Press release

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European Parliament

MEPs back resolution on Sustainable Finance

- Rules to orient financial markets towards environmental objectives
- Policy framework to encourage investments into sustainable assets
- Divestments from fossil fuels and unsustainable energies

MEPs have backed plans to align EU capital markets to long-term sustainable goals. The resolution on sustainable finance was adopted on Tuesday by 455 votes to 87, with 92 abstentions.

The initiative stresses the need for financial markets to facilitate the transition to a sustainable economy, with particular emphasis on establishing a policy framework that guides investments towards decarbonised, disaster-resilient and resource-efficient economic activities.

Proposals include financing public investments required for the transition to a sustainable economy, encouraging divestments from unsustainable energies and phasing out subsidies to fossil fuels.

In pursuing the United Nation’s Sustainable Development Goals and Paris Agreement targets, MEPs would also like to see environmentally harmful assets priced according to their long-term risk profile as well as more pressure applied to European agencies to consider sustainability objectives in their funding projects.

Moreover, MEPs agreed that unified standards should be established for green bonds and that such investments should follow an EU sustainable taxonomy.

Quote

Rapporteur Molly Scott Cato (Greens, UK) stressed the importance of aligning financial markets to sustainable goals. She said:

"Since we will have eliminated fossil fuels from our economy by the middle of the century, we also need to eliminate assets that depend on them from our financial system.

"We need to see a race to the top on the sustainable transition: to take the best examples of sustainable finance in action from across the EU and use these to identify minimum standards for all."

Background

- The European Commission have recently announced proposals that follow up on their Action Plan on Sustainable Finance. These include measures to create a EU sustainable taxonomy, clarity on how environmental, social and governance (ESG) factors can be taken into account for investment decisions and the establishment of low-carbon benchmarks.

- The EU has committed to ambitious climate and energy targets by 2030 that include a minimum 40% cut in greenhouse gas emissions compared to 1990 levels and at least a 27% share of energy consumption to be renewable. Estimates state that such targets would require a €180bn investment.

- A significant challenge has been posed to financial sustainability by the threat of stranded assets. These are fossil fuel reserves that are deemed unburnable if compliance with energy limits are abided by. The resolution aims to correct such market inconsistencies through a pricing indexation of energy inefficient assets.

- A number of member states have already put into place their own sustainable finance initiatives. Such include the French law of disclosure, commitments in Germany for substantial public investment into the energy transition, and the Swedish Financial Supervisory Authority's plans to incorporate sustainable practices into their work.

Further information:

High Level Expert Group Report: Financing a Sustainable European Economy

https://ec.europa.eu/info/sites/info/files/180131-sustainable-finance-final-report_en.pdf

European Political Strategy Centre, Financing Sustainability: Triggering Investments for A Clean Economy

https://ec.europa.eu/epsc/sites/epsc/files/strategic_note_issue_25.pdf

Procedure file

http://www.europarl.europa.eu/oeil/popups/ficheprocedure.do?reference=2018/2007%28INI%29&l=en#keyPlayers

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