



Sustainable Finance Update

25th May 2021

PROMOTING SUSTAINABILITY THROUGH
EUROPEAN FINANCIAL MARKETS

Agenda



- New EU Sustainable Finance Strategy
- SFDR developments
- EU Taxonomy
- Corporate Sustainability Reporting Directive (CSRD) (former NFRD)
- EU Green Deal relevant developments



An overview

New EU Sustainable Finance Strategy

Policy orientation



- **Timeline** - expected now early July

- **Key themes** – expected on a number of key issues:
 - Risks to financial system
 - Alignment with targets of EU Green Deal and EU Climate Law (55% reduction by 2030, carbon neutrality by 2050)
 - Transition Finance – shifting from Green to Transition (legislative proposal by end of 2021)
 - Structural support to EU Member States in designing sustainable finance-friendly policies

- **Package of measures** – other expected items:
 - EU Green Bond Standard
 - Taxonomy Article 8 Delegated Act
 - SFDR Regulatory Technical Standards combined and possibly Q&A on Level I



Sustainable Finance Disclosure Regulation

Developments



- **Taxonomy Alignment Standards** – Consultation by European Supervisory Authorities (ESAs) on standards under Article 5/6 Taxonomy closed last week and submission to the Commission expected in the course of June
- **SFDR Technical Standards** – Entire package of standards expecting in July along with the new EU Sustainable Finance Strategy, including product disclosures and Principal Adverse Impact Indicators
- **Questions & Answers (Q&A)** – indications that European Commission may be preparing Q&As that will cover certain key definitions of the Level I text such as product classification, calculation of 500 employee threshold and ‘considering’ principal adverse impacts
- **Local Guidance** – regulators in a number of EU Member States are rumoured to be considering local guidance in the context of SFDR, particularly laying down specific thresholds for Art 8/9 products. If uncoordinated, it could trigger market fragmentation.



EU Taxonomy Regulation

Delegated acts adoption and next steps



Next steps for the Taxonomy Delegated Acts (4+2 rule)

1

In July

- Adopt the Taxonomy Article 8 Delegated Act
- Art. 8 : Taxonomy alignment information to be disclosed by undertakings subject to NFRD (CSRD)
- Consultation on draft Delegated Act until 2nd June

2

Q4 2021 (after the specific review process expected in summer 2021)

- Complementary Climate Delegated Act, covering activities not yet covered: Agriculture, nuclear energy, natural gas.
- Delegated Act on Climate Mitigation and Adaptation: non-objection period of European Parliament and Council will end

3

- Delegated Act covering the four remaining environmental objectives.



EU Taxonomy Regulation

Delegated acts adoption and next steps



Next steps around development of the Taxonomy

1

In May-June

Interim report by the EU Platform on Sustainable Finance on key issues for the future development of the EU Taxonomy:

- Significant Harm, No Significant Impact and Neutral Taxonomy (Climate)
- Environmental Objectives Nr 3 to 6
- Social Taxonomy
- Data and usability

2

Q4 2021 – legislative proposal on Transition Finance

Expected to build on some of the recommendations of the report on Transition Finance of the Platform



Corporate Sustainability Reporting Directive

NFRD revision



- Proposal adopted on 21st of April, now European Parliament and Council (EU Member States) need to start their negotiations
- **European Parliament** – expectations that it the Legal Affairs (JURI) Committee will take the lead. The role of the Economic & Monetary Affairs (ECON) Committee not fully clear yet.
- **European Council** – likely that the file will be a priority for Slovenian Presidency taking over the rotating Presidency of the Council from Portugal on 1st of July
- **European Sustainability Reporting Standard** – European Commission confirmed intention for EFRAG to start working on first set of standard (October 2022) in parallel to legislative process on adoption of CSRD



31 Oct. 2022: 1st set of standards

Reporting obligation from Jan. 2023 (Jan. 2026 for listed SMEs)

31 Oct. 2023 : 2nd set of standards

Sector-specific reporting items



EU Green Deal

Future Developments



Fit for 55 legislative package

Legislative package now expected 14th of July, to align European economy with EU Climate Law objectives

- Revision of European Emissions Trading System (ETS)
- Carbon Border Adjustment Mechanism (CBAM) and a proposal for CBAM as own resource
- Revision of the Energy Tax Directive
- Amendment to the Renewable Energy Directive to implement the ambition of the new 2030 climate target (RED)
- Amendment of the Energy Efficiency Directive to implement the ambition of the new 2030 climate target (EED)
- Reducing methane emissions in the energy sector
- Revision of the Regulation on the inclusion of greenhouse gas emissions and removals from land use, land use change and forestry (LULUCF)
- Revision of the Directive on deployment of alternative fuels infrastructure
- Revision of the Regulation setting CO₂ emission performance standards for new passenger cars and for new light commercial vehicles



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