



# Sustainable Finance & the International Platform on sustainable finance

Caroline Wellemans

*Directorate General for Financial Stability, Financial Services and Capital Markets Union,  
European Commission*

*January 2021*

# EU agenda - Sustainable Finance



## Action at EU level

### • March 2018: Action Plan on Financing Sustainable Growth to:

- Re-orient capital flows towards more sustainable investments
- Mainstreaming sustainability in risk-management
- Foster transparency & long-termism

### • September 2020: the Commission keeps on increasing climate targets



**At least 55%** emission reduction by 2030

### • Q1 2021: Renewed Sustainable Finance Strategy

- 1 Taxonomy
- 2 Standards and labels
- 3 Fostering investment in sustainable projects
- 4 Incorporating sustainability financial advice
- 5 Developing sustainability benchmarks
- 6 Sustainability in ratings
- 7 Disclosures by FMP
- 8 Sustainability in prudential requirements
- 9 sustainability disclosure by corporates
- 10 Sustainable corporate Govern. & long-termism



Annually in the period 2021-2030 the EU will need to invest **€ 350 billion more** than it did in the period 2011-2020 (energy related investments)



Shift the focus to the real economy and corporates, as well as to public authorities and citizens to give everyone the necessary tools to transition to green.

# EU agenda – the EU taxonomy

## Action at EU level: the EU taxonomy

### Objective

Provide a **classification tool** to help investors and companies to make informed investment decisions on environmentally sustainable activities

We need a taxonomy that is **robust, science-based, and ambitious**, in line with our shared environmental objectives, including going towards climate neutrality in line with the Paris agreement

### Use: is it obligatory ?

- Obligatory disclosures for financial market participants
- Obligatory disclosures for undertaking subject to the Non-Financial Reporting Directive (% of the turnover & % of CAPEX/OPEX)
- EU Member States and the Union are required to use the EU Taxonomy when creating public labelling schemes for 'green' financial products and corporate bonds

### What is it?

A list of economic activities that are environmentally sustainable based on a **robust methodology**. To be included in the Taxonomy, an economic



### What is it not?

- A rating of good or bad companies
- A mandatory list to invest in
- Making a judgement on the financial performance of an investment
- Inflexible or static

\* Observe International Labour Organisation (ILO) core labour conventions



# International Platform on Sustainable Finance



## Objectives

- To reach our Paris Agreement objectives by 2030, about **USD 6.9tn** of annual infrastructure investments are needed at a global level (*OECD estimate 2018*)
- The Parties to the PA agreed to “*make financial flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development*” (*article 2,1,c*)
- Mobilising international private capital is crucial to build back better greener and more resilient economies



## State of play

- **Climate finance** has grown significantly but remains far from being enough to meet our climate objectives.
- Annual green bond issuance reached **USD 250bn => only 3,5% of total global bond issuance**



# International Platform on Sustainable Finance

## Challenges

- **Scaling up sustainable finance worldwide is challenging**, notably due to the absence of coherent definition of green investments (taxonomies) and the low degree of standardization & transparency.
- Countries have started to develop their SF roadmaps, but reflecting their environmental priorities, local needs and stage of market development
  - ⇒ Risk that fragmented practices lead to insufficient financing for the transition globally is real.



## Solutions

- **Coordinating approaches and developing coherent sustainable finance frameworks and tools** in areas that enable investors to identify green investments opportunities across the globe
- **The European Union together with relevant public authorities launched the**

**International Platform on Sustainable Finance (IPSF)**



# International Platform on Sustainable Finance

At its launch (October 2019)



Since its launch



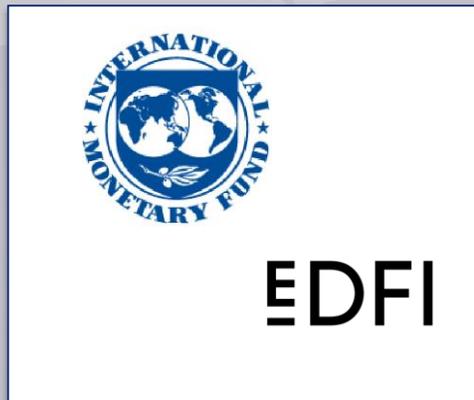
Members

 **50%**  
OF GLOBAL GHG EMISSIONS

 **45%**  
OF GLOBAL GDP

 **50%**  
OF WORLD POPULATION

Observers



# International Platform on Sustainable Finance

## The International Platform on Sustainable Finance

part of the global efforts

to meet the Paris Agreement commitments & to build back better

The IPSF offers a unique multilateral forum of dialogue on sustainable finance.

It focusses on initiatives that help investors identify and seize investment opportunities that truly contribute to climate and environmental objectives.



The IPSF promotes integrated market for sustainable finance.

By doing so, it contributes to facilitating cross-border green capital flows , reducing transaction costs and ultimately scaling up sustainable finance .

# International Platform on Sustainable Finance

## Objectives



**SCALE UP THE MOBILISATION**  
of private capital towards environmentally  
sustainable finance at global level



**PROMOTE INTEGRATED MARKET**  
for environmentally sustainable finance

### EXCHANGE AND DISSEMINATE

information to promote best practices

### COMPARE AND IDENTIFY

Compare initiatives and identify barriers and  
opportunities to help scale up sustainable finance  
internationally

### ENHANCE COORDINATION

on environmentally sustainable finance issues  
internationally. Willing members can strive to align  
initiatives and approaches.

## Main focus of work

- **Green taxonomies** (i.e. classification of sustainable economic activities)
- **Green financial product standards and labels**
- **Disclosures of sustainability-related information**

Measures that are key to help investors identify and seize investment opportunities that truly contribute to environmental objectives

# International Platform on Sustainable Finance



## WHAT THE IPSF IS

It is a multilateral forum for facilitating **exchanges**.

It compares and coordinates efforts on initiatives and approaches to environmentally sustainable finance, while respecting national and regional contexts.

It is a forum for **public authorities** in charge of developing environmentally sustainable finance policies and initiatives (ministries of finance/economy, central banks, and supervisory and regulatory authorities).



## WHAT THE IPSF IS NOT

It is **not an institutionalised body**, nor does it create any binding, legal or financial obligations on any member under domestic or international law.

It does not create global standards nor does it impose to its members to adhere to other members' rules or approaches on environmentally sustainable finance.

It is not a forum for **private companies** whether or not, working on environmentally sustainable finance issues.

## First Annual Report



- Development of green taxonomies is nascent, but uptake potential is promising.  
  
=> **Working Group on taxonomies** that will publish a “**Common Ground Taxonomy**” in order to enhance transparency about what is commonly green in member countries and contribute to scale up cross-border green investments significantly.
- More and more jurisdictions are developing standards and labels for SF products, to provide transparency and clarity and address the risk of greenwashing.
- In recent years, environmental-related disclosure has improved considerably. Nonetheless, there are still significant gaps in the quality and comparability of information disclosed:  
  
=> **working group on corporate environmental-related disclosure.**



# International Platform on Sustainable Finance



## How to apply

The IPSF is open to public authorities, which are taking action and willing to promote international cooperation in the area of environmentally sustainable finance.

**Join us by sending your application to the IPSF secretariat** ([fisma.ipsf@ec.europa.eu](mailto:fisma.ipsf@ec.europa.eu)).

*Together, we can make a difference!*

*More info: <https://europa.eu/!DV48WT>*





# Sustainable Finance & the International Platform on Sustainable Finance

Thank you for your attention