

EC High Level Group on Sustainable Finance

– climate services needs and prerequisites for the finance sector

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What is at stake?

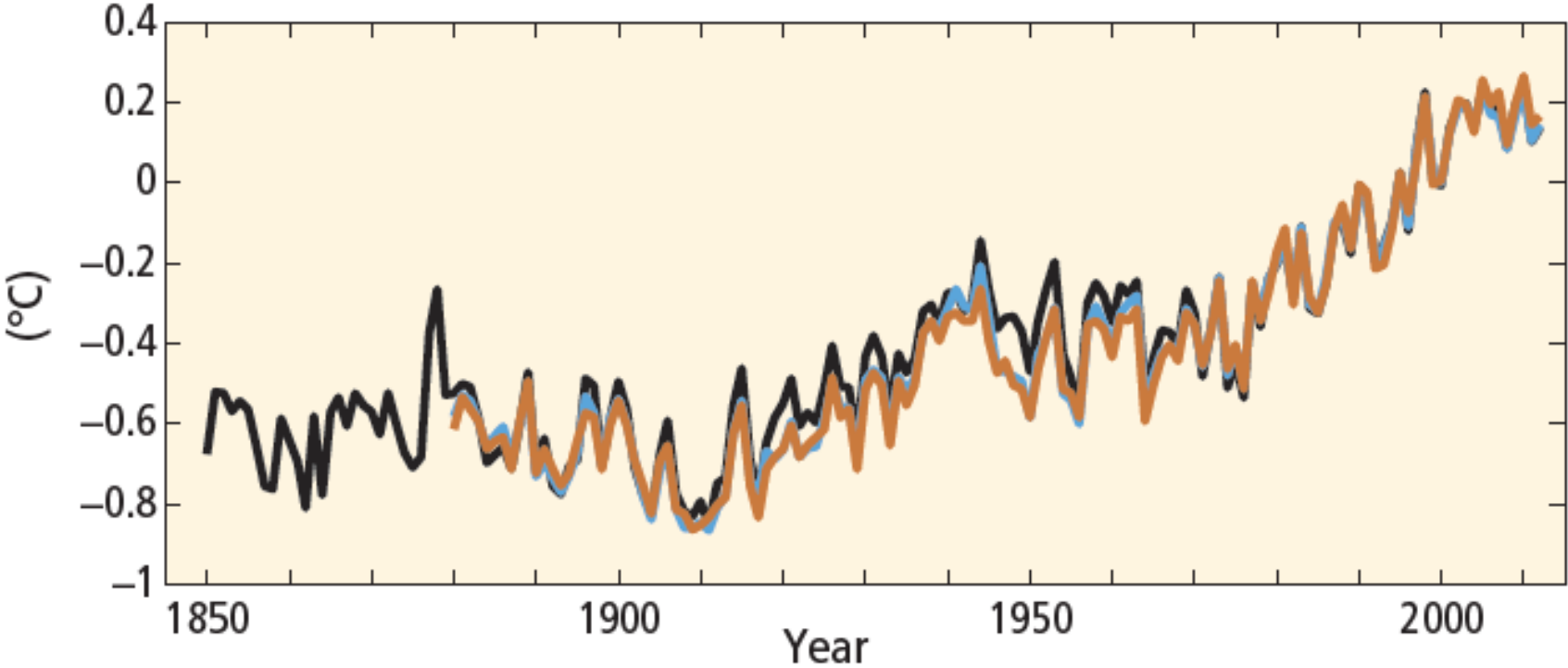
- **Sustainability is the model for Europe's future development – and finance is an essential lever to deliver ambitious goals for economic prosperity, social inclusion and environmental regeneration.**
- **The European financial sector has the potential to play a significant role in funding, accelerating and smoothing this transition process, a process that is already well under way.**
- **For the financial system, sustainability has a dual imperative:**
 - *first, fully integrating environmental, social and governance factors into financial decision-making to manage risks and seize investment opportunities; and*
 - *second, mobilising capital to finance sustainable development priorities to meet critical European and global goals, including those for climate change.*

What will we get?

