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Sustainable finance is the key to a sustainable future

The EU Action Plan on Financing Sustainable Growth is a priority of the Commission's Capital Markets Union (CMU) Action Plan, and one of the key steps in implementing the Paris Agreement and the EU's Agenda for sustainable development. The sustainable finance strategy will also play a key role in the recovery from the economic fallout of the COVID-19 outbreak. We must bounce back from this pandemic and use the opportunity to redesign parts of our economies. Our sustainable finance work is integral to the EU Green Deal and Next Generation EU. Our sustainable finance taxonomy is what will guide investments under Next Generation EU into an environmentally sustainable recovery.

The sustainable economy transition requires significant investment across all sectors. Reaching the EU's current 2030 climate and environmental policy goals would already require additional investments of approximately €470 billion a year by 2030. Private investment is key. The EU budget and Member State public spending can provide some of this massive investment, but not all. Only the private sector can provide the scale. This is why we need laws to unlock that private investment and for the financial sector to channel it effectively. The Commission will lead the global work in this area and help sustainability-conscious investors choose suitable projects and companies.

We have already made great progress on our key: the Taxonomy Regulation establishes the first legislative framework that defines what environmentally sustainable economic activity is. Two new categories of EU climate benchmarks were created and ESG disclosure requirements for benchmarks proposed. The Disclosure Regulation was adopted in spring 2019. It requires financial market participants and advisers to provide sustainability disclosures to end-investors. This list is not exhaustive. We are picking up successes as we move forward step by step.

The EU is leading the way in this field. Given the challenges and the enormous investment needed worldwide, global financial markets have a greater role to play. This is why, in October 2019, the EU, together with Argentina, Canada, Chile, China, India, Kenya, and Morocco launched the International Platform on Sustainable Finance. In 2020, Indonesia, New Zealand, Norway, Singapore, and Switzerland joined the group. It is heartening that the Platform continues to grow. It now unites 45% of the world's GDP and 50% of the world's population. Not a bad start.

To speed up efforts to reform the financial system, and to ensure that sustainability remains a permanent feature of EU policies, the Commission is setting up a new platform on sustainable finance that will begin its work in 2020. As a central forum for discussion, the platform will bring together private sector experts, market participants and public bodies.

By the end of 2020, we will present a renewed strategy on sustainable finance that shifts focus to the real economy and corporates, as well as to public authorities and citizens - to give everyone the necessary tools to transition from brown to green. We will amend the Non-financial reporting directive to improve companies' climate and environmental data disclosure to better inform investors about the sustainability of their investments. We will strengthen companies' disclosure of sustainability-related information, the Eco-label for sustainable financial products, and incorporate sustainability in prudential requirements and the provision of financial advice. Citizens and retail investors can play a major role to finance the transition with the right tools. We will provide those tools.

The digitalisation of the EU financial system offers excellent opportunities in this sense. Financial incentives and new forms of private-public cooperation will be imagined and implemented. Climate and environmental risk management will be improved by integrating them into the EU prudential framework and assessing the suitability of the existing capital requirements for green and brown assets. It also means examining how the financial system can help increase resilience to climate and environmental risks, in particular when it comes to physical risks and damage arising from natural catastrophes.

We have come a long way, and we are moving ahead confidently. Sustainable finance is the key to a sustainable future, and we are wasting no time in building exactly that for generations of Europeans to come, as well as for those of the rest of the world. ●