



El Pacto Verde Europeo

Encuentro Club de
Exportadores e Inversores

#EUGreenDeal
#EUClimateLaw

16 noviembre 2020

The European Green Deal



European Commission

The European Green Deal

- Proposal for a **Just Transition Mechanism** and a **Sustainable Europe Investment Plan** in January 2020
- Initiatives to screen and benchmark **green budgeting practices of the Member States and of the EU** from 2020
- Review of the **state aid guidelines for environment and energy**, as well as other climate and energy-related guidelines in 2021
- Align all new **Commission initiatives in line with the objectives of the Green Deal** and promote innovation from 2020
- Stakeholders to identify and **remedy incoherent legislation** that reduces the effectiveness in delivering the European Green Deal from 2020
- Review of the **Non-Financial Reporting Directive** In 2020
- Integration of the **Sustainable Development Goals in the European Semester** from 2020

Financing the transition

Leave no one behind
(Just Transition)



European
Commission

The EU as a
global leader

A European
Climate Pact

The European Green Deal

Increasing the EU's Climate ambition for 2030 and 2050

- European '**Climate Law**' enshrining the 2050 climate neutrality objective in legislation by March 2020
- **Comprehensive plan** to increase the EU's climate target for 2030 to at least 50% and towards 55% in a responsible way by October 2020
- **Review and revise where needed all relevant legislative measures to deliver on this increased ambition** by June 2021
- **Carbon border adjustment mechanism** for selected sectors by 2021.
- A new EU **Strategy on Adaptation** in 2020/2021

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Action plan on financing sustainable growth

The Action Plan 2018 stretches across the whole investment chain

1	Taxonomy ✓	Develop an EU classification system for environmentally sustainable economic activities	6	Sustainability in research and ratings	Explore how credit rating agencies could more explicitly integrate sustainability in to their assessments. Study on sustainability ratings and research and exploring possible measures to encourage their uptake.
2	Standards and labels	Develop EU standards (such as EU Green Bond Standard) and labels for sustainable financial products (via Ecolabel) to protect integrity and trust of sustainable finance market	7	Disclosures by financial market participants ✓	Enhance transparency to end-investors on how financial market participants consider sustainability
3	Fostering investment in sustainable projects	Exploring measures to improve the efficiency and impact of instruments aiming at investment support. Mapping on investment gaps and financing.	8	Sustainability in prudential requirements	Explore the feasibility of reflecting sustainability in prudential rules (where justified from a risk perspective)
4	Incorporating sustainability in financial advice ✓	Amend MiFID II and IDD delegated acts to ensure that sustainability preferences are taken into account in the suitability assessment.	9	Strengthening sustainability disclosures by corporates	Enhance climate and sustainability-related information provided by corporations
5	Developing sustainability benchmarks ✓	Develop climate benchmarks and ESG disclosures for benchmarks	10	Fostering sustainable corporate governance & promoting long-termism	Collect evidence of undue short-term pressures from capital markets on corporations and consider steps for promoting corporate governance that is more conducive to sustainable investments.



Sustainable Finance an integral part of the EU Green Deal



European Green Deal Investment Plan will mobilise at least €1 trillion over the next decade.

To meet the Paris Agreement objectives and the developing countries face an annual infrastructure investment needs of USD 4 trillion to 2030

Source: *Global Commission on the Economy and Climate, 2018*

Action Plan on Financing Sustainable Growth



Renewed Sustainable Finance Strategy

Building on the 2018 Action Plan, the current context requires a more ambitious and comprehensive strategy

Actions



Public funds / blended finance (incl. guarantees)

The right enabling framework (e.g. tools such as the taxonomy)

Technical assistance (incl. to develop pipelines of projects)

EU Taxonomy Overview – What is it and what is it not

Objective – what is the Taxonomy

- ✓ A classification system to establish clear definitions of what is an environmentally sustainable economic activity
- ✓ Tool to help investors and companies to make informed investment decisions on environmentally sustainable activities for the purpose of determining the degree of sustainability of an investment
- ✓ Reflecting technological and policy developments: The Taxonomy will be updated regularly
- ✓ **Facilitating transition of polluting sectors**
- ✓ Technology neutral
- ✓ Fostering Transparency by disclosures for financial market participants and large companies related to the Taxonomy



What is the Taxonomy not?

- ✗ It's not a mandatory list to invest in
- ✗ It's not a rating of the "greenness" of companies
- ✗ It does not make any judgement on the financial performance of an investment
- ✗ What's not green is not necessarily brown. Activities that are not on the list, are not necessarily polluting activities. The focus is simply on activities that contribute substantially to environmental objectives.

Taxonomy Regulation – four basic conditions

(a) **Substantially contribute** to at least one of the six environmental objectives as defined in the Taxonomy Regulation



(b) **Do no significant harm** to any of the other five environmental objectives as defined in the Taxonomy Regulation



(c) Comply with **minimum safeguards**

(d) Comply with quantitative or qualitative **Technical Screening Criteria (based on the TEG report)**

7 macro-sectors,
70 activities

- highest-emitting macro sectors (represent 93.2% of GHG emissions in the EU)