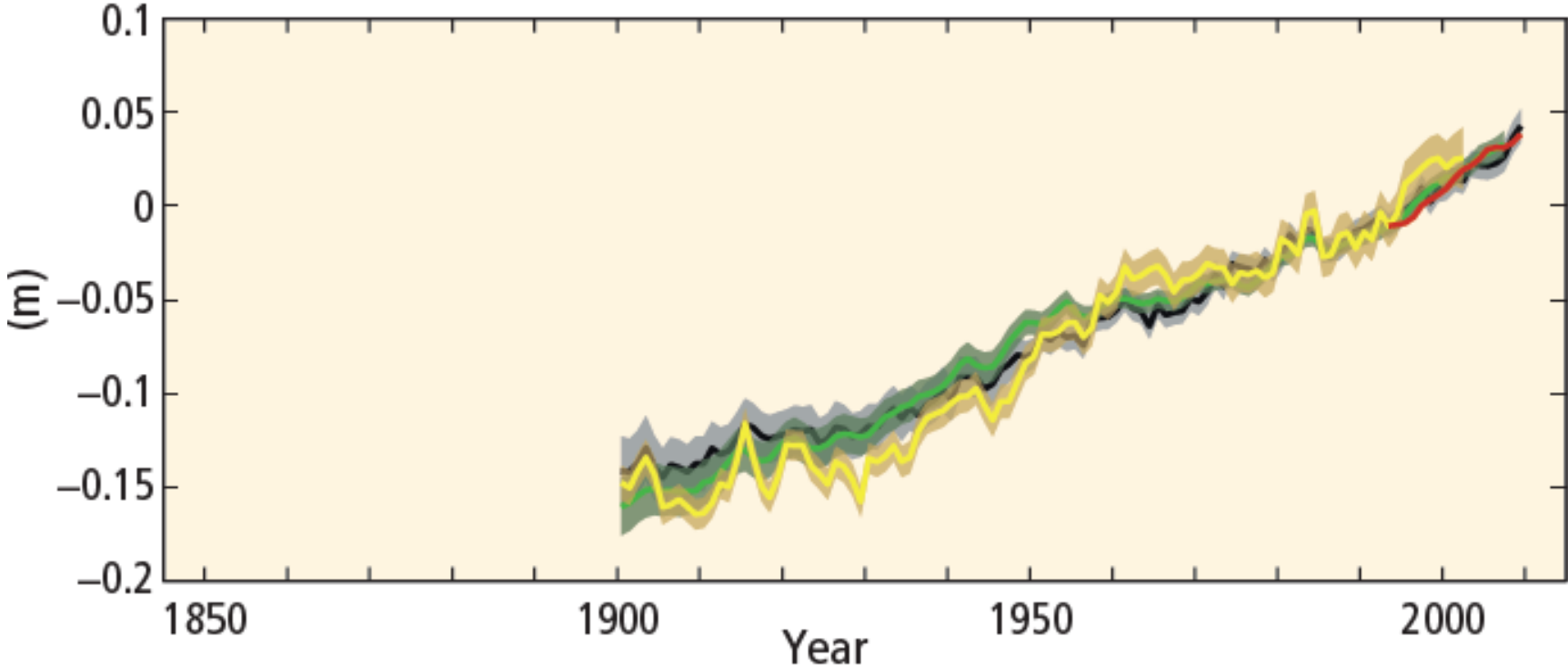
- Sustainability offers the chance to reconnect the EU's financial system with the aspirations of its citizens as users and savers at a time of immense change.
- The EU has already been leading on this agenda, taking ambitious steps towards decarbonisation and the transition to a sustainable European economy.
- Finance is often seen as separate, but the financial system is an integral part of modern economies and makes an important contribution to societal well-being.
- In the aftermath of the financial and sovereign debt crises, sustainable finance could provide the best opportunity for the EU to reorient the financial system from short-term stabilization to long-term impact.
- Sustainability in finance requires further refining and evolving risk models, including sources of investment risk time horizons and how future high magnitude risks are modelled.

