Sustainable Finance Innovation among European Financial Centres

04-11-2019

Climate-KIC is supported by the EIT, a body of the European Union

FC4S EUROPE
FINANCIAL CENTRES FOR SUSTAINABILITY

south pole

Welcome to our webinar

- **Default audio setting:** Mute upon joining
- **Technical difficulties:** Use the ***raise hand*** icon in the control panel if you have a technical question and use ***the chat function*** to let us know, send message to organisers only
  - Technical support: We will aim to resolve ASAP
- **Questions** via ***the question box*** are welcome at any time - we recommend sending them to the Moderator only
  - General questions for the discussion: Q & A at the end

This webinar will be recorded, and we will be sending you the presentation as well as the recording within a week.

Your Speakers Today

Ingmar Schuurmans
Senior Manager and Consultant, Sustainable Finance
South Pole

Emmanuel Buttin
Seconded National Expert on Sustainable Finance
European Commission

Karsten Löffler
Member of Technical Expert Group on Sustainable Finance

Co-Head
Frankfurt School - UNEP Collaborating Centre for Climate & Sustainable Energy Finance

Andreas Hoepner
Member of Technical Expert Group on Sustainable Finance

Professor of Operational Risk, Banking & Finance
University College Dublin (UCD)

Robert Jarvis
Advisor - Sustainable finance
Luxembourg for Finance

Sabine Döbeli
CEO
Swiss Sustainable Finance

Pierre-Alix Binet
Head of programs and strategic development
Finance for Tomorrow

European Commission

EU Strategy on Sustainable Finance

FC4S Webinar
4 November 2019

Private finance and the climate emergency: symbiotic relationship

1. Future-proofing economic activities

2. Financial stability / climate risk management

3. Transparency, long-termism / citizen savers' wishes

Key actions of the EU Commission

Action	Objective	Legislation Level 1 (framework)	Technical advice	Legislation Level 2 (detailed technical criteria)
1 **Taxonomy**	Develop an EU common language on environmentally sustainable economic activities	*Status:* under negotiation	Technical Expert Group (TEG)	Pending the negotiation of level 1
2 **Standards and labels**	Develop EU standards (such as EU Green Bond Standard) and labels for sustainable financial products (via Ecolabel) to protect integrity and trust of sustainable finance market	To be considered/assessed	TEG: EU Green Bond Standard; JRC: ecolabel for financial products	To be considered/assessed
4 **Disclosures by financial market participants**	Enhance transparency to end-investors on how financial market participants consider sustainability	*Status*: approved	European supervisory authorities	Delegated act under development
5 **Benchmarks**	Develop climate benchmarks and ESG disclosures for benchmarks	*Status*: approved	TEG	COM drafting secondary legislation based on TEG advice
8 **Sustainability in prudential requirements**	Explore the feasibility of reflecting sustainability in prudential rules (where justified from a risk perspective)	Pending the result of technical assessment	EBA and EIOPA	Pending the result of technical assessment
9 **Corporate sustainability disclosure**	Enhance climate and sustainability-related information provided by corporations	Depending on the result of the ongoing fitness check, possible amendment of the non-financial reporting directive*	TEG (climate-related information) COM fitness check on corporate reporting	Pending the result of technical assessment

* The Commission issued guidelines on reporting climate-related information in June 2019

European Commission

What happens next?

More ambitious climate targets

Ursula von der Leyen, 2019

Target

A European Green Deal

- **55%** cuts in greenhouse gas emissions by **2030**

- **Climate-neutral** continent by **2050**

New initiatives for the next College

- Vice-President Dombrovskis intends to launch a new “**strategy for green financing**” to ensure “that we can direct investment and financing to the transition to a climate-neutral economy” and to “work with our partners to lead global efforts to scale up sustainable financing”.

Thank you!

The EU Taxonomy Essentials

Karsten Löffler

Frankfurt School
FS-UNEP Collaborating Centre
for Climate & Sustainable Energy Finance

Demystifying the Taxonomy

The Taxonomy IS …	The Taxonomy IS NOT…
… a Dictionary, a list of economic activities and relevant criteria re environmental performance	… a mandatory list to invest in
… based on science and on industry experience	… a rating of good or bad companies
… flexible to adapt to different investment styles and strategies	… making any judgement on the financial performance of an investment
… dynamic, responding to changes in technology, science, new activities and data	… inflexible or static

