

# GREEN BANKING AND INSURANCE: GREENBACKS ONLY FOR GREEN PROJECTS

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EU Green Deal & Sustainable Finance Strategy

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# SUSTAINABLE FINANCE STRATEGY

## *Back to the origins*

- ◆ **March 2018:** Action plan on sustainable finance proposed by the European Commission
- ◆ Based on recommendations from High-Level Expert Group on Sustainable Finance (HLEG)
  - Improve the **contribution of finance** to sustainable and inclusive growth
  - Strengthen **financial stability** by incorporating ESG factors
- ◆ Core goals of the 2018 Action Plan :
  - Reorienting capital flows towards a more sustainable economy
  - Mainstreaming sustainability into risk management
  - Fostering transparency and long-termism
- ◆ **An ecosystem-focused approach which focuses on transparency to make finance more green**

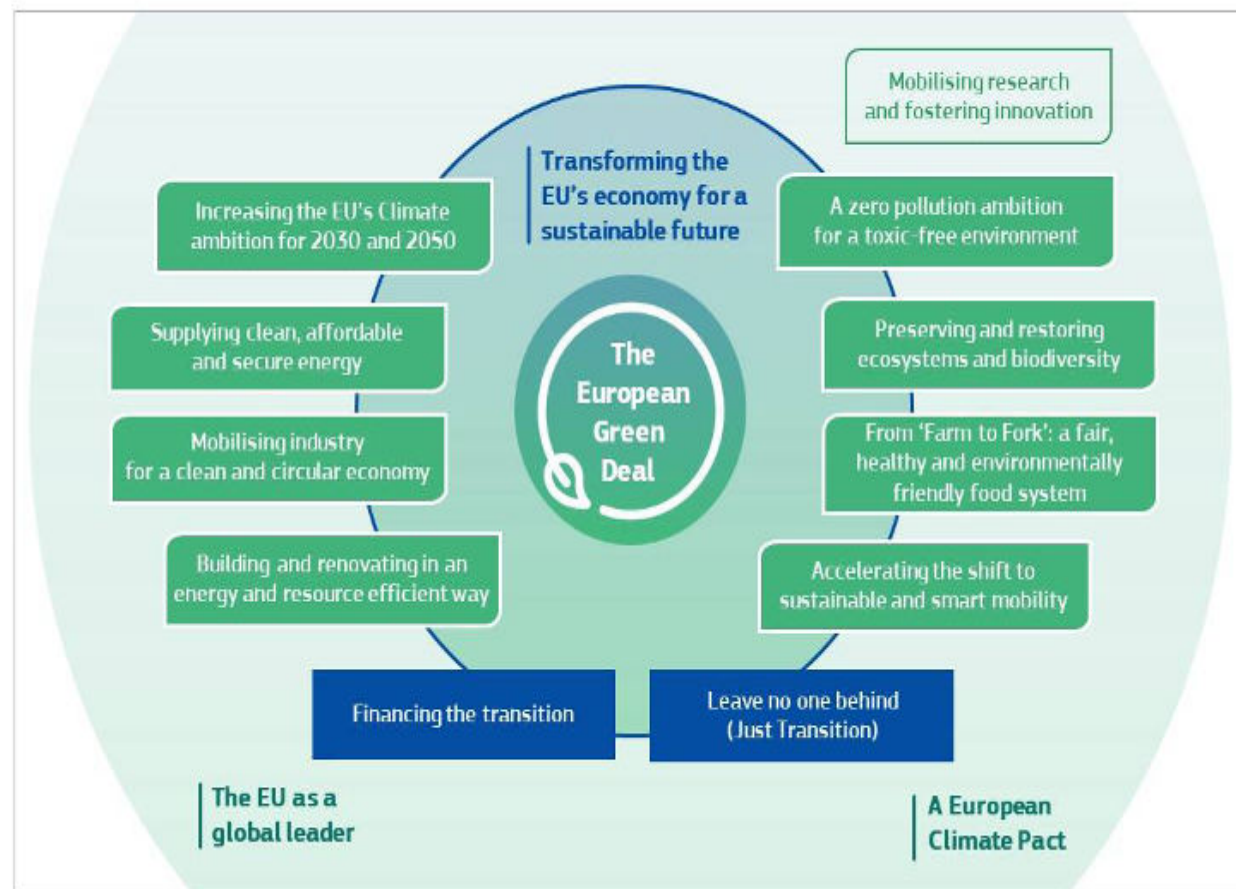
# SUSTAINABLE FINANCE STRATEGY

## *Action Plan measures*

- 1. Establishment of an EU Taxonomy, a classification system for sustainable activities**
- 2. Creation of an EU Green Bond Standard and labels for green financial products**
- 3. Fostering investment in sustainable projects**
- 4. Incorporation of sustainability in financial advice**
- 5. Development of sustainability benchmarks**
- 6. Better integrating sustainability in ratings and market research**
- 7. Clarifying asset managers' and institutional investors' duties regarding sustainability**
- 8. Introducing a 'green supporting factor' in EU prudential rules for banks and insurers**
- 9. Strengthening sustainability disclosure and accounting rule-making**
- 10. Fostering sustainable corporate governance and attenuating short-termism**

# WHAT IS THE GREEN DEAL ?

- ❖ December 2019 : Commission Communication on the **European Green Deal**
- ❖ **Top priority** for the new Commission President, Ursula von der Leyen
- ❖ The Green Deal aims at **transforming** the EU's economy for a sustainable future
- ❖ How?
- ❖ **Strong focus on clean, affordable, and secure energy**



# THE EUROPEAN GREEN DEAL

*Financing the transition will be key*

- ◆ Such a transformation comes at a cost
- ◆ **Mind the financial gap** for the 2030 climate and energy targets
- ◆ Initial estimates: 350 billion € more needed every year during the next decade
  - Hence the need to mobilise **both private and public capital** (InvestEU)
  - Common language and standards (EU Taxonomy) **even more crucial to identify what is “green”/sustainable**
- ◆ The transformation itself must also be sustainable
  - Just Transition Mechanism
  - Avoid stranded assets

# EVOLUTION OR REVOLUTION?

*An EU market for sustainable investment to support the Green Deal*

- ◆ **July 2021: European Commission proposal for a “Renewed” Sustainable Finance strategy, building on the 2018 Action Plan**
  
- ◆ **Several accelerating factors**
  - Annual funding gap estimated **at 470 billion €** only based on 40% reduction target
  - **Increased regulatory pressure** for energy sector - “Fit for 55” package
  - COVID pandemic and recovery focus on Green transition
  
- ◆ **Sustainable investment - from niche to mainstream**
  - Green bonds issuance increased 5-fold in last 5 years in the EU
  - EU green bond market **in value – 129 billion €**
  - In 2020 -> 439 new sustainable funds; total ‘sustainable’ **AuM over 900 billion €**

# WHAT DOES THAT MEAN FOR BUSINESS?

## *Challenges and opportunities ahead*

- ◆ Clarity and certainty of the legal framework (incl. Taxonomy and CSRD standards)
- ◆ Just Transition will not solve all negative externalities
- ◆ Unequal developments across the EU and globally
- ◆ **Preparation is key to “surf the green wave”**
  - **Anticipation** to avoid regulatory costs
  - Mapping for identification of **regulatory impacts and funding needs**
  - **Preparedness** to capitalize on funding opportunities, both public and private
- ◆ **Which strategy?** First-mover or prudent transitioner - taking into account reputational risks (greenwashing)

**Conclusion - time is of the essence; regulatory & finance teams must work together to achieve their green transition**



# YOUR CONTACTS



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