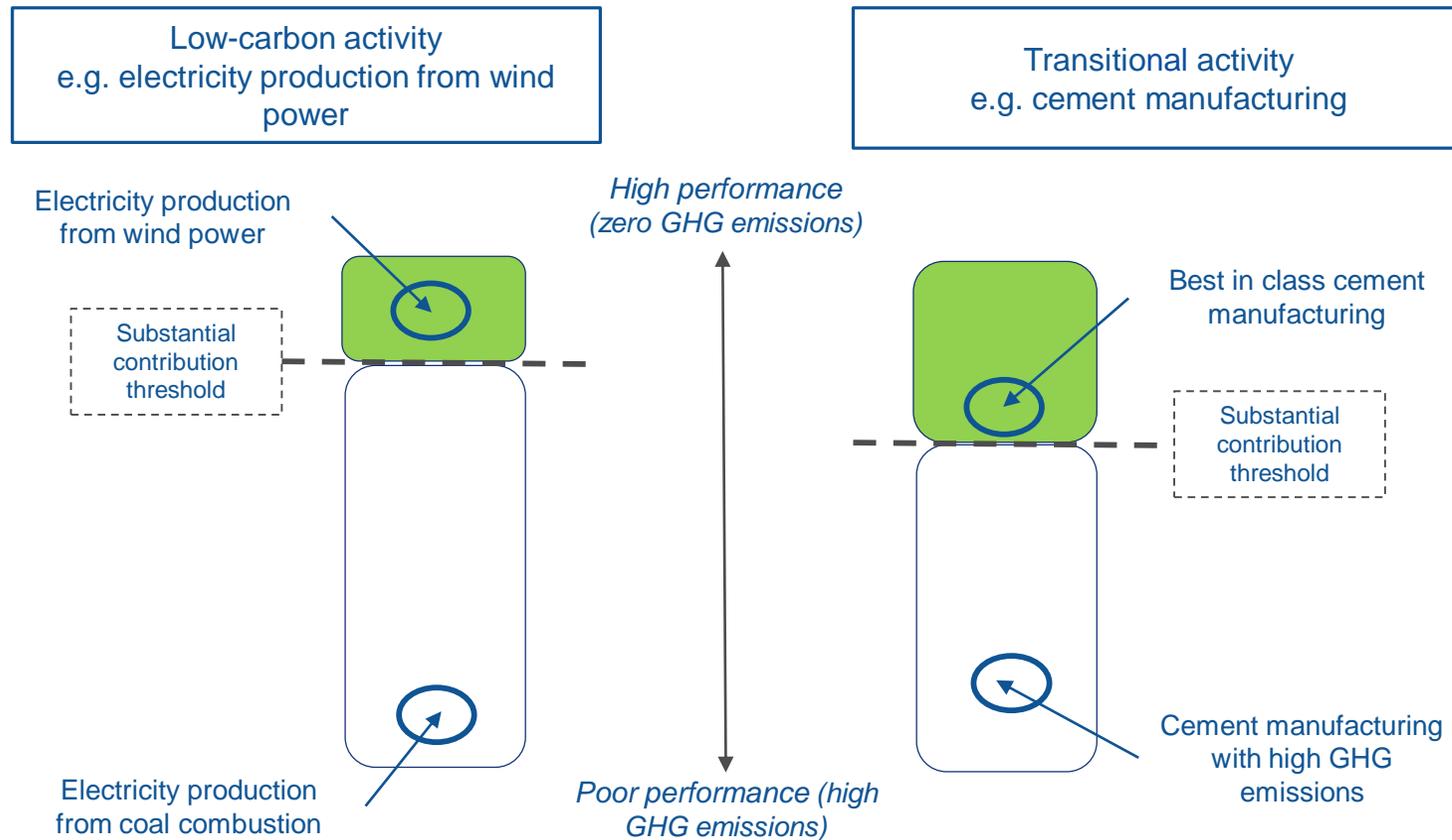
	Agriculture and forestry
	Manufacturing
	Electricity, gas, steam and air conditioning supply
	Water, sewerage, waste and remediation
	Transport
	Information and Communication Technologies (ICT)
	Buildings

Substantial contribution to climate change mitigation

Characteristics	Type of activity	Criteria	Example
Contribution related to own performance	Already low carbon (very low, zero or net negative emissions). Compatible with net zero carbon economy by 2050.	Likely to be stable and long term	Electricity generation from solar PV
	Contribute to a transition to a zero net emissions economy in 2050 or shortly thereafter, but are not currently close to a net zero carbon emission level.	Likely to be revised regularly and tightened over time	Manufacturing of steel
Enabling activities	Activities that enable emissions reductions in either of the two previous categories.	Some likely to be stable and long term, some likely to be revised regularly	Manufacturing of wind turbines

Activities that undermine the climate change mitigation objective are not included.

Illustration low-carbon vs transitional activities



How to use the EU sustainable finance framework internationally?

International Platform on Sustainable Finance



SCALE UP THE MOBILISATION
of private capital towards environmentally sustainable finance at global level



PROMOTE INTEGRATED MARKETS
for environmentally sustainable finance



ARGENTINA



CANADA



CHILE



CHINA



50%
OF GLOBAL GHG EMISSIONS



EUROPEAN UNION



INDIA



INDONESIA



KENYA



45%
OF GLOBAL GDP



MOROCCO



NEW ZEALAND



NORWAY



SINGAPORE



SWITZERLAND



50%
OF WORLD POPULATION

Transition is not fast enough: beyond mainstreaming and ring-fencing.

Increase impact and effectiveness

- Dialogue with DFIs/MDBs and private sector.
- Team Europe and beyond (OECD, UN, IMF...)
- How to integrate sustainable finance tools in the EFSD+ (and EFSD)? (do no harm)
 - Criteria, methodologies, indicators...
- New innovative instruments? (e.g. Green Bonds)