

INSTITUTIONAL READINESS TO SUPPORT THE EU GREEN DEAL

AN OVERVIEW

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Reality 1.0



Reality 2.0



Foto: Umanotera

Greening the financial system

In 2018 the European Commission adopted an action plan on financing sustainable growth:

- 1) Re-orientate capital flows towards a more sustainable economy,
 - EU Taxonomy for green, sustainable activities
 - Creating an EU Green Bond Standard and labels for green financial products
 - Fostering investment in sustainable projects
 - Incorporating sustainability in financial advice
 - Developing sustainability benchmarking
- 2) Mainstream sustainability into risk management,
- 3) Foster transparency and long-termism.

Greening the financial system

The emergence of an international sustainable finance sector:

- (1) the Central Banks and Supervisors Network for Greening the Financial System (NGFS);
- (2) the Coalition of Finance Ministers for Climate Action; and
- (3) the European Commission's International Platform on Sustainable Finance;
- (4) European Banking Authority (EBA).

Roadmap for Banks:

Main workstream of the Climate Bank Roadmap EIB

- Increasing investment
- Innovation, new business models

Accelerating the transition through green finance

- Territorial Just Transition Plans
- Reduce vulnerability

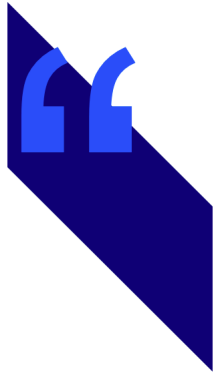
Ensuring a just transition for all

Building strategic coherence and accountability

- EU Sustainable Finance Action Plan
- Integrated environment, climate and social policy
- Internal alignment

Supporting Paris-aligned operations

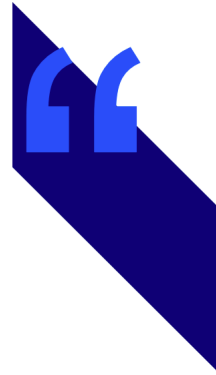
- High-emitting sectors
- Transition and physical risks
- Counterparties



EU Taxonomy

A common language for investors, issuers, policymakers...

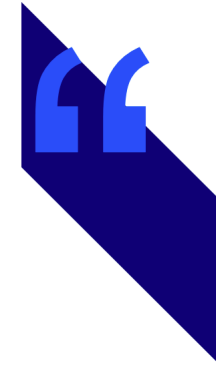
WHY: Fundamental to direct investments towards sustainable projects and activities.



Additionality

Addressing market failures or sub-optimal investment situations

WHY: Support investments which could not obtain financing / not in full / would have been carried out later.



Economic Appraisal & Risk assessments

Mainstreaming sustainability into risk management and building economic assessment, including the use of a shadow cost of carbon.

WHY: Assure that the benefit to society of a project outweighs the costs, including all externalities



EU Taxonomy

- ✓ Shift capital flows away from activities that have negative social and environmental consequences
- ✓ Better assess and manage financial risks resulting from e.g. climate change and environmental damage
- ✓ Direct finance towards economic activities that have genuine long-term benefits for society.

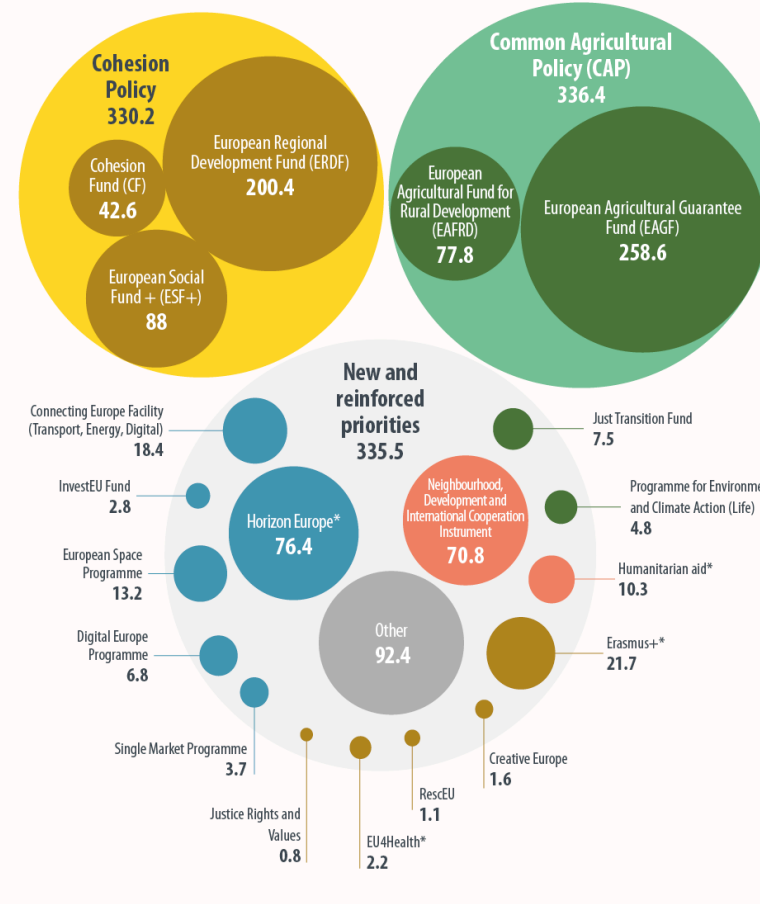
Taxonomy Regulation establishes six environmental objectives:

