Sustainable Finance: High-Level Expert Group delivers roadmap for greener and cleaner economy

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The Commission will now move to finalise its strategy on sustainable finance on the basis of these recommendations. Delivering an EU strategy on sustainable finance is a priority action of the Commission's Capital Markets Union (CMU) Action Plan, as well as one of the key steps towards implementing the historic Paris Agreement and the EU's Agenda for sustainable development. To achieve the EU's 2030 targets agreed in Paris, including a 40% cut in greenhouse gas emissions, we need around €180 billion of additional investments a year. The financial sector has a key role to play in reaching those goals, as large amounts of private capital could be mobilised towards such sustainable investments. The Commission is determined to lead the global work in this area and help sustainability-conscious investors to choose suitable projects and companies.

Valdis Dombrovskis, Vice-President responsible for Financial Stability, Financial Services and Capital Markets Union said: "The signature of the Paris agreement in 2015 marked a milestone for the world and for the global economy. We are now moving towards a low-carbon society, where renewable energy and smart technologies improve our quality of life, spurring job creation and growth, without damaging our planet. Finance has a big role to play in funding a sustainable future. I welcome the outstanding work of the HLEG which is excellent input for our upcoming strategy."

Jyrki Katainen, Vice-President responsible for Jobs, Growth, Investment and Competitiveness said: "The EU is already at the forefront of investing in resource efficiency and social infrastructure, not least through the European Fund for Strategic Investments and its reinforced focus on climate action. At the same time, creating an enabling framework for private investors is crucial to achieving the transition to a cleaner, more resource-efficient, circular economy. The HLEG's final report provides us with a roadmap to do just that and we welcome their invaluable contribution to this very important issue."

Today's final report by the High-Level Expert Group maps out the challenges and opportunities that the EU faces in developing a sustainable finance policy. It identifies ways in which the financial sector can re-connect with the real economy to support the transition to a more resource-efficient and more circular economy. The group argues that reorienting investment flows into long-term, sustainable projects will also improve the stability of the financial system.

The report proposes:

- a classification system, or 'taxonomy', to provide market clarity on what is 'sustainable'
- clarifying the duties of investors' when it comes to achieving a more sustainable financial system
- improving disclosure by financial institutions and companies on how sustainability is factored into their decision-making
- an EU-wide label for green investment funds
- making sustainability part of the mandates of the European Supervisory Authorities (ESAs)
- a European standard for green bonds.

The group's report will form the basis of the Commission's comprehensive Action Plan on sustainable finance that it will put forward in the coming weeks. Both the findings of the report and the Commission's Action Plan will be discussed at a high-level conference on 22 March 2018 in Brussels.

Background

The European Union has taken the lead in efforts to build a financial system that supports sustainable growth. In 2015, landmark international agreements were established with the adoption of the UN 2030 Agenda and Sustainable Development Goals and the Paris Climate Agreement. The EU has set itself ambitious climate, environmental and sustainability targets, through its 2030
Energy and Climate framework, the Energy Union and its Circular Economy Action Plan.

These commitments, and the growing awareness of the urgency to address environmental challenges and sustainability risks, call for an effective EU strategy on sustainable finance. The Commission established the independent High-Level Expert Group in December 2016. It is made of 20 senior experts from civil society, the finance sector, academia and observers from European and international institutions. It is chaired by Christian Thimann.

The work on a number of the report’s key recommendations is already well underway, as they were discussed in the group's interim report of 13 July 2017. The Commission has proposed the inclusion of environmental, social and governance (ESG factors) in the mandates of the European Supervisory Authorities. The Commission has also conducted between 13 November 2017 and 22 January 2018 a public consultation on institutional investors' and asset managers' duties regarding sustainability.

The HLEG has taken into account relevant work on climate, environmental and sustainable finance. This includes: the Guidelines on non-financial reporting adopted by the European Commission on 26 June 2017; and the final recommendations report published by the industry-led Task Force on Climate-related Financial Disclosures (TCFD) on 29 June 2017. The group has also conducted a public consultation to gather views from relevant stakeholders and inform their final recommendations.

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