The Taxonomy proposal

Substantially contribute to at least one of the six environ-mental objectives

+

Do no significant harm to any of the other five environmental objectives

+

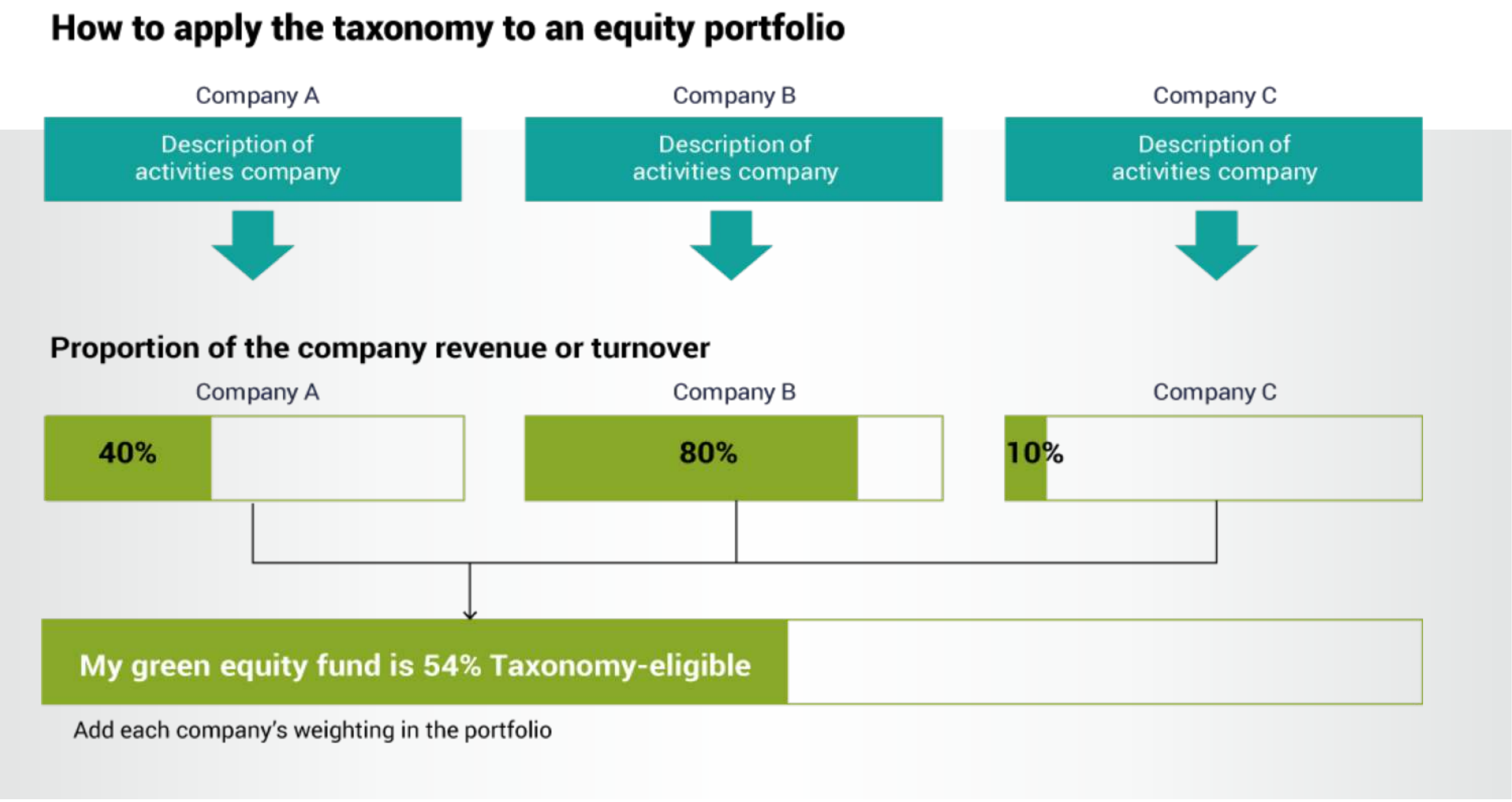
Comply with **minimum social safeguards**

1. Climate change mitigation
2. Climate change adaptation
3. Sustainable use and protection of water and marine resources
4. Transition to a circular economy, waste prevention and recycling
5. Pollution prevention and control
6. Protection of healthy ecosystems

An number of innovative features

- A common language for investors, issuers, policymakers, regulators
- Translating the Paris Agreement and the SDGs
- Puts environmental data in economic context
- Helps saving time and money for investors and issuers
- Helps avoiding reputational risks
- Supports to deepen the conversation
- Rewards investee companies

