

1. Putting the Financial Sector at the Service of the Climate

November 2018

The Paris Agreement sends a clear signal to capital markets and investors, public and private, that the global transition to clean energy is here to stay. **The European Commission is committed to putting in place the necessary reforms to give the incentives to the financial sector to contribute to the green transition.** Shifting and rapidly scaling up private investment is essential to avoid the 'lock-in' of fossil fuels infrastructure and carbon intensive assets and to reach the Paris Agreement targets for 2030. The annual investment shortfall has been estimated at €179 billion, which is too high for the public sector to provide alone, so the private sector will need to fully play its part in this investment effort.

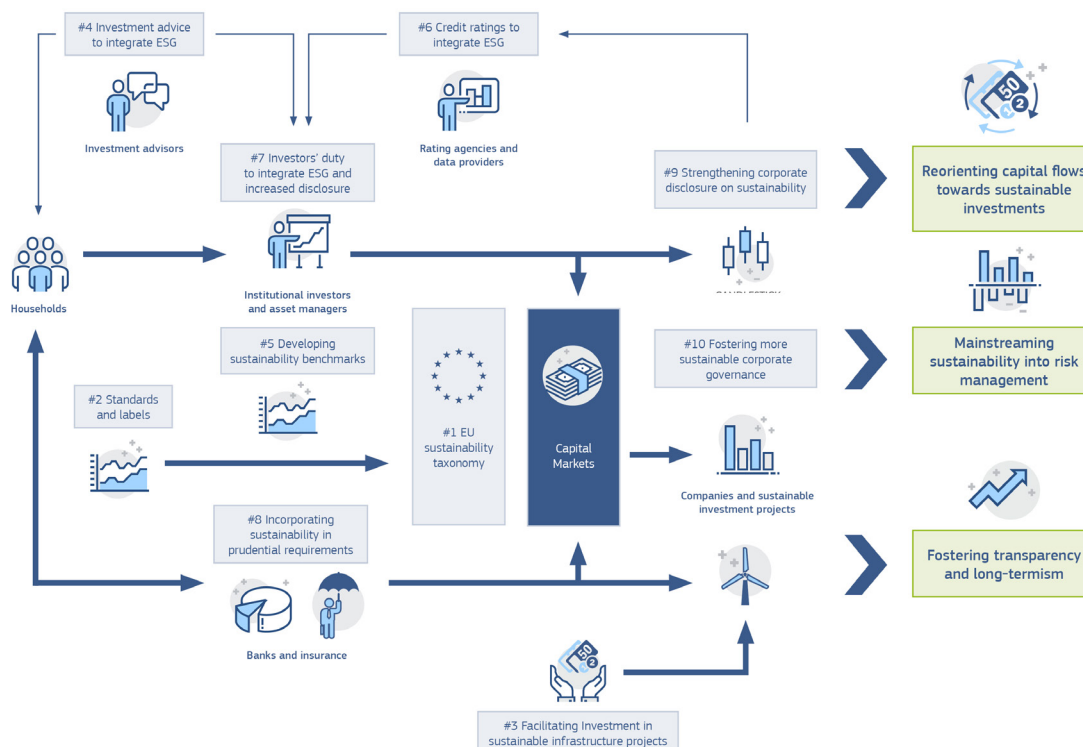
The EU intends to be at the forefront of changes in the global finance industry and **reform the financial sector** in support of the transition to a more sustainable economy. The Financial sector has a key role to play in facing this challenge (€180 billion investment gap per year). **By pioneering action through its Capital Markets Union, the EU intends to be globally leading** the shift and scale up private investment towards achieving the objectives of the Paris Agreement. With the overall goal of supporting the transition by putting in place the **right conditions and incentives for investors** to fund projects such as low-carbon and energy-efficient infrastructure. To that aim the Commission put forward a proposal to require the European Supervisory Authorities to take ESG (Environmental, Social and Governance) risks into account; put in place the Commission's **Action Plan on 'Financing Sustainable Growth'**; and adopted **3 legislative proposals** to:

- ▶ establish a taxonomy on sustainable economic activities,
- ▶ improve disclosure requirements related to sustainability risks and opportunities
- ▶ regulate benchmarks for low-carbon investment strategies

Moreover the Commission proposed to have 25% of the next EU budget (2021-2027) contributing to climate objectives; and established a dedicated financial support for sustainable infrastructure investments through the **"InvestEU"** programme.

How your money is put to work

An overview of the multiple actors in the investment chain



➡ What will the European Commission do next?

What are the next steps:

Assessment of the extension of the eco-label framework to financial products

Clarifying the duty of financial market participants and advisors regarding sustainability risks

Incorporating sustainability in investment advice

March 2019: Conference on Sustainable Finance

June 2019: Technical Expert Group's reports on:

- ▶ A **taxonomy** on climate change mitigation and adaptation;
- ▶ An **EU Green Bond Standard**;
- ▶ Improving climate-related corporate **disclosures**;
- ▶ Low carbon **benchmarks**.

Q2 2019: Revision of guidelines on non-financial reporting building on the recommendations of the Technical Expert Group.



Vice-President Valdis Dombrovskis at the 1st meeting of the High Level Expert Group on Sustainable Finance

