

EPRS

**EUROPEAN
PARLIAMENTARY
RESEARCH
SERVICE**



European Parliament

Sustainable Finance

Stefano Spinaci

Policy Analyst

Economic Policies Unit

Background

FINANCING GREEN

Reorient capital flows

Public

over €400bn yearly investment till 2030
to reach Paris Agreement targets

Private

GREENING FINANCE

Better manage ESG risks

Physical risks

damage to assets, supply
chain disruption ...

Transition risks

regulatory/technological changes, new
consumer behaviours: stranded assets

Liability risks

judicial litigations on
compensation for losses

EU action

Classification



EU taxonomy + delegated acts

classifying sustainable economic activities



Reporting

SFDR + CSRD

strengthening the information transparency

Standards

EU GBS + ESG ratings

defining sustainable financial products

EU action milestones

STRATEGY

Action plan on sustainable finance

Published

Mar 2018

Renewed strategy on sustainable finance (focus on transition)

Jul 2021

LEGISLATION

EU taxonomy regulation

Into force

12 Jul 2020

Sustainable finance disclosure regulation (SFDR)

10 Mar 2021

Benchmarks regulation (ESG criteria into stock index market)

1 Jan 2022

EU green bond standard regulation

20 Dec 2023

Corporate sustainability reporting directive (CSRD)

5 Jan 2023

ESG ratings regulation

close to adoption

EU taxonomy

WHAT IS

dynamic **classification tool**

'living' list of **economic activities**

measured on **sustainability criteria**

AIM

define "green"

reorient capital flows

prevent "greenwashing"

WHY IS IT IMPORTANT ?