1. Climate change mitigation
2. Climate change adaptation
3. The sustainable use and protection of water and marine resources
4. The transition to a circular economy
5. Pollution prevention and control
6. The protection and restoration of biodiversity and ecosystems

Additionality

Main programmes and funds under the multiannual financial framework

All amounts in € billion (2018 prices)

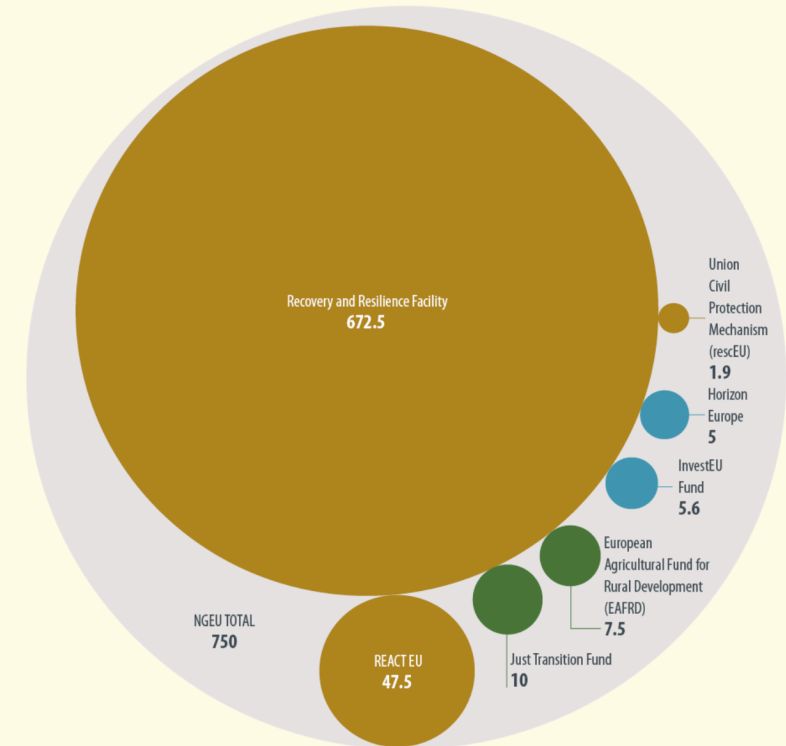


An additional top-up of €12.5 billion over 2021–2027 is agreed with the European Parliament and allocated to: Horizon Europe, Erasmus+, EU4Health, Integrated Border Management Fund, Rights and Values, Creative Europe, InvestEU, NDICI. Top-ups will be mainly funded by revenue from competition fines and de-commitments.

* of which €500 million from €2.5 billion reallocation from the margins agreed with the European Parliament

Next Generation EU (NGEU): fueling recovery and resilience

All amounts in € billion (2018 prices)



SUSTAINABLE INFRASTRUCTURE

Financing projects in **sustainable energy** | **digital connectivity** | **transport** | **circular economy** | **water, waste and other environment infrastructure** and more.

RESEARCH, INNOVATION AND DIGITISATION

Financing projects in **research and innovation** | **taking research results to the market** | **digitisation of industry** | **scaling up larger innovative companies** | **artificial intelligence** and more.

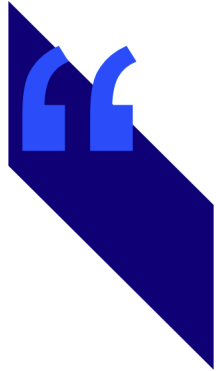
SMALL BUSINESSES

Facilitating access to finance for **small and medium-sized companies (SMEs)** | **small mid-cap companies**.