Where are we?

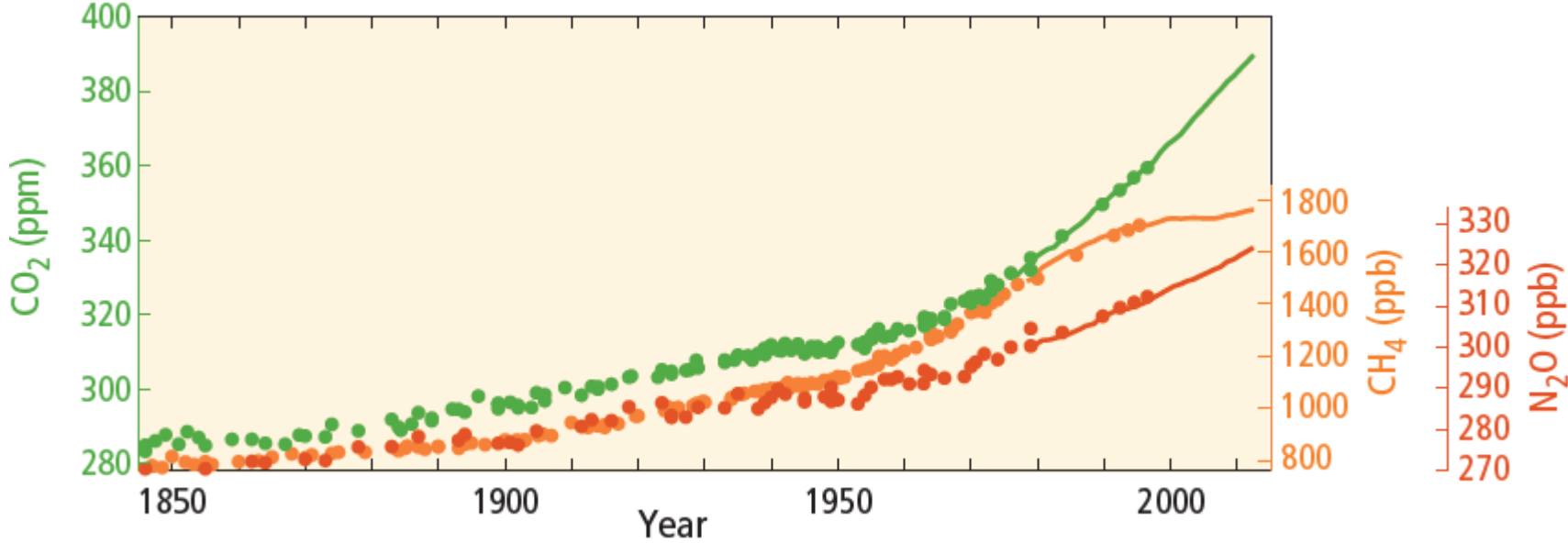
Globally averaged combined land and ocean surface temperature anomaly



