

# „Shaping the future of EU Enviromental Policy“

Workshop II: The role of business and finance: Investments,  
new business models, green capital

## Finance for transition

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## Context – Sustainable development goals

- UN 2030 Agenda for Sustainable Development
- Sustainable Development Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all
- Sustainable Development Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
- Sustainable Development Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

## Context – Paris Agreement

- Paris Agreement – Artikel 2.1c: “making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development”
  - Conditional for reaching the other goals of the Paris Agreement – to keep global average temperature increase well below 2°C and pursue efforts to limit the increase to 1,5°C above pre industrial levels; increasing the ability to adapt to the adverse impacts of climate change and foster climate resilience and low GHG emissions development
  - Article 2.1c means **all global finance flows**, not only public flows or flows from developed countries!

## The case for transition from the climate perspective

Increase in global average temperature above 1,5°C will cause:

- Increase in mean temperatures in most land and ocean regions
- Hot extremes in most inhabited regions
- Sea level rise
- Heavy precipitation in several regions
- Probability of drought in some regions
- Biodiversity losses

What it means: Increased risks to health, livelihoods, food security, water supply human security and economic growth

## Investment needs – energy sector

- Around USD 3.5 trillion in energy sector investments on average each year between 2016 and 2050, compared to USD 1.8 trillion in 2015
- Fossil fuel investment decline would be largely offset by a 150% increase in renewable energy supply investment between 2015 and 2050
- Total demand-side investment into low-carbon technologies would need to surge by a factor of ten over the same period

(IEA - Perspectives for the energy transition, 2017)

## What the EU is doing

- Climate and energy
  - 2030 Climate and Energy Framework
  - Energy Union
- Environment
  - Action Plan Circular Economy
  - 7. Environment Action Programme
- Investments & Growth
- Sustainable Finance in the capital market union

## High Level Expert Group

### Objectives:

- 1) Sustainable financial system in a sustainable economic system
- 2) Mobilising capital for a sustainable economy for achieving the climate goals and the UN Agenda 2030

### Recommendations to the European Commission

## Action plan for sustainable finance

Adopted in March 2018; 3 main objectives:

- Re-orienting capital flows towards sustainable investment to achieve sustainable and inclusive growth
- Managing financial risks caused by climate change, environmental degradation and social problems
- Promote transparency and long term perspective in financial and economic activities



## Legislative package

- Draft Regulation on the establishment of a framework to facilitate sustainable investment
- Draft Regulation on disclosures relating to sustainable investments and sustainability risks
- Draft Regulation on low carbon benchmarks and positive carbon impact benchmarks

## Taxonomy

- Establishing environmental goals (Climate mitigation, adaptation, avoidance of waste and recycling, sustainable water use, ....) and harmonised criteria for sustainable economic activities
- Delegated acts to define concrete activities
- Much broader than climate policy, but starting with climate as first priority
- Not prescriptive on investments decisions – but common definition of what are investments with significant positive impacts

## Disclosure and Benchmarks

### Disclosure Regulation:

- Consideration of ESG factors by institutional investors (Asset managers, insurance companies, pension funds) in their investments decisions
- Demonstrate how far investments are oriented at ESG targets

### Benchmark Regulation:

- Benchmarks for low CO<sub>2</sub> emissions and positive carbon effects

## Reactions

- Different concerns by different groups
- Member States generally positive toward package, need to clarify details
- Concerns by investors and financial market participants that the package may lead to restrictions for „brown“ investments
- Concerns by other stakeholders that the package does not go far enough towards greening the financial system

# Thank you for your attention!

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