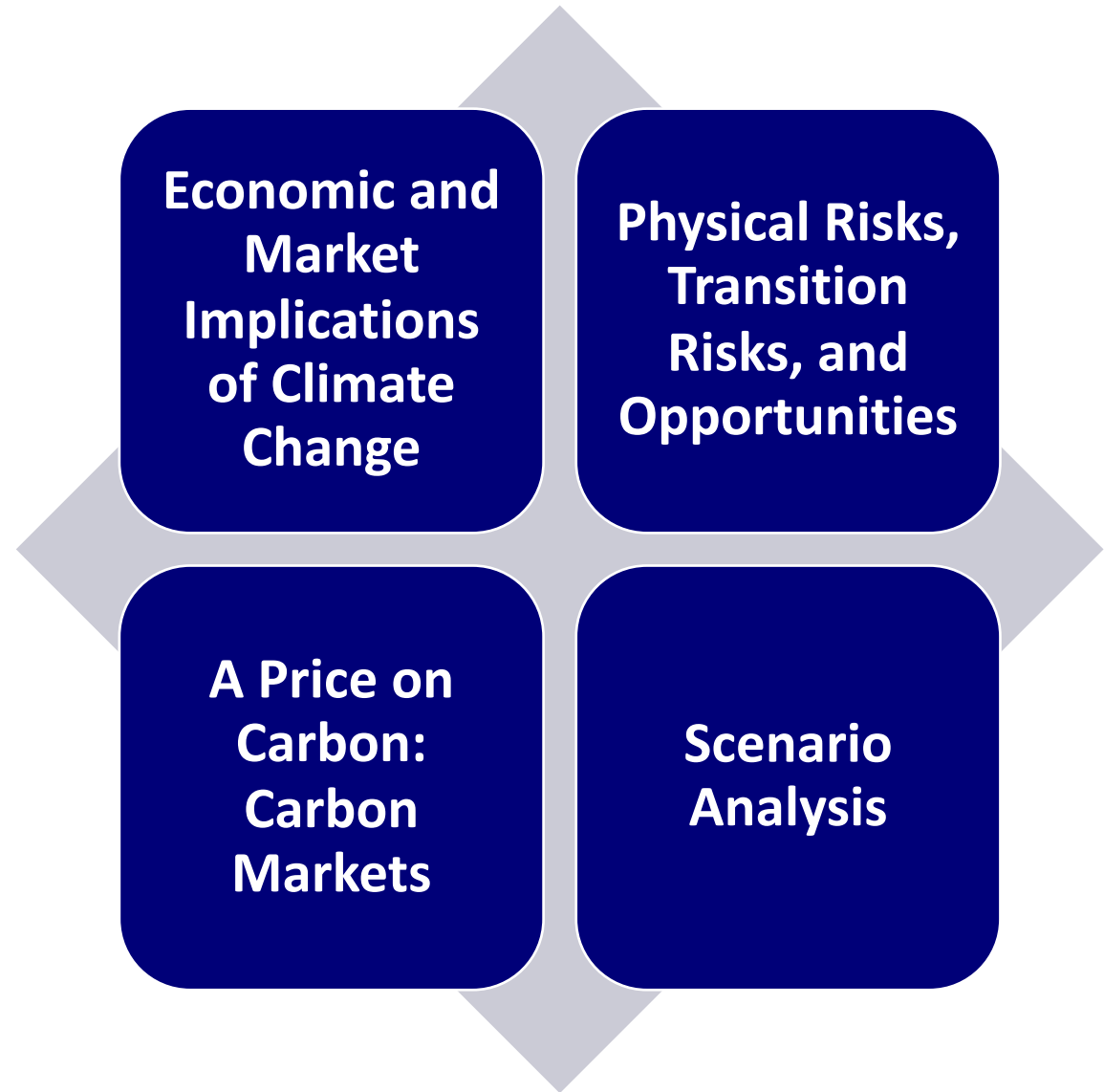
SOCIAL INVESTMENT AND SKILLS

Financing projects in **skills, education, training** | **social housing, schools, universities, hospitals** | **social innovation** | **healthcare, long-term care and accessibility** | **microfinance** | **social enterprise** | **integration**

Source, Image: European Commission, 2020



Economic Appraisal & Risk assessments



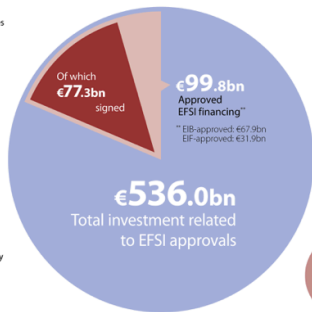
BUILDING ON THE SUCCESS OF EFSI: FROM OUTCOMES TO IMPACT