The Taxonomy in practice: A simplified equity portfolio



Taxonomy use cases and concerns

Opportunities …	Concerns …
▪ Expressing investment preferences	▪ Data availability + quality
▪ Selecting holdings	▪ Usability for portfolio investors
▪ Designing green financial products	▪ Usability for companies / SMEs
▪ Measuring the environmental performance of a security or product	▪ Completeness / coverage
▪ Engaging with investees	▪ Transition activities

TEG Reports: June 2019

User guide

- Concise guide to key concepts
- Examples
- Overview of the criteria

Technical report

- Full methodology;
- Use cases and case studies;
- 67 economic activities assessed for contribution to climate change mitigation;
- Methodology for adaptation tested on 9 activities.

AH: “Climate Transition Investing: The Trajectory”

Official Version edited and presented by Prof. Andreas G. F. Hoepner.

Notes: The work is based on the excellent and tireless efforts of Claudia Bolli, Manuel Coeslier, Delphine Dirat, Steffen Hoerter, Jean-Christophe Nicaise Chateau, Sara Lovisolo, Veronique Menou, Chantal Sourlas and Jean-Yves Wilmotte. Edits by Prof. Hoepner are by ‘AH:’ while omissions are not indicated. Andreas also gratefully acknowledges scientific support from Theodor Cojoianu, Saphira Rekker, Fabiola Schneider and Theresa Spandel.

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AH: The situation in November 2019

'Even we aimed to settle at an uncomfortable +4 degree, we would have to achieve net climate-neutral by 2100.'

Joeri Rogelj, Lead Author of IPCC's 1.5 degree report (Phone Call, August 14th 2019):

Ireland becomes world's first country to divest from fossil fuels

Bill passed by parliament means more than €300m shares in coal, oil, peat and gas will be sold 'as soon as practicable'

▲ A message to the Irish government to divest from fossil fuels is spelled out in lights in front of the lower house of parliament. Photograph: Sasko Lazarov/Photocall Ireland/Trócaire/350.org

Source: Guardian (July 2018)

No pain, no gain for Green Deal in Europe

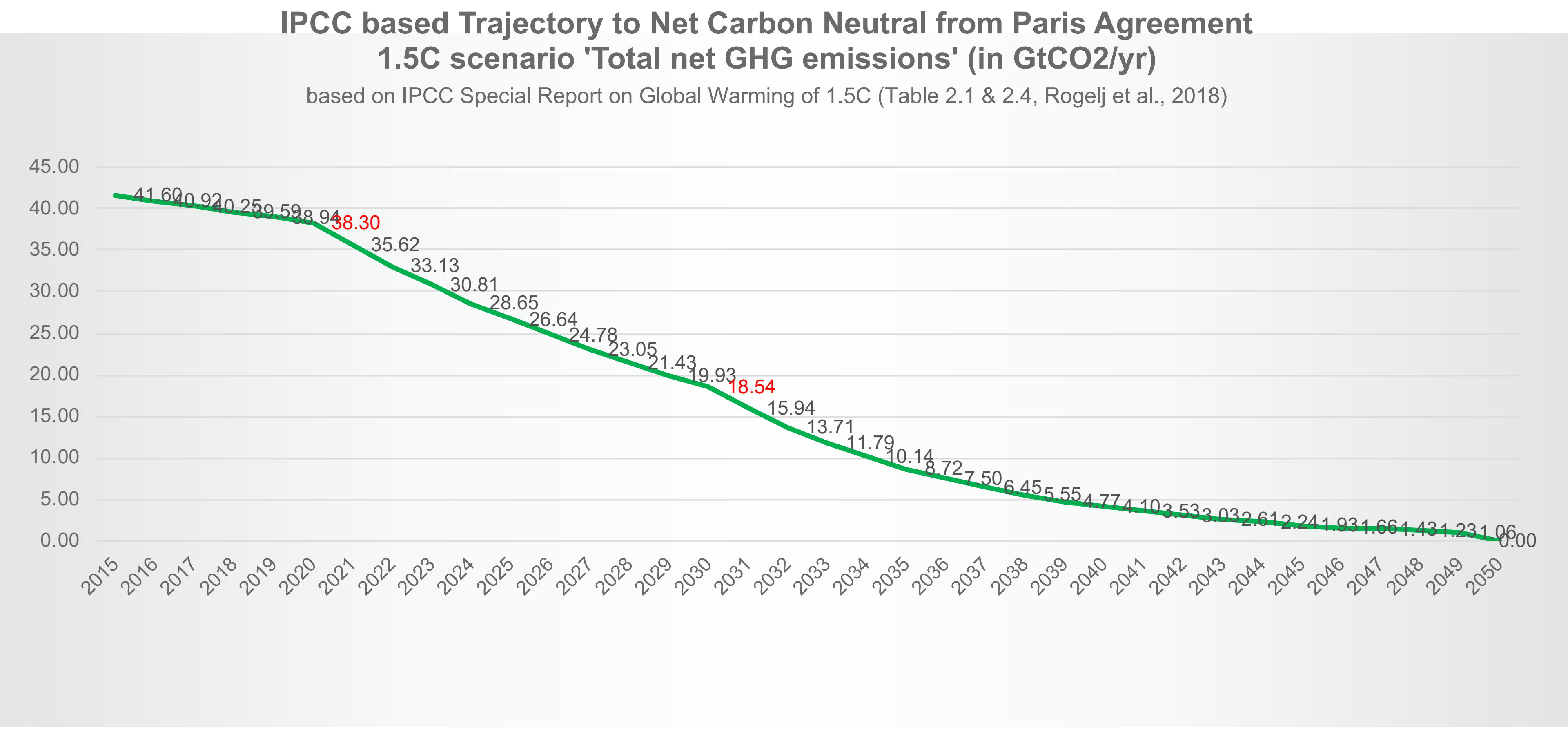
Ursula von der Leyen: Promised to introduce a border tax aimed at preventing 'carbon leakage', or the relocation of carbon- intensive production to countries outside the EU. Picture: AP

