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**Feedback on the Consultation on the**

**Renewed Sustainable Finance Strategy**

**July 10, 2020**

*The Austrian Federal Economic Chamber is the legal representative of the entire Austrian business community and represents all Austrian companies – some 517,000 businesses drawn from the areas of Crafts and Trade, Industry, Commerce, Banking and Insurance, Information and Consultancy, Tourism and Leisure, Transportation and Communication. 99,6% of our members are SME with less than ten employees.*

The Austrian Federal Economic Chamber (Wirtschaftskammer Österreich - WKÖ)[[1]](#footnote-2) supports the current EU’s climate and energy targets for 2030 as well as the goal to attain greenhouse gas neutrality by 2050. In order to meet the targets of the European Green Deal, it is necessary to reorient investments towards environmentally sustainable projects and activities.

Businesses play an essential role in the environmental and energy transition. Sustainable investments play a key role on the road to climate neutrality and thus access to finance is indispensable. We therefore support the goal of further mobilizing sustainable investments in the EU in order to create sustainable growth, jobs, and prosperity.

As climate change is no longer a far-off scenario, we have to direct substantially more capital into environmentally friendly investments and establish climate mitigation standards in all sectors. A study commissioned by OeKB (Oesterreichische Kontrollbank AG) on the topic of “Exporters in Austria – Current challenges for Austrian companies” concluded that climate and environmental protection is the number one future issue for Austrian exporters. The respondents were certain that the issue of sustainability will have an impact on future business investments and will play a significant role.

It is important that there is a level playing field for so-called “sustainable” financial products and that more clarity is created on the markets through a coordinated approach within the EU. A common language for Sustainable Finance is needed and we welcome the intention of the European Commission to renew the Sustainable Finance Strategy. The following principles should be considered:

**Businesses need a stable and reliable framework**

The basis for sustainable investment must be strengthened by creating a framework with appropriate instruments and structures. However, these guiding principles must be stable and reliable, as well as fair and internationally competitive for the financial sector, investors and investing companies. All measures that are planned for the “Renewed Sustainable Finance Strategy” should be based on sound principles.

Companies need clarity and investment certainty. Companies in Europe will invest only if there is long-term planning security and internationally fair competition (in energy-intensive industries the investment cycle is 20-30 years and more). Ongoing tightening of legislation (ETS market stability reserves, tightening of targets through Climate Law, REACH, etc.) is leading to increased planning uncertainty and holding back investments, or shifting them to Non-EU countries. Plannability also requires that green electricity is available for future sustainable investments in sufficient quantities and at competitive prices. Additionally, international competitiveness must be ensured. Thus, a consistent, comprehensible roadmap is necessary to give companies prospects. Climate and environmental risks must be fully managed and integrated into financial institutions and the financial system as a whole.

It is of central importance that the objectives in the different legislative and non-legislative acts are coordinated and contradictions are eliminated. Sustainable Finance has close links to other policy priorities, thus synergies should be exploited. For example, the return requirements for investments should be geared to the requirements of the company and thus indirectly to the requirements of the capital market. Creating a separate risk class for “Renewed Sustainable Investments”, which implies a return requirement below market level, could lead to misinvestments and could negatively affect the financial stability of the companies concerned. Therefore, political risks and legal uncertainties must be excluded and the greatest possible planning security must be ensured.

**Every investment towards climate neutrality should be considered ecologically sustainable**

Within the framework of the Sustainable Finance Initiative, a technology-neutral approach must be guaranteed. Investments in “Transition Activities” and “Enabling Activities” make a significant contribution to the reduction of greenhouse gases and the achievement of climate targets and should therefore not be excluded from sustainability ratings ex-ante.

Additionally, when assessing lock-in effects, the entire transformation period (and not just the economic lifetime of an asset) must be taken into account. In the long term, climate neutrality can only be achieved step by step. Every medium- or short-term measure that contributes to improvement is needed.

Thus, technologies that can contribute to emission reductions – existing as well as new ones - must be taken into account and “brown-listing” is rejected. Additionally, all forms of energy will be needed to achieve current climate targets. We cannot afford to exclude individual sectors or forms of energy - this applies in particular to gas.

The principle of technology neutrality must be consistently taken into account at all levels. Any economic activity that results in greenhouse gas reduction must be considered as ecologically sustainable. Thus, to achieve climate neutrality, investments in “Transition Activities” and “Enabling Activities” are urgently needed and supported. We also call for a comprehensive assessment of all economic activities to avoid any discrimination.

**Minimum bureaucracy: red tape must be kept to an absolute minimum**

Tighter reporting and disclosure requirements, which lead to significant additional work for companies, should be reconsidered in light of the looming recession. Even though the principle of proportionality is mentioned several times, the monitoring burdens seem to be quite substantial. Therefore, under the current regulatory framework, altering working capital funding for green businesses will not be supported to the extent necessary (even more during and after the COVID-19 crisis). In this respect, the principle “one in, one out”, to which the President of the European Commission Ursula von der Leyen committed herself when she took office, should be applied. Additional administrative burdens can only be accepted in exchange for at least equivalent bureaucratic relief.