Finance

future standards and labels

Industries

drive for investment/disinvestments

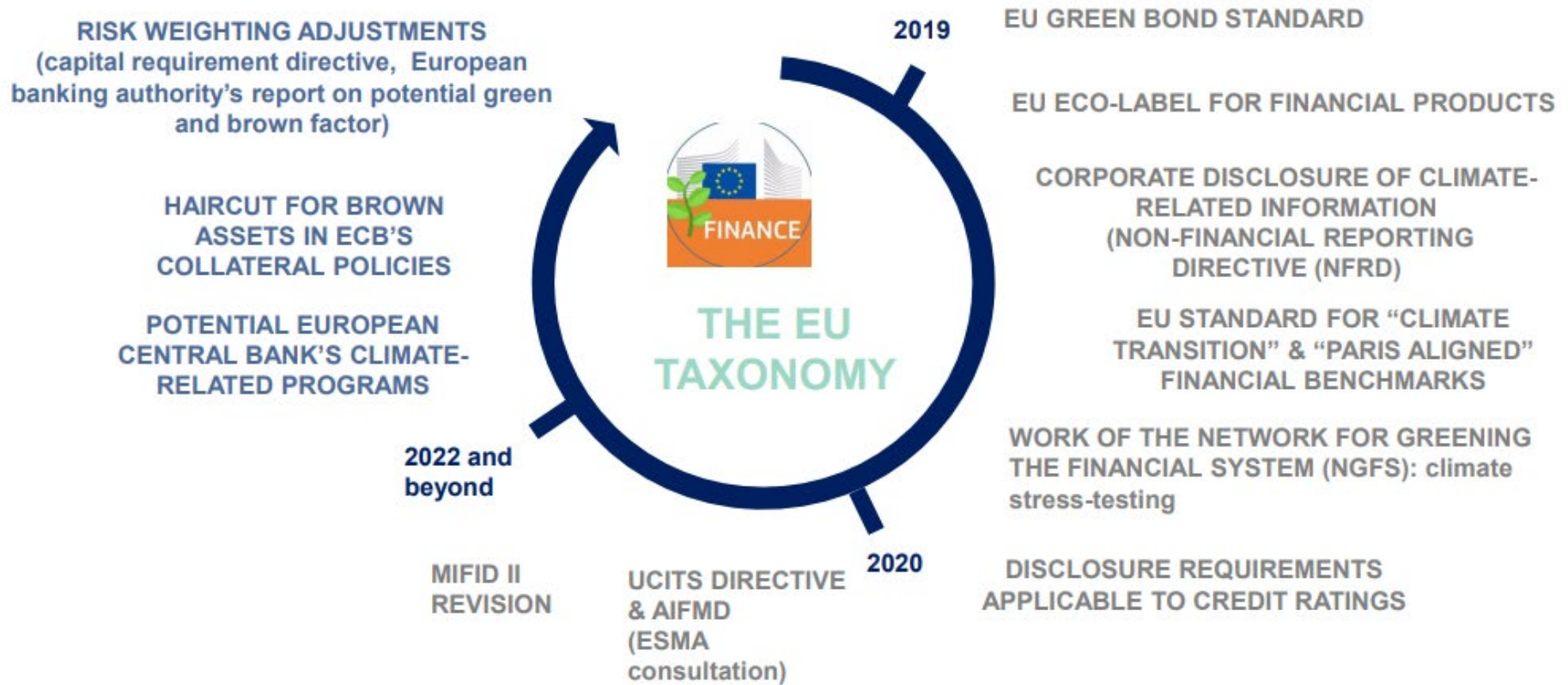
States

effects on economy/employment

EU

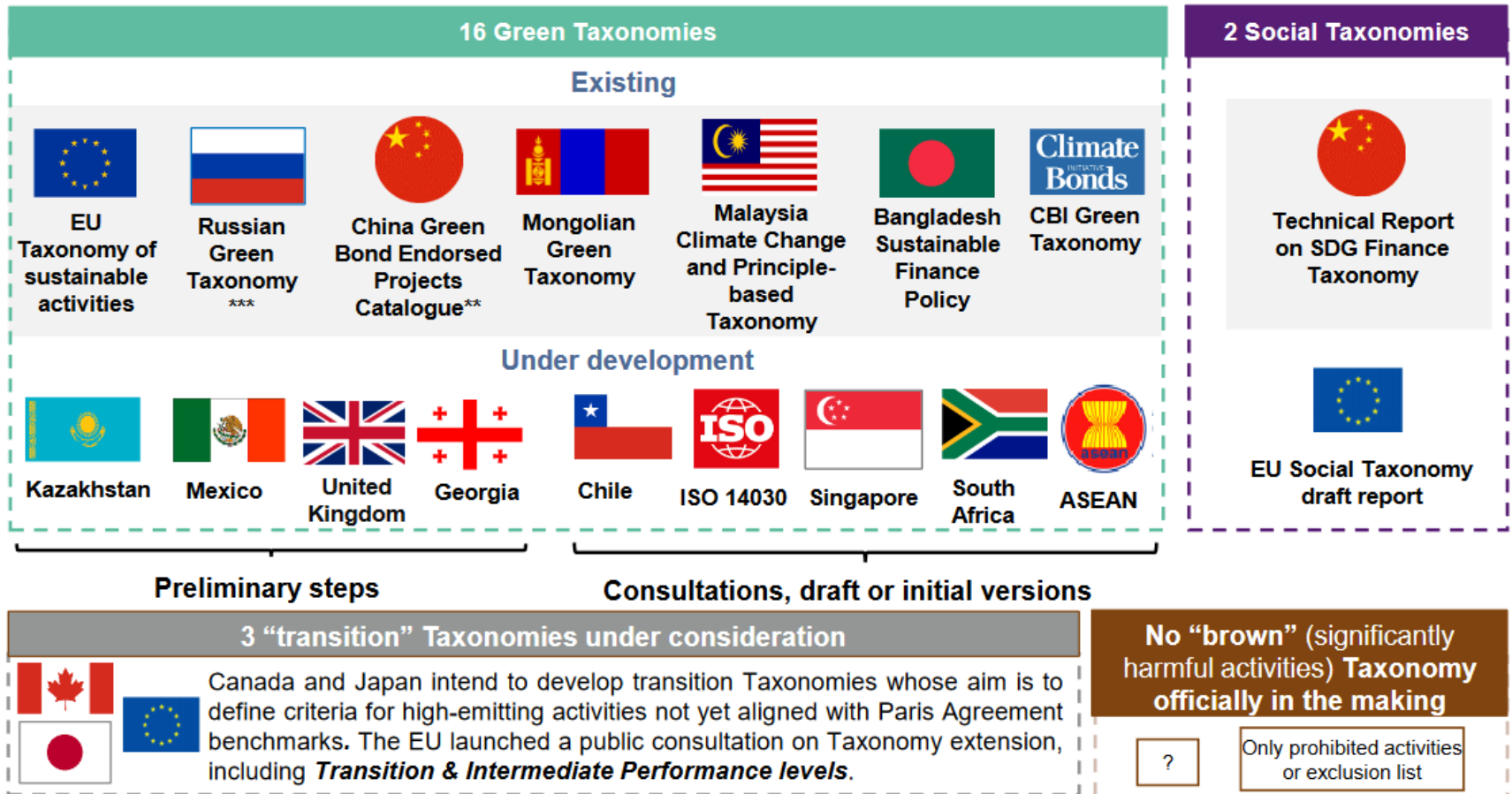
first mover/standard setter benefits

EU taxonomy as a pivot



Source: Natixis GSH, Authors

Taxonomies: an international race



Source: [The new geography of taxonomies. A global standard-setting race](#), Natixis, Nov 2021.

EU green bond standard

Voluntary standard

- can be used by issuers of green use of proceeds bonds
- where the proceeds are fully allocated in accordance with the EU taxonomy

Label

- bonds issued in accordance with the Regulation can use the label “European Green Bonds” or “EuGB”

Reports

- pre-issuance and post-issuance reports (subject to review by external reviewers)
- post-issuance reports:
 - issuer allocation report + ext. review (compulsory)
 - issuer impact report + ext. review (optional)

Supervision

- ESMA: supervise external reviewers
- National competent authorities: supervisory powers to sanction and issue penalties to issuers of EuGB for non-compliance with the Regulation.

EuGB: some reflections

Standards « competition »

- existence of other widely used market-based green bond principles
- issuers should be attracted to the use of the EuGB label

« Captive market » for the EuGB standard

- in the recitals to the Regulation, EU institutions are “encouraged” to use it
- the EIB is named as being committed to gradually align its green bond programme

Possible challenges for issuers

- ability to identify taxonomy-aligned activities