Source: Irish Examiner (August 2019)

Next:

?

AH: What is needed?!
A trajectory to Net Carbon/Climate Neutral in 2050



Recommendations for climate benchmarks: Minimum Standards

The TEG recommends minimum standards for the ***EU Climate Transition Benchmark (CTB)*** *and the* ***EU Paris-aligned Benchmark (PAB):***

AH: 2-factor Greenwashing Protection

	Climate Scenario	Relative decarbonization	Self decarbonization	High Stakes Sector Constraint	Activity Exclusion
	IPCC 1.5°C with no or limited overshoot	**CTB: -30%** **PAB: -50%** Minimum reduction in GHG emissions intensity (GHG/Enterprise Value) compared to market index	**-7%** Minimum on average per annum reduction in GHG emissions intensity until 2050	**= or >** AH: Degree of Exposure to "asset heavy" sectors compared with investable universe [Equities Only]	1) Coal (1%+ rev.) 2) Oil (10%+ rev.) 3) Natural Gas 4) Electricity producers with carbon intensity of lifecycle GHG emissions higher than 100gCO2e/kWh (both 50%+ rev)
EU CTB	✓	✓	✓	✓	
EU PAB	✓	✓ ✓	✓	✓	✓

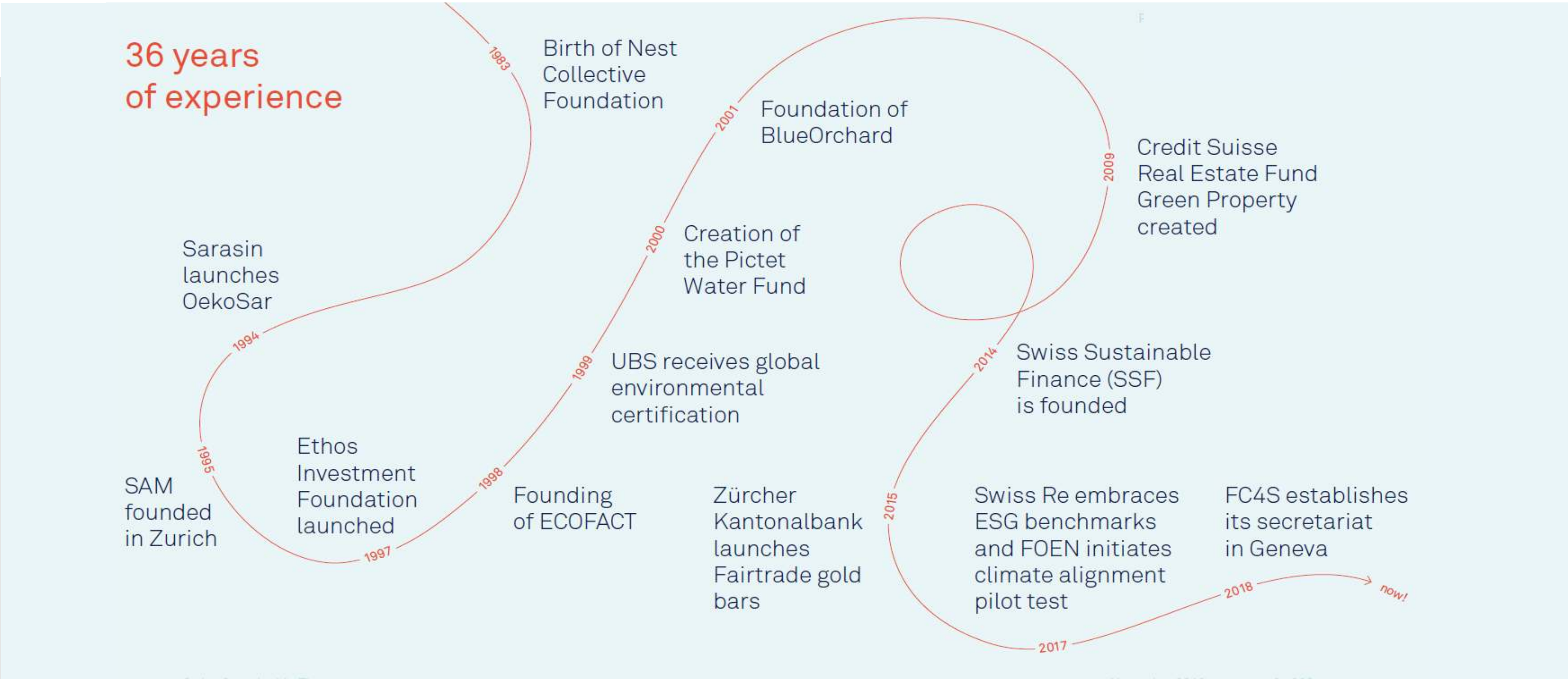
Climate benchmarks → Disclosure for all benchmarks

Swiss Sustainable Finance

Switzerland for Sustainable Finance

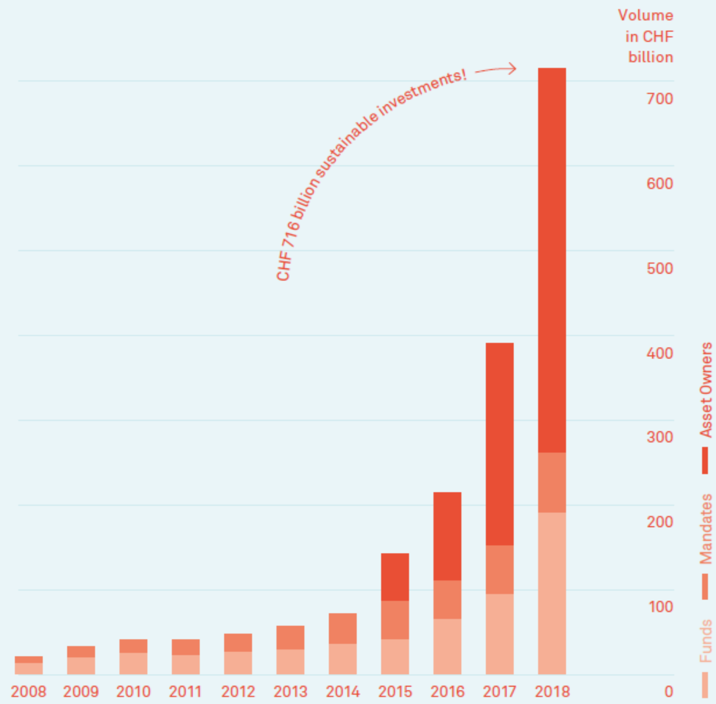
Transforming finance for a better world

High innovation capacity – many global Firsts developed in Switzerland – Market driven