Globally averaged sea level change

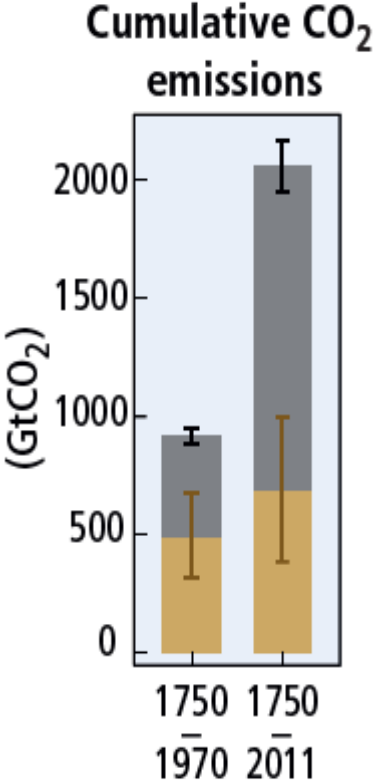
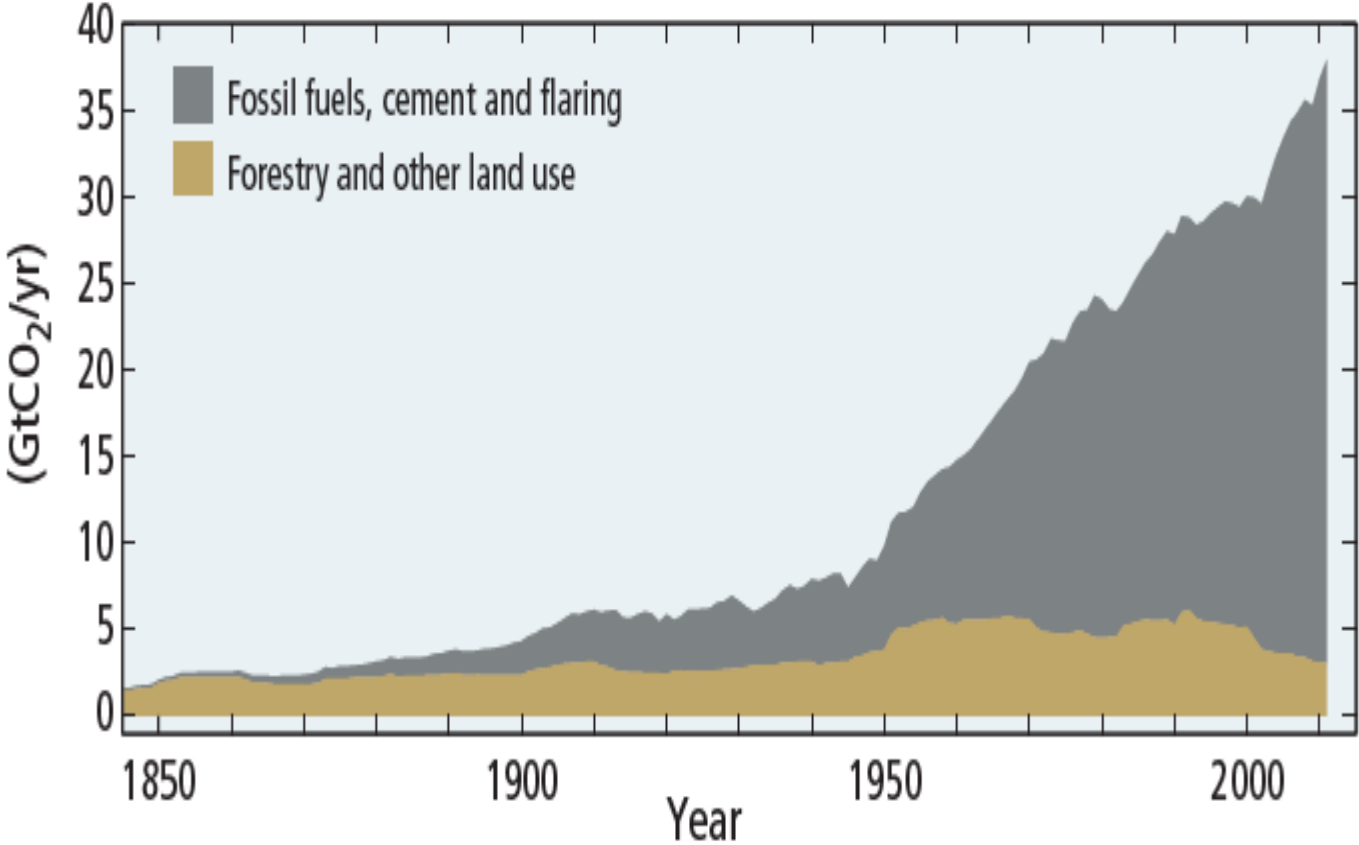


