Delivering on sustainable finance for a greener and cleaner economy: First actions

#SustainableFinanceEU | #CMU

SUSTAINABLE FINANCE

Fostering more sustainable private investments is part of the goals of the Capital Markets Union (CMU) to connect finance with the specific needs of the European economy, to the benefit of the planet and our society.

Sustainable finance makes sustainability considerations part of financial decision-making. This means more low-carbon, energy- and resource-efficient circular projects.

Major **investments are needed** to deliver on climate, environmental and social sustainability targets, including the Paris Agreement and the UN Sustainable Development Goals.

WHAT IS HAPPENING TODAY?

- The Commission is following up on its Action Plan of March 2018 with the first legislative proposals.
- These proposals will make it easier and less costly for investors to identify which investments are sustainable. They will put environmental, social and governance risks at the heart of the investment process.

"We should put our money into projects that are compatible with our decarbonisation objectives and the fight against climate change. This is important for the environment and the economy, but also for financial stability. Between 2007 and 2016, economic losses from extreme weather disasters rose by 86%. The proposals presented today show that the European Union is committed to ensuring that our investments go in the right direction. They are about harnessing the vast power of capital markets in the fight against climate change and promoting sustainability."

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% — Minimum **40%** cut in greenhouse gas emissions compared to 1990 levels

27% — At least a **27%** share of renewables in final energy consumption

30% — At least **30%*** energy savings compared with the business-as-usual scenario

** pending finalisation of co-decision procedure*

To reach these goals, we need an extra **€180bn** a year. This number rises to **€270bn** when including goals for the energy, transport, water and waste sector as a whole, according to data by the European Investment Bank.

WHAT ARE ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) FACTORS?

ENVIRONMENTAL

- climate change
- greenhouse gas emissions
- resource depletion, including water
- waste and pollution
- deforestation

SOCIAL

- working conditions, including slavery and child labour
- local communities, including indigenous communities
- conflict and humanitarian crises
- health and safety
- employee relations and diversity

GOVERNANCE

- executive pay
- bribery and corruption
- board diversity and structure
- fair tax strategy

Source: UNPRI

"To achieve the EU's 2030 climate targets, we need around €180 billion a year of additional investments in energy efficiency and renewable energy. Mobilising private capital to fund sustainable investment is essential. The European Fund for Strategic Investments (EFSI) is already crowding in private investments to achieve these goals. Today's proposals will increase transparency of sustainable finance and the investment opportunities it offers, so that investors have reliable information available to enable the transition to a low-carbon, resource-efficient and circular economy."

JYRKI KATAINEN
Vice-President responsible for Jobs, Growth, Investment and Competitiveness

WHAT NEW LEGAL RULES IS THE COMMISSION PROPOSING TODAY?

	WHAT IS IT ABOUT?	WHO WILL BE AFFECTED AND HOW?	WHAT HAPPENS NEXT?
A unified EU classification system ('taxonomy')	Setting harmonised criteria to determine whether an economic activity is environmentally sustainable.	Investors will know which economic activities are considered environmentally sustainable, which will facilitate investments in sustainable assets.	European Parliament and Council to agree on the proposal. Specific activities will be identified in Delegated Acts to be adopted between end-2019 and mid-2022, with entry into force six months after the adoption, e.g. for climate change, water and marine resources, circular economy.
Clear guidance for investors	More consistency and clarity on how ESG risks become part of investment decisions and advice to investors.	Asset managers, institutional investors, insurance distributors and investment advisors will have clear guidance on how to integrate ESG risks in their investment decision-making and advisory process.	Requirements will be specified through Delegated Acts to be adopted in 2019.
More transparency	Financial institutions will have to disclose how they integrate ESG risks in their investment decision-making and advisory process. Asset managers and institutional investors offering products or services marketed as sustainable will have to disclose how they achieve their sustainability targets.	Institutional investors, asset managers and investment advisors. Asset managers and institutional investors offering products and services targeting sustainable investments. Investors will be able to make informed investment decisions.	European Parliament and Council to agree on the proposal. Delegated Acts will further specify presentation and content of the information.
Benchmarks	'Low carbon' and 'positive carbon impact' benchmarks will make it possible to assess investment portfolios against climate targets. Benchmarks providers will have to disclose how their methodology takes into account ESG factors.	Providers will have to respect minimum EU standards for methodologies when developing benchmarks. Users of this type of benchmarks will be certain of their validity.	European Parliament and Council to agree on the proposal. Delegated Acts will specify the minimum standards and the minimum content of the disclosure requirements.

Tailoring products to consumers' needs	Retail investors will be asked about their preferences as regards sustainability.	Investment firms and insurance distributors will have to take into account their clients' preferences as regards sustainability when advising them.	Public consultation on amendments to Delegated Acts MiFID II and Insurance Distribution Directive published today. Amendments to Delegated Acts to be adopted subsequently. ESMA to include provisions on sustainability preferences in its guidelines on the suitability assessment by Q4 2018