If companies and the financial sector are to be encouraged to invest (and finance) in line with the ESG criteria, it has to be ensured that the burdens to achieve a positive financial impact (which counts for most participants in the real economy) are well calibrated. Particular attention should be drawn to the ultimate impact on SMEs, which are the backbone of our economy and part of the supply chain of large companies. Hence, they should not be overburdened with administrative requirements that are difficult to manage.

Investors must not be subject to additional organisational and bureaucratic burdens such as audits, reporting and approval requirements. A large number of existing regulations already cover the requirements that customers, authorities and stakeholders place on the capital market.

Proportionality must be taken into account as a guiding principle to ensure that the facilitation of financing sustainable products is not counteracted by high administrative workload.

**Use the expertise of company representatives within the “Platform on Sustainable Finance”**

The “Platform on Sustainable Finance” will play a key role in the design of the TSC (technical screening criteria). All relevant sectors / industries should be invited to participate in the TEG while not leaving any sector behind. The Technical Screening Criteria for many sectors (steel, aluminium, etc.) are based on ETS-benchmarks. However, often ETS-benchmarks (e.g. hot metal (steel) benchmark) are not “fit for purpose”, because they cannot be achieved in reality even by the best performing plant since they represent only a calculated value, but no real figures.

The range of tasks for the platform is very broad. This makes it all the more important to have a balanced selection of experts in the platform who can provide application-oriented and practical advice. Since the planned regulations will ultimately have a significant impact on financing and reporting obligations, the financial and real economy as well as the energy sector are among the most affected by the taxonomy. In contrast to the TEG, the Platform must better involve the business community, which can provide valuable and necessary input. Representatives from all economic sectors affected must be included in the “Platform on Sustainable Finance”.

**Voluntary approach**

Companies should be encouraged to make sustainable investments. Incentives and the prospect that their investments lead to economic growth and prosperity need to reinforce these efforts. However, there should be neither obligations, nor penalties for companies. and no penalties. Investors should decide for themselves in which companies/products they want to invest. This is especially important and necessary for the regional economy. However, an incentive system for sustainable investments could be advocated in principle, but it must not be set up in such a way that competition is impaired.

**Considering the complexity, sufficient time must be allowed**

Keeping in mind the complexity of the topic “Sustainable Finance”, we call for a cautious preparation of all legislative and non-legislative acts. To avoid duplications, existing standards should be harmonized rather than setting new, additional standards. The link between the various instruments for Sustainable Finance and other EU legislation must be clearly defined in order to avoid future ill-conceived initiatives. Additionally, experience has shown that when SMEs are the target group it is crucial to reduce the complexity of procedures.

**Efficient coordination of parallel legislative initiatives (“Streamlining”)**

Parallel legal initiatives - particularly in connection with the Non-Financial Reporting Directive, the Regulation on sustainability‐related disclosures in the financial services sector and the Taxonomy Regulation - need to be coordinated effectively.

If businesses have to face new requirements under these legislative initiatives, these should be aligned and assimilated in order to avoid duplication of work. The goal must be a coherent, efficient set of regulations which, as a whole, puts as little strain on businesses as possible while also facilitating compliance of banks and financial service providers.

The parallel-running current revision of the NFI Directive must therefore also be seen in the light of “Sustainable Finance” efforts. Any extension of reporting obligations and any extension of the scope of the NFI Directive to other companies is strongly opposed, unless the information to be reported is required by other legal acts.

Besides, any extension of the substantive auditing powers of auditors to non-financial matters, which would lead to additional costs for the audited companies, must be firmly rejected. Where the reliability of available sustainability data is insufficiently guaranteed, adequate processing by suitable experts would have to be discussed. However, it should be noted that not only auditors but also, for example, management consultants with appropriate professional experience in the field of sustainability could be considered.

**Sustainable finance is a global issue**

The fight against climate change can only be taken up collectively, but not single-handedly. This is why the main priority for the EU should be to attract other partners, who undertake comparable efforts regarding climate protection. We call for a global CO2-price to ensure a global level playing field.

Concerning sustainable finance, close international coordination to promote internationally consistent frameworks and prevent regulatory fragmentation is also required. By definition, Sustainable finance has an international dimension. Collective leadership and globally coordinated action are therefore essential. A key strategic objective should be to avoid regulatory competition among countries undermining the EU’s efforts to set high quality standards and undercutting the global efforts to bring finance flows into line with the Paris Agreement. Furthermore, internationally consistent standards on climate-related and environmental information disclosure would foster comparable high-quality information and provide greater clarity to the industry on how to align their reporting internationally. The EU’s regulatory framework for Sustainable Finance constitutes one of the most advanced in the world: the EU’s experiences should be leveraged to extend the Union’s influence and help shape regulatory frameworks in other jurisdictions and at the international level.

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1. [https://www.wko.at/service/oe/wirtschaftskammer.html](about:blank) (German version)  
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