Globally averaged greenhouse gas concentrations

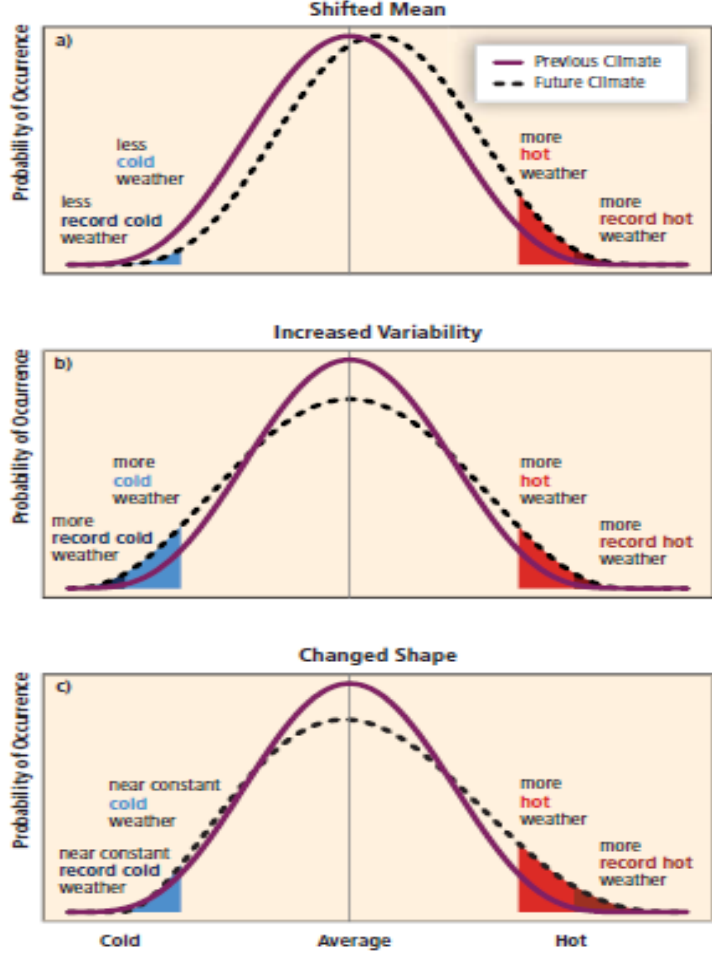
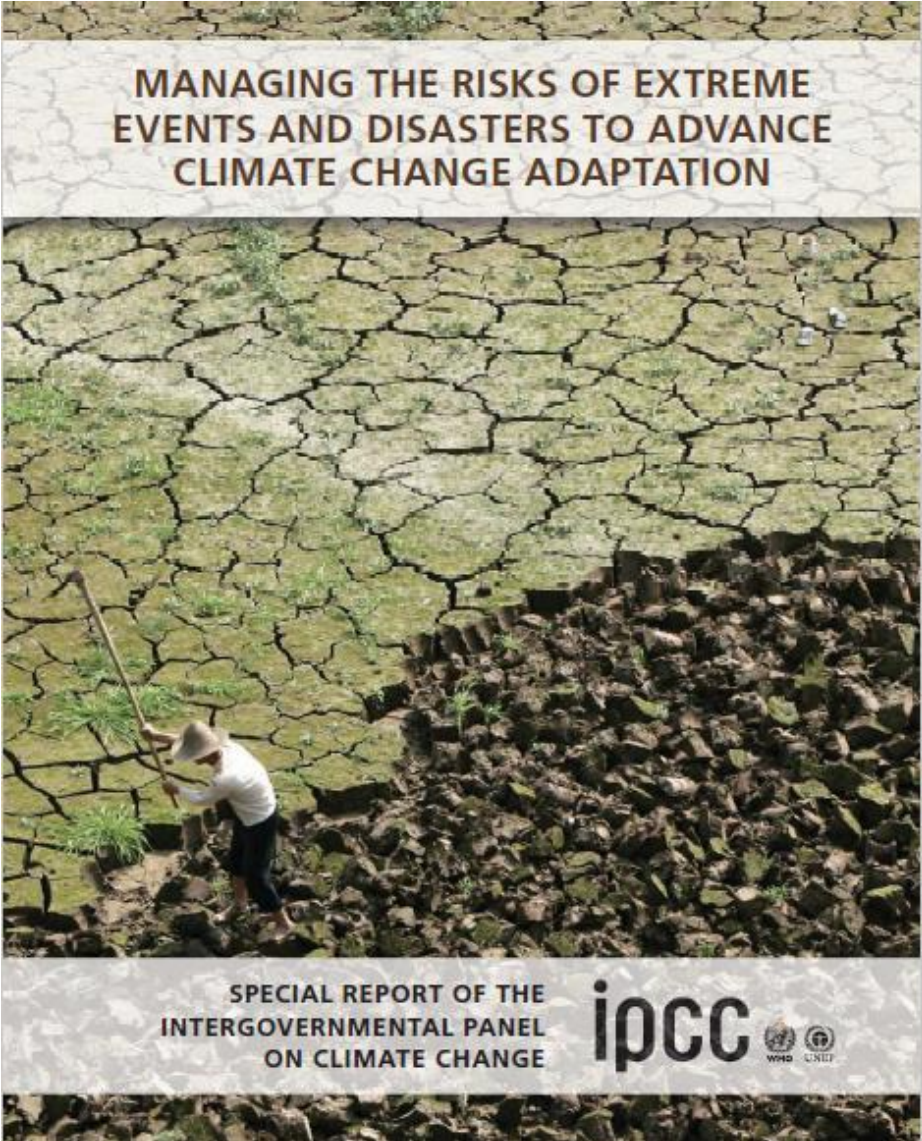


