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Getting sustainable finance right

The coronavirus has disrupted our daily lives and global efforts are rightly focused on combating the pandemic and its economic impact. The EIB is also committed to supporting the EU and partner countries in these times of hardship. Yet, while we are all doing our utmost in response to the pandemic, we should not forget about the medium and long-term perspective and the other global defining challenge. Climate change poses major threats to our societies and economies, with irreversible consequences if we do not act now. Once we get out of the current emergency, we will need to spur recovery by supporting investments consistent with our climate action efforts.

The transition to a more sustainable, carbon-neutral society is critically needed to face the pressing climate and environmental challenges and ensure our future prosperity. This transition implies a profound transformation of our economies and lifestyles that will require massive investments. The European Commission has estimated that achieving Europe's 2030 energy and climate targets will require EUR 260bn of additional investment every year. And this estimate does not factor the revision of these targets announced as part of the European Green Deal or broader environmental objectives. It is clear that the private sector will have to play a key role to close this investment gap. For that, we need a financial system that takes into account climate considerations and guides investors and savers towards sustainable investments. The EU has moved quickly in this direction.

Building on the recommendations of a High-Level Expert Group, the Commission launched an ambitious Action Plan on Sustainable Finance to anchor sustainability in the EU's financial regulatory framework and help redirect private capital flows towards more sustainable investments. One of its key measures is the EU sustainability taxonomy that seeks to establish a common language for green investments, giving investors the much needed clarity.

Since the launch of the EU's Action Plan, the topic of sustainable finance has gained strong momentum. When the Paris Agreement entered into force in 2016, sustainable finance was only a small part of the financial market. Today, green finance has become one of the most important topics for the financial sector. This is notably the case in Europe, where the sustainable finance agenda is moving ahead at significant pace. Last December, the co-legislators reached a political agreement on the taxonomy regulation. Other important legislative initiatives have also been adopted to create new low-carbon benchmarks and stren-

gthen disclosure obligations for sustainable investments. The European Green Deal will continue on this path with new initiatives to scale up sustainable finance even further. For the EIB, the commitment to sustainable finance is clear. As a public, policy-driven bank, sustainable investments lie at the heart of our mission. Yet, in view of the scale of the climate and environment challenges, we have significantly stepped up our climate ambition to support a just transition to a more sustainable future.

Progress is also visible at a global scale. Around 250 banks from all over the world have signed the UN's Principles for Responsible Banking, committing to embrace sustainability and support the Paris Agreement Sustainable Development Goals. Climate disclosures are also widely spreading with more than one thousand private organizations today supporting the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Climate risks are also attracting increasing attention. More than 50 central banks and supervisors are now cooperating under the Network for Greening the Financial System (NGFS) to develop a better understanding and management of climate change financial risks. The challenges of climate change and environmental sustainability are important to the whole world and require collective action. In today's global financial markets, international consistency and global standards are critical. In this sense, the EU's initiative to launch the International Platform on Sustainable Finance, of which the EIB is a partner, is a major step forward in promoting coherent approaches and accelerating sustainable finance globally. It seems clear that sustainable finance is here to stay. ●