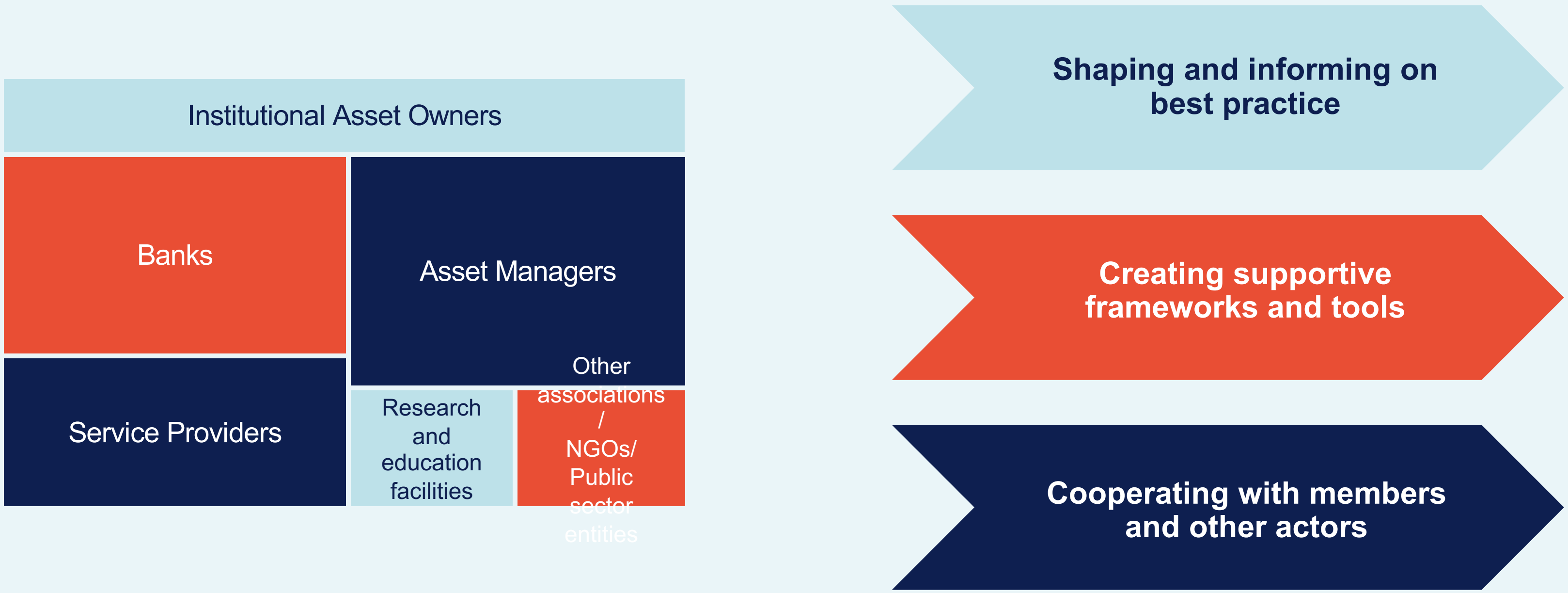
Impressive Market Growth over the past 10 years

- Switzerland's expertise and pioneering spirit has led to **significant increase in sustainable investments** (SI)
- **CHF 716 billion** SI represent 21% of total assets managed in Switzerland[1]
- This is **double the global share** of SI of 11%[2]

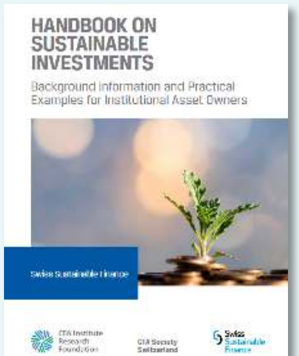


[1] Total Swiss assets managed amount to CHF 3.34 trillion by the end of 2018 based on the SBA Banking Barometer
[2] Based on McKinsey Performance Lens – Global Growth Cube 2018

SSF unites 136 members and acts as Facilitator and enabler



SSF and the Swiss financial centre – a Wide array of successful activities and initiatives on sustainable finance



Handbook on Sustainable Investments

With background information and **practical examples for institutional asset owners,** published with CFA Research Foundation

Available in English, German and French

SSF education tool for financial professionals

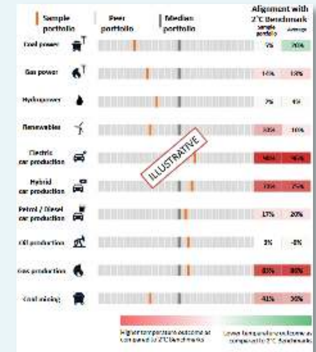
Education slide deck and **four online e-learning modules** tailored specifically to the needs of finance professionals

Available to SSF members in English, German and French

Building Bridges Week & Summit

Full-week programme including 30 events to **foster collaboration and accelerate the finance industry's contribution to the SDGs**

More than 800 delegates and keynotes by Ueli Maurer (President of the Swiss confederation), Sergio Ermotti (CEO, UBS) and many others



