

The Sustainable finance strategy in the EU

A first ERCST discussion with relevant stakeholders on how to ensure a just transition finance

This meeting is under Chatham House Rules

*** Draft Agenda ***

Date: March 05, 2021

Time: 2:00 - 3:30

Location: Zoom Webinar

This is the first ERCST webinar dedicated to the topic of sustainable finance. This new workstream aims to bring together stakeholders, including policymakers and practitioners from the financial and corporate community, on a regular basis to discuss substantive issues, informed by original intellectual input from ERCST.

This first webinar is a by-invitation only event and will gather a small group to discuss areas of priority and issues that require exploration and solutions. It will start by a presentation from ERCST outlining the elements and state of play of sustainable finance and will then continue with a roundtable discussion with input from the participants.

ERCST is planning a second discussion, with broader participation, focused on transition and taxonomy, but the topic is to be confirmed following this first open discussion.

Background

In March 2018, the EU Sustainable Finance Action Plan was published by the Commission, with the objective of beefing up the Capital Market Union by building and strengthening its sustainable component. Three strategic objectives were set: (1) reorienting capital flows towards sustainable investments; (2) manage financial risks stemming from climate change and environmental degradation and (3) foster transparency and long-termism in financial and economic activity, also with the aim of avoiding greenwashing. The EU Commission recognizes the key role of the private sector in meeting such objectives, as well as the need for a coherent framework for sustainably allocating public funds.

The Taxonomy Regulation, adopted in June 2020, is the flagship initiative of the Action Plan and defines a framework to identify sustainable activities (the 6 environmental objectives to be met, the substantial contribution criteria and the do not harm 'oath'). Technical criteria and thresholds are currently being developed by the Commission, which is advised by the Platform on sustainable finance. Once adopted in the form of delegated acts, the EU Taxonomy criteria will influence private investors, financial markets, companies' disclosure and EU Member States' climate and environmental plans. Private investors will indeed be interested in greening their portfolios; financial markets will attempt to cover this growing demand; companies will disclose in 2022 for the first time their "Taxonomy alignment"; whilst Member States will probably have to comply to Taxonomy principles when allocating public funds such in the Recovery and Resilient Plans, the Invest EU, etc.

However, EU capital markets currently offer limited investment options that are aligned with the current draft of the EU Taxonomy. An adelphi-ISS ESG study shows that only 2% of the EURO STOXX 50

market activities meet the taxonomy criteria. This constitutes a risk of creating a “green bubble” detached from fundamental data and not capable of driving a just transition towards a carbon-neutral economy. Without a corporate non-financial reporting that is fit for purpose and comparable, essential for a correct climate and transition risk assessment, the taxonomy risks to be a non-usable and empty tool.

Moreover, the transition activity aspect, introduced in the Technical Expert Group (TEG) report on Taxonomy, is now currently discussed within the Platform of Sustainable Finance, covering issues such as the possible “extended taxonomy” (brown criteria) for overcoming the binary essence of the Taxonomy.

- 2:00** **Welcome and introduction**
 - A. Marcu, Director of ERCST

- 2:10** **Background and state of play on sustainable finance**
 - P. Cesaro, ERCST

- 2:30** Roundtable discussion with participants
Chair
 - O. Imbault, Air Liquide**Ice breakers**
 - A. Kerst, bp
 - I. Ramming, Commerzbank
 - J. Macura, Cefic

- 3:20** **Concluding remarks**