EFSI scoreboard

EIB Group figures As of 11/11/2020

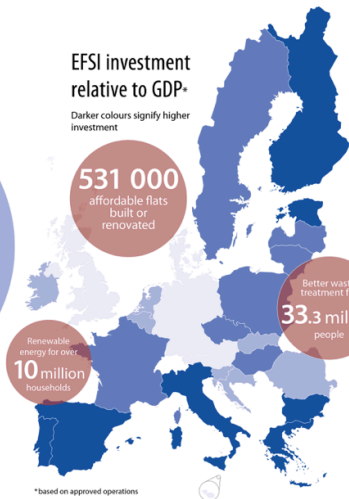
EFSI investment by sector*

- Smaller companies 35%
- RDI 26%
- Energy 15%
- Digital 8%
- Transport 7%
- Social Infrastructure 5%
- Environment and resource efficiency 3%
- Bioeconomy 1%



EFSI investment relative to GDP*

Darker colours signify higher investment



Contribution to EFSI objectives



• EFSI policy objectives

Pillar 1

Quality of the project



• Growth
• Sustainability
• Employment

Pillar 2

Technical and financial contribution



• Financial contribution
• Facilitation
• Technical advice

Pillar 3

Complementary indicators

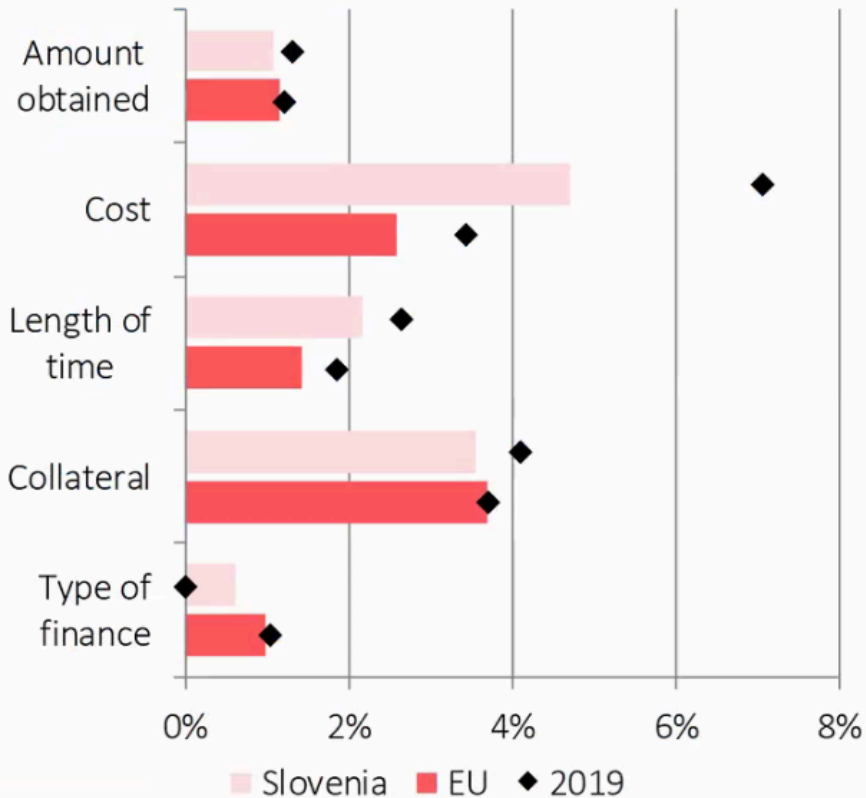
- ✓ Multiplier effect
- ✓ Finance mobilised
- ✓ Cooperation
- ✓ Macro-economic indicators

EFSI 2015 - 2020

ADDED VALUE FOR FINAL BENEFICIARIES

Dissatisfaction with external finance

share of responses



Note: Note: Average share of responses, in per cent Q. How satisfied or dissatisfied are you with?

01.

Lower costs

Building on positive cases of Sustainability linked loans

03.

Length of time

Extended payback period

02.

Guarantee schemes

collateral

04.

Stimulating Extra Mile

encouraging the impact created with lower interest rates or other benefits

Monitoring

(the commitments made & access to this data)

(1) A public commitment

Mandatory vs Voluntary basis

Horizontal integration

Pooling

(3) Investment platforms

Risk-sharing mechanisms

Aggregation, scalability and replicability

(2) Deployment platforms

Learning & Improving