Climate-alignment test

Swiss Federal Office for the Environment (FOEN) offers **2°-portfolio-screening** to pension funds and insurance companies (PACTA)

First round of pilot test in 2017, second round to be offered in 2020

Thank you
for your interest

November 2019

Frankfurt School
FS-UNEP Collaborating Centre
for Climate & Sustainable Energy Finance

Webinar SouthPole

November 2019

Finance for Tomorrow - Presentation

FINANCE FOR TOMORROW by Paris Europlace

Launch : June 2017
Managing Director : Anne-Claire Roux

Chair : Pierre Ducret, Special Advisor for Climate, Caisse des dépôts Group
Members as of 01/11/2019 : 75 and 6 observers

Finance for Tomorrow is the initiative launched within Paris EUROPLACE to make green and sustainable finance a driving force in the development of the Paris Financial Center and to position it as a reference on these issues. Our members commit in a common charter to contribute to a transformation of practices in the Paris Financial Center and to a global shift of financial flows towards a low carbon and inclusive economy, in line with the Paris Agreement and the UN Sustainable Development Goals.

Finance for Tomorrow activities :

- Provides to players in the Paris Financial Center a **platform for ongoing work and dialogues** be able of feeding and accelerating the Paris dynamics.
- Develops and promotes the community of committed players in the Paris Financial Center by organizing events in France and abroad, including its flagship event, the **Climate Finance Day**.
- As an **international ambassador,** contributes to the development of sustainable finance at the international level, in particular as co-chair with Shanghai of the network FC4S - Financial Centers for Sustainability, placed under the authority of the UN Environment.

Finance for Tomorrow – Most recent achievements

Team :
4 people

2 commissions
7 working groups
14 experts pilots

Finance for Tomorrow members:

42	75
June 2017	Sep. 2019

Publication on climate risk led by Axa & Carbone4

- Guide on concepts, tools and methods
- Mapping of methodologies

Climathon Paris 2019

Open-innovation event in 100+ cities. The Paris edition was dedicated to mobilizing finance for energy efficiency in housing.

PARIS 2019 CLIMATE FINANCE DAY

November 29 2019 – 5th edition of Finance for Tomorrow flagship event, aiming to mobilize the financial sector to achieve the Paris Agreement agenda.

Financial Sector Climate Commitment Tracker Observatory

- Finance for Tomorrow and the 5 main financial professional federations, in collaboration with the Treasury, will start to track commitments from financial actors and analyze them in order to consolidate the relevant metrics and compare them with the needs of climate pathways.

- This project is launched in the context of the declaration of the French ministry of finance last July. The French supervisors have set up a "Climate and Sustainable Finance" consultative commission in order to monitor and independently assess the climate-related commitments taken by Paris financial Centre entities. The Observatory is set up to complete this global assessment architecture to track the Paris financial actors' commitments.

- The Observatory is also launched among the LIFE Integrated Project led by the French Agency for the Environment and Energy Efficiency. The overall objective is to build capacity among actors, financial supervisors and regulated entities to make a tangible contribution to Europe's transition to a low-carbon and climate-resilient economy.