Global anthropogenic CO₂ emissions

Quantitative information of CH₄ and N₂O emission time series from 1850 to 1970 is limited



Climate Change



EU Commission High Level Expert Group on Sustainable Finance

EU Strategy on Sustainable Finance

Building on existing EU legislation and ongoing international work on sustainable, green and climate-related finance, as well as emerging initiatives in Member States or at EU level (whether institutional, industry- or civil society-based), an EU strategy on sustainable finance should identify, prioritise and sequence the ways in which EU financial policy reform can:

1. Steer the flow of public and private capital towards sustainable investments;
2. Explore effective and operational steps that financial institutions and supervisors should take to protect the stability of the financial system from risks related to the environment;
3. Deploy these policies on a pan-European scale.

**Commission Vice-President for Jobs, Growth,
Investment and Competitiveness Jyrki Katainen:**

"The finance sector has a critical role to play in re-orienting capital towards more sustainable technologies and uses, and financing Europe's energy transition needs. Because of its longer-term horizons, the finance sector is also more exposed to environmental risk. On both counts, Europe needs to develop a proactive and coherent strategy to anchor sustainability in financial regulation and policymaking. This is crucial for jobs, growth and competitiveness. The Expert Group report has the potential to make a landmark contribution to shaping European policy"

Expectation from the Commission

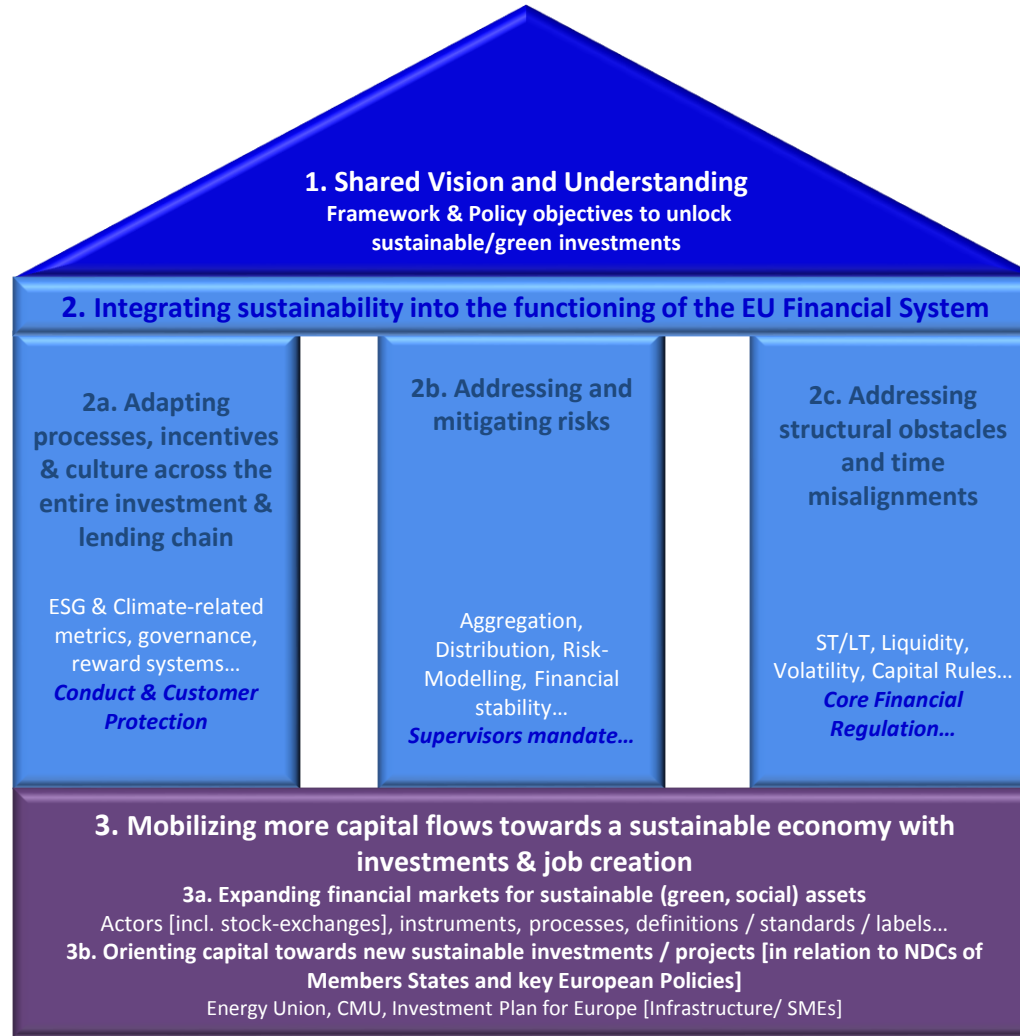
- The HLEG shall do its work during 2017 with concrete proposals
- The Commission will create an action plan based on the recommendations of the HLEG during the first half of 2018
- Please note: ESG is environmental, societal and governance – not just climate!

