European Commission

THE ENERGY UNION FIVE YEARS ON

EU PIONEERING ACTION IN SUSTAINABLE FINANCE

April 2019

The **Paris Agreement** sends a clear signal to capital markets and investors, both public and private: the global transition to a **low carbon and more sustainable economy** is here to stay.

The **Juncker Commission** has significantly scaled up investments in climate action. During the period 2014-2020, the EU committed to make at least **20% of total EU expenditure** climate-related. The EU is on track towards this target, in 2018 climate-related spending amounted to **€200 billion**. Climate change mitigation and adaptation has been integrated into all major EU spending programmes. Programmes under cohesion policy, agriculture, research and innovation and the Connecting Europe Facility currently account for more than 90% of EU climate-related spending. Moreover, under the NER300 Programme, €2.1 billion was awarded to renewable energy and carbon capture and storage projects. The Commission recently adopted the new €10 billion Innovation Fund, successor to the NER300 programme for the period 2020-2030. The Juncker Commission hasp proposed to make 25% of EU expenditures in the period 2021-2028 climate related, this means that €1 in €4 of the EU budget will be spent on climate action.

Rapidly scaling up **private sustainable investment** is essential to avoiding the 'lock-in' of fossil fuel-based infrastructure and carbon intensive assets and manage the transition to a **low-carbon economy**. Around €175-290 billion in additional investments are needed each year to reach a climate-neutral Europe by 2050. It is clear that public money will not be sufficient and that the bulk of these investments will have to be financed through private capital. This is why the **Commission adopted an Action Plan on 'Financing Sustainable Growth'** in March 2018, which proposes the right tools and framework for mobilising the private sector in its contribution to EU climate and energy goals.

In May 2018, the Commission followed up the Action Plan by three legislative proposals:

1

A UNIFIED EU GREEN CLASSIFICATION SYSTEM – 'TAXONOMY'

To determine if an economic activity is environmentally sustainable based on harmonised EU criteria. It will identify areas where sustainable investment can make the biggest impact. The ENVI/ECON Joint Committee of the European Parliament adopted their report in March 2019.

2

INVESTORS' DUTIES AND DISCLOSURES

Clarify the duty of asset managers and institutional investors to take sustainability into account in the investment process and enhance disclosure requirements. Political agreement reached by European Parliament and Council in March 2019.

3

LOW-CARBON BENCHMARKS

Two new categories of benchmarks: climate transition benchmark or "decarbonised" version of standard indices, and the Paris-aligned benchmark (only comprising companies that are aligned with a 1.5˚ target). Political agreement reached by European Parliament and Council in February 2019.

In June 2018, the Commission set up a **technical expert group on sustainable finance (TEG)** to assist it notably in the development of a unified classification system for sustainable economic activities, an EU green bond standard, methodologies for low-carbon indices, and metrics for climate-related disclosure.

In March 2019 the Commission held a high-level conference to discuss with international partners and stakeholders **how to best scale up sustainable finance globally**.

https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance_en