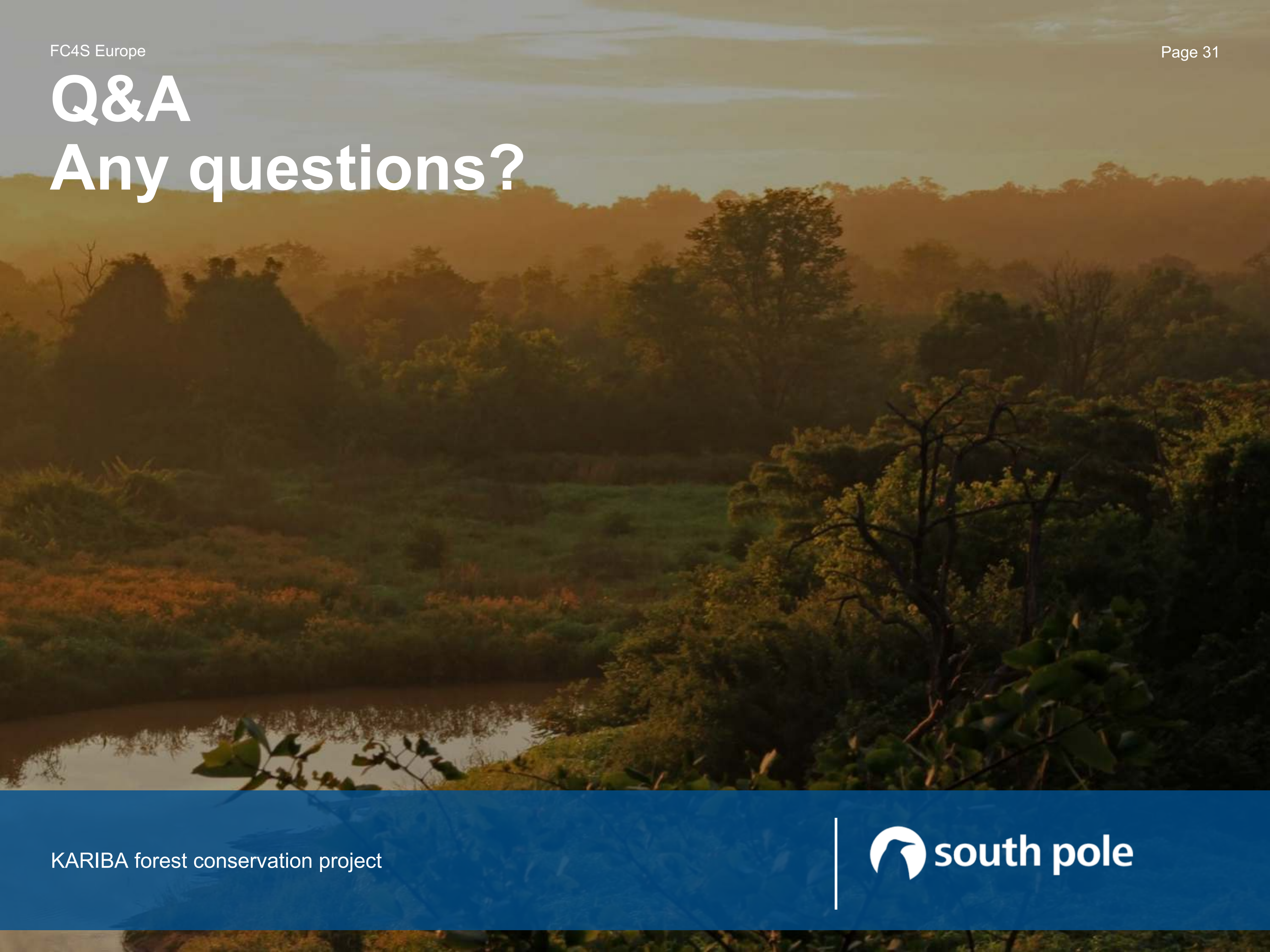
Developing an expertise on green fintechs

- The Challenge "Fintech for Tomorrow" : aim to reward solutions able to transform financial sector practices, reorient capital flows and reduce the environmental impact of the financial sector. The Challenge highlights promising French and international fintech projects and connect them with the actors of the French innovation ecosystem to support their development.

- Different actions on the European and international levels : partnership with Climate-KIC to develop the sustainable fintech landscape, collaboration with Stockholm Digital Finance Institute on their mapping activities, consultation at the French Level to provide insights on sustainable fintechs among the UN Digital Taskforce on Digital Financing of the SDGs, organization of a Joint-conference France-China to deepen discussion on digital financing.

- **Identify the needs for digital innovation to sustain sustainable finance**
- **Better understand the existing landscape of innovative players**
- **Support the entrepreneurs to strengthen their impact in the market**

Q&A
Any questions?



Call for proposals

Innovative ideas to support European investors in tackling climate change

We invite European investors, financial advisors, think tanks/NGOs, universities or government agencies to submit innovative ideas (e.g. on assessment tools, financial instruments, collaborative approaches) to address one of the following challenges:

1. How can investors and asset managers better align their investments with the Paris Agreement (1.5 - 2°C world) and the EU‘s Action Plan for Financing Sustainable Growth?
2. How can investors and asset managers better manage their climate risks, in line with the recommendations of the Task Force for Climate-Related Financial Disclosure (TCFD)?
3. How can the transition of investments to net-zero GHG emissions be accelerated via concrete action and practical solutions?

Step 1: Submit your idea

- Send an email to FC4S@southpole.com with your idea (maximum 500 words)
- **Deadline: Friday, December 13th 2019**

Step 2: Submit a full proposal

- After submitting your idea, South Pole will notify you within two weeks whether or not you should submit a full proposal.
- South will provide a template for this incl. the deadline for submission.

Your feedback is appreciated

Contacts

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Offices and representations worldwide

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