- address disclosures aspects

What next?

- the Regulation is unlikely to be effective until late 2024
- it aligns roughly with the first year of CSRD reporting

Emerging trends

SOCIAL FINANCE

investment in health and social protection

[social taxonomy](#)¹
_EC report within 2021

TRANSITION FINANCE

attention to risk of lock-in investment !

[brown taxonomy](#)²
EC report within 2021

GREEN PUBLIC FINANCE

taxonomy & DNSH in investment and grants

emission of [green sovereign bonds](#)

¹ taxonomy on economic activities that pursue or harm other sustainability objectives, such as social objectives

² taxonomy on economic activities that significantly harm environmental sustainability ('brown' activities), activities that do not have a significant impact on environmental sustainability (low impact activities)

Challenges

NEED TO SCALE UP

acceleration to achieve
Paris Agreem. targets
2030 UN SDG

attention to
[greenwashing](#) !



HARMONIZATION STANDARDIZATION

regulation
harmonization

convergence on
taxonomies, labels,
standards, disclosures



INTERNATIONAL COOPERATION

[International platform
on sustainable finance](#)

[Network for greening
the financial system](#)

EPRS

**EUROPEAN
PARLIAMENTARY
RESEARCH
SERVICE**



[@EP_ThinkTank](https://twitter.com/EP_ThinkTank)



www.linkedin.com/company/european-parliamentary-research-service



www.pinterest.com/epinfographics/eprs/



www.youtube.com/channel/UCpBeaEkpytvBHzHzcck0VyQ



www.eptthinktank.eu



www.europarl.europa.eu/thinktank

Thank you for your attention

Stefano Spinaci
stefano.spinaci@ep.europa.eu

