Major 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.

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

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 around €180bn in extra yearly investment over the next decade. 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
The EU has committed to three ambitious climate and energy targets by 2030:

- 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 reach these energy and climate goals by 2030, around €180bn in additional yearly funding will be needed.

The European Commission is proposing to dedicate over €45bn a year to climate mainstreaming from 2021 to 2027. And we have proposed the "InvestEU" programme, which will leverage an additional €150bn throughout 2021 to 2027 for sustainable infrastructure investments. But that will not be enough.

With over €100 trillion in assets, the financial sector will need to play its full part in the race to reach the EU's climate and energy goals.
#### 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.

<table>
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<tr>
<th>1</th>
<th>A UNIFIED EU GREEN CLASSIFICATION SYSTEM – ‘TAXONOMY’</th>
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<td><strong>to determine if an economic activity is environmentally sustainable based on harmonised EU criteria.</strong> It will identify areas where sustainable investment can make the biggest impact.</td>
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<tr>
<td>To qualify as green, an investment would need to contribute to at least one of these <strong>six objectives:</strong></td>
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<tr>
<td>CLIMATE CHANGE MITIGATION</td>
<td>CLIMATE CHANGE ADAPTATION</td>
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<td>CIRCULAR ECONOMY</td>
<td>POLLUTION PREVENTION</td>
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<th>INVESTORS’ DUTIES AND DISCLOSURES</th>
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<td>Clarify the duty of asset managers and institutional investors to take sustainability into account in the investment process and enhance disclosure requirements.</td>
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<th>3</th>
<th>LOW-CARBON BENCHMARKS</th>
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<td>Two new categories of benchmarks: the low-carbon benchmark or “decarbonised” version of standard indices and the positive carbon impact benchmark.</td>
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### OTHER INITIATIVES

**EU LABELS**

Creating EU labels for green 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**

by revising the guidelines on non-financial information to further align them with the recommendations of the Financial Stability Board’s Task Force on Climate-related Financial Disclosures (TCFD).
GREEN FINANCE IS ACCELERATING AT ALL LEVELS – SOME CASE STUDIES

FRANCE aims to invest 1.5% of yearly GDP in green and sustainable projects. Based on the 2015 Energy Transition Law, it is actively redirecting finance into low-carbon investments. France has a high national carbon tax in place, and issued €9.7 billion worth of sovereign green bonds in 2017.

AUSTRIA’s “#mission2030” strategy sets the scope for future climate and energy policy, and helps to identify main investment areas and avoiding stranded assets. The national “Umweltzeichen” Eco-Label is also available for financial products, with over 95 funds already certified.

ITALY is currently developing a concept for a network of green financial centres, centred around the Milan Stock Exchange. In 2017 Italian companies issued €2.9 billion worth of green bonds. Italy has a commitment to phase out coal by 2025.

THE NETHERLANDS has set up a National Climate Agreement initiative with the involvement of sectoral actors. It sets sector-by-sector targets for reducing emissions, with the aim of developing corresponding roadmaps that could then be turned into investment plans.

DENMARK has put public schemes in place to incentivise private green investments, notably through tax incentives.

POLAND issued the first ever sovereign green bond in 2016.

EXAMPLES OF BUSINESS-LED SUSTAINABILITY PROJECTS

The Dutch bank ING recently announced that it will assess its $600bn loan portfolio based on climate impact. This is a first step in shifting the entire portfolio to align with the emissions reductions required by the Paris climate agreement.

The Finnish pulp and paper manufacturer Stora Enso has signed a new sustainable revolving credit facility loan. Part of the pricing is based on the firm’s ability to reduce greenhouse gas emissions per tonne of pulp, paper and board produced.

The Swedish construction company Skanska issued green bonds in June amounting to SEK 1bn, to finance sustainable commercial development projects in the USA, Sweden and Poland.

The French food company Danone has incorporated a credit line adjustment mechanism based on sustainability criteria into its syndicated €2 billion credit facility. If Danone outperforms on its major sustainability goals, its coupon will be discounted. If it underperforms, it will pay a premium.

The Spanish equity crowd-impacting platform La Bolsa Social aims to connect social impact investors and enterprises to promote the achievement of the UN Sustainable Development Goals. So far, it has funded 10 social and environmental impact companies, with €1.8 million.

Since 1990, EU emissions dropped by over 20%, but our economy grew by more than 50% over the same period. So there is no contradiction between growth and carbon emissions reduction.