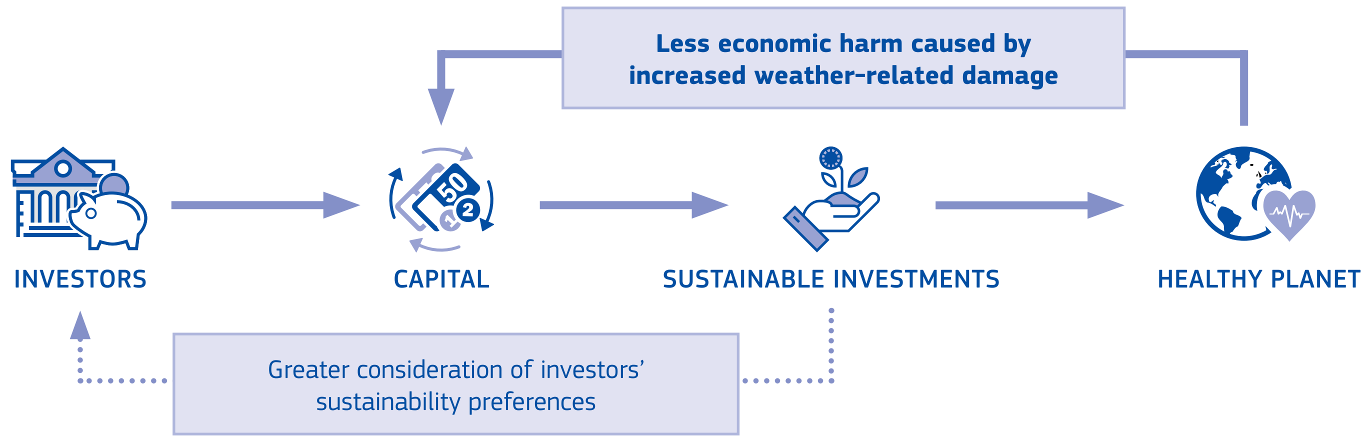
#SustainableFinanceEU

SUSTAINABLE FINANCE

Major **private and public investments are needed to transform the EU economy** to deliver on climate, environmental and social sustainability goals, including the Paris Agreement and the UN Sustainable Development Goals (SDGs).

Sustainable finance makes sustainability considerations part of financial decision-making. This means more climate neutral, energy- and resource-efficient and circular projects. Sustainable finance is needed to implement the Commission's strategy towards achieving the SDGs.

Integrating sustainability considerations will mitigate the impact of natural disasters as well as environmental and social sustainability issues that can affect the economy and financial markets.



"To meet our Paris targets, Europe needs between €175 to €290 billion in additional yearly investment in the next decades. We want a quarter of the EU budget to contribute to climate action as of 2021. Yet, public money will not be enough. This is why the EU has proposed hard law to incentivise private capital to flow to green projects. We hope that Europe's leadership will inspire others to walk next to us. We are at two minutes to midnight. It is our last chance to join forces."

VALDIS DOMBROVSKIS
Vice-President in charge of Financial Stability, Financial Services and Capital Markets Union

FINANCE CAN MAKE THE DIFFERENCE

The EU has committed to three ambitious climate and energy targets by 2030:

40%	32%	32.5%
Minimum **40%** cut in greenhouse gas emissions compared to 1990 levels	At least a **32%** share of renewables in final energy consumption	At least **32.5%** energy savings compared with the business-as-usual scenario

To make the EU climate-neutral by 2050, Europe needs between **€175** to **€290** billion in additional yearly investment in the next decades.

WHY DO WE NEED TO ACT TOGETHER?

Transitioning to a climate-neutral economy requires global solutions. It is therefore time to align these various initiatives across jurisdictions to:

- scale up sustainable finance to plug the current investment gap
- ensure compatible markets for sustainable financial assets across borders and avoid fragmentation
- achieve economies of scale by exploring synergies

BENEFITS FOR INVESTORS

greater choice of projects and green finance products to satisfy the fast growing demand

BENEFITS FOR BUSINESSES

new sources of funding through global capital markets and the financial sector worldwide

EU SUSTAINABILITY POLICIES

CLIMATE AND ENERGY	ENVIRONMENT	INVESTMENT AND GROWTH	SUSTAINABLE FINANCE

• 2030 Climate and Energy Framework
• Energy Union Package
• EU Strategy on Adaptation to Climate Change
	• Natural Capital Management
	  • Air
	  • Water
	  • Land
	  • Biodiversity
	• Circular Economy
		• Investment Plan for Europe (Fund for Strategic Investment (EFSI); InvestEU; EU cohesion policy funds)
		• External investment plan
		• Horizon 2020
			• Sustainable Finance within the Capital Markets Union

- Long-term strategy to reach carbon neutrality by 2050
- EU Environmental Action Plan

WHAT IS THE EU DOING?

The EU is acting: 3 pieces of legislation presented in May 2018 will incentivise and channel private sector investment into green and sustainable development. This follows a 10-point Action Plan for sustainable finance.

1 A UNIFIED EU GREEN CLASSIFICATION SYSTEM – 'TAXONOMY'

to determine if an economic activity is environmentally sustainable based on harmonised EU criteria. The European Parliament adopted its report in March 2019. In June 2019, the Technical Expert Group on Sustainable Finance published the first classification system – or taxonomy – for environmentally-sustainable economic activities. This aims to provide guidance for policy makers, industry and investors on how best to support and invest in economic activities that contribute to achieving a climate neutral economy.

To qualify as green, an investment would need to contribute to at least one of these **six objectives**:

CLIMATE CHANGE MITIGATION	CLIMATE CHANGE ADAPTATION	SUSTAINABLE USE OF WATER AND MARINE RESOURCES
CIRCULAR ECONOMY	POLLUTION PREVENTION	HEALTHY ECOSYSTEM

2 SUSTAINABILITY-RELATED DISCLOSURES

Enhanced disclosures by manufacturers and distributors of financial products to end-investors. Financial market participants will have to disclose to their clients the impact of sustainability on financial returns and the impact of their investment decision on sustainability. The European Parliament and the Council reached a political agreement in March 2019.

3 CLIMATE BENCHMARKS AND BENCHMARKS' ESG DISCLOSURES

Two new categories of climate benchmarks to orient the choice of investors who wish to adopt a climate-conscious investment strategy. Political agreement reached by European Parliament and Council in February 2019. The TEG published an interim report on climate benchmarks and benchmark's environmental, social and governance (ESG) disclosures, and launched call for feedback in June 2019.

OTHER INITIATIVES

STRENGHTENING INTERNATIONAL COOPERATION

On-going discussions with third countries to scale up sustainable finance globally.

EU STANDARDS AND LABELS

Creating EU standards and labels for green financial products. The Technical Expert Group on Sustainable finance published a report on an EU Green Bond Standard in June 2019. The European Commission is currently developing EU Ecolabel criteria for financial products.

PREFERENCES ON SUSTAINABILITY

Requiring financial firms to take into account their clients' preferences on sustainability when giving investment advice or managing their assets.

ENHANCED TRANSPARENCY IN CORPORATE REPORTING

In June 2019 the European Commission adopted new guidelines for companies on how to report climate-related information, consistent with the Non-Financial Reporting Directive and integrating the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosure.

INTEGRATING SUSTAINABILITY

The European Securities and Markets Authority, the European Banking Authority, the European Insurance and Occupational Pensions Authority have already delivered their advice to the Commission on sustainability risk integration in financial decision-making, and on the need for a change in banks and insurers' prudential treatment of assets with a favourable environmental and social impact (in addition to sustainability-related actions on their own initiative).