Policy Focus

A more aligned financial system & economy

A more sustainable financial system & economy

Real economy sustainable projects/assets, supply and demand



Expected Outcomes

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Roadmap

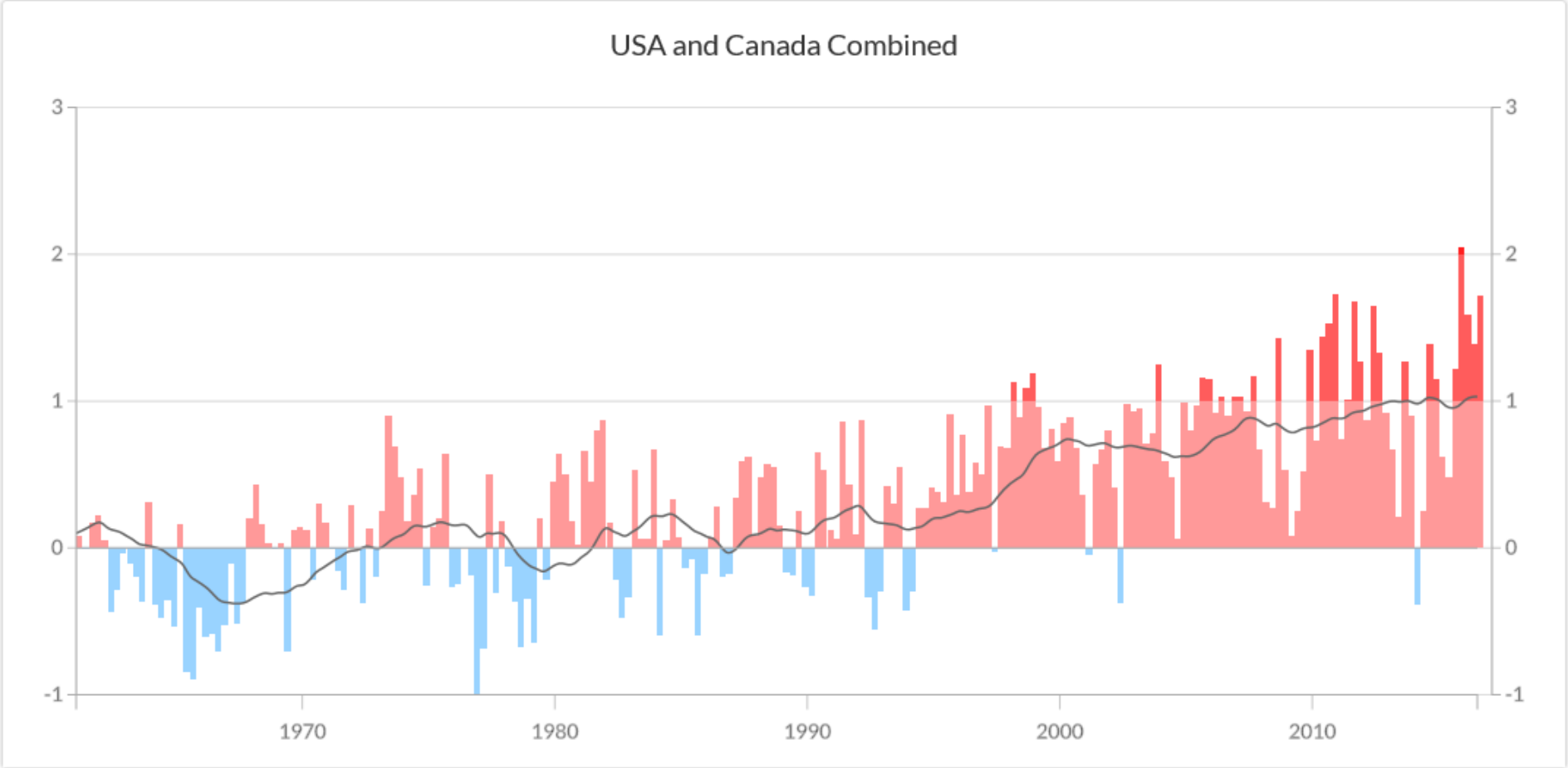
Integrate

Shift

Topics of the HLEG – stakeholder meeting discussing interim report on 18 July

- The mismatch of time horizons & investment objectives across the investment chain
- Disclosure
- Prudential regulation
- Accounting frameworks
- Promoting institutional demand: fiduciary duty, investor governance and mandates for long-term sustainability
- Aligning market benchmarks with sustainability objectives

Actuaries' Climate Index



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