



European Commission - Speech [Check Against Delivery]



Keynote speech of Vice-President Valdis Dombrovskis on “Priorities of the new European Commission for Sustainability and green Finance” at the Guildhall in London

London, 15 November 2019

Honorable Lord Mayor,

Excellencies, ladies and gentlemen,

Global politics tend not to be simple or certain.

And we are living in uncertain times.

We used to think of the world moving on a path towards greater democracy, more open markets and peaceful international cooperation.

That is no longer the case.

Significant challenges face us from a more insecure world right on our doorstep.

Trade tensions have escalated, lowering growth prospects for the global economy. The multilateral rules-based order has been weakened.

The international trading system has become less open.

There are significant broader issues to tackle as well, both in Europe and globally. Climate change, digitalisation, ageing societies – just to name a few.

For the new European Commission, the next five years will be about managing these issues effectively and fairly.

As President-elect Ursula von der Leyen has said, Europe must lead the transition to a carbon-neutral economy and new digital world.

To achieve that, economic, social and sustainable aspects all go hand in hand.

For my own area of responsibility, this calls for a robust and risk-protected financial system underpinned by healthy, resilient national economies. And it means continuing our work in deepening the Economic and Monetary Union.

In the previous mandate, we made significant progress on the Banking Union and the Capital Markets Union.

Both projects will also be important priorities for the next Commission.

Europe's banking sector is on a much more solid footing than when we faced the last major financial crisis, a decade ago.

However, it is now time to complete the Banking Union.

In particular, we need to agree on the common deposit insurance scheme – the third pillar of the Banking Union – to give it stronger and more uniform insurance cover.

With the Capital Markets Union, we have secured agreement for 11 of the 13 proposals presented by the Commission, with the twelfth likely to come this year. So one could say that the basic building blocks are now in place.

Still, the next Commission plans to raise its ambition and push further.

I think we first need to reflect and consult further on the long-term trends affecting where we go next with this flagship project.

This is why the Commission will bring together experts from industry and civil society to discuss these elements in a High-Level Forum on Capital Markets.

It should present recommendations for the Commission in its work on the next strategy for the CMU. Our small and medium-sized businesses also need to see the CMU completed.

All too often, SMEs move abroad to scale up because they find it difficult to get market-based financing in Europe.

As part of our work to make sure that SMEs can access capital everywhere in the single market, I will propose a new fund to help them to go public.

Supporting the development of local and regional capital markets will remain a focus. They are the basis for deeper cross-border capital markets in Europe.

My own part of Europe - Latvia and its Baltic neighbours - provide a good example. Their plan to create a pan-Baltic capital market is a pioneering project that I warmly encourage.

The Commission already provides it with technical support and strongly supports cross-border initiatives such as these.

It is also important to ensure that the integrity of Europe's financial sector cannot be undermined.

With this in mind, President-elect von der Leyen has entrusted me with leading the fight against money laundering. This is a task that I take very seriously.

There is no place for dirty money in Europe's banks.

While Europe has some of the world's toughest rules against money laundering, we need to strengthen supervision and enforcement, including across borders.

I would see a lot of merit in conferring specific anti-money laundering supervisory tasks and their coordination to an EU body.

Ladies and gentlemen

At the start, I mentioned major challenges that will top our political agenda for the next five years - namely, the green and digital transformations:

- how best to manage them;
- how to prepare our economies and societies;
- and how to make the most of them for all to benefit, with nobody left behind.

I will now turn to the main focus of today: sustainable finance. The EU is a global leader in this area – the first jurisdiction to pass hard law to incentivise capital flows to green and sustainable projects.

To finance the transition to a climate-neutral economy, Europe needs massive investment – trillions of euros over the next decades.

We will need both public and private funding to pay for everything from small-scale energy efficiencies and innovative low-carbon transport systems to large sustainable infrastructure projects.

The new Commission will draw up a Sustainable Europe Investment Plan to unlock €1 trillion of sustainable investment over the next decade.

To stimulate private investment, we should create regulatory incentives.

We have incorporated sustainability across all policy areas in the EU's next long-term budget, from 2021 to 2027, which we will use to leverage private investment. At least 25% of EU budget should contribute to sustainability goals.

We will also work with the European Investment Bank so that by 2025, at least half of its financing will be dedicated to climate action projects - double what it is now.

On the regulatory side, we have agreed disclosure rules for financial market operators, and also climate benchmarks.

We are moving quickly with negotiations for an EU classification system, or taxonomy, to define which economic activities are sustainable.

Soon, we will start preparing another set of green finance initiatives.

These could include incentivising tools like green mortgage loans, and expanding the EU ecolabel to financial products.

We will work on EU green bond standards, which could support local and regional authorities – and

SMEs – to issue bonds to assist in setting up sustainable projects.

Then, on the reporting side, we will propose measures in the EU's Non-Financial Reporting Directive, and ask companies to give sufficient and reliable information on their sustainability risks and opportunities.

A transformation of this scale will affect everyone and cause immense change to our societies. But it must not come at the cost of the most vulnerable.

It must be a socially fair transition, without increasing poverty, inequality or social exclusion.

We will support those most affected by the green transformation through a new Just Transition Fund.

Europe faces another transformation that is already well underway: digital transformation. It has a major impact on financial services as we know them today.

Financial innovation and the digitalisation of financial services are a priority, given the huge potential that new technologies bring to the financial sector – for example, by giving consumers better and faster access to finance.

We will present a new strategy for Europe to get the best out of FinTech and compete globally, as we remove regulatory barriers between countries.

Of course, we will make sure to address risks related to consumer protection, money laundering and terrorist financing, data protection, to give just some examples

Ladies and gentlemen

I hope I have given you a flavour from the European Commission's perspective of what the next five years may hold for Europe's financial sector, particularly for sustainable finance.

When it comes to considering 'knowns' and 'unknowns': up to a point we can prepare. But as ever, we have to be ready for the unexpected, and its impact.

There is still uncertainty about Brexit. Let me be clear: the UK's departure is a loss for the EU. We share joint history and geopolitical interests. We regret this decision, but we respect it.

In this case, it is important to ensure that the withdrawal takes place in an orderly way. That is why the Withdrawal Agreement agreed between the EU and the UK government in October is so important, and we hope ratification can happen soon.

In my area of responsibility, preserving financial stability remains a top priority and a shared objective for both the EU and the UK.

We have already worked together to minimise financial stability risks. We have pressed - and continue to press - firms to prepare for all outcomes.

We have worked together under the chairmanship of Mario Draghi and Mark Carney to identify and mitigate stability risks related to Brexit.

As you know, central clearing has been identified as a clear systemic risk in case of a no-deal Brexit. The Commission addressed it last year via a temporary equivalence decision. This will expire on 30 March 2020.

Regrettably, the risk to financial stability has not yet been fully removed, because industry has not so far fully prepared.

Therefore, I intend to propose to renew this time-limited equivalence decision beyond that date, to prepare for any eventuality.

Ladies and gentlemen,

Resilience will remain the name of the game for the financial sector.

And we need a resilient and stable financial sector - not only to finance innovation, investment and the competitiveness of our continent, but also to play its part in the one of history's biggest transformations: the transition to a carbon-neutral economy.

Thank you very much and I look forward to the discussion.

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