

The EU Action Plan On Financing Sustainable Growth

In less than ten years, following the increasing pressure from scientific community and civil society, global governance has accelerated the development of initiatives and regulations to respond to the challenges of climate change. In 2015, the adoption of the United Nations 2030 Agenda for Sustainable Development and the Paris Climate Agreement marked the shared commitment to act immediately. The need for radical rather than incremental measures to mitigate the negative consequences of global warming had become irrefutable.

Driven by the full awareness of the cost of inaction, the 2030 Agenda, the Paris Agreement, and the initiatives that followed them required a colossal effort in terms of investments and the ambitions they pursued were well beyond the capacity of the public sector alone.

KEY CHALLENGES	CONCRETE ACTIONS	UNDERLYING NEEDS
No common definition of 'sustainable investment'.	EU Taxonomy for sustainable activities.	RELIABLE INFORMATION
Risk of 'greenwashing' of investment products.	Standards & labels to give investors certainty.	
Banks & insurances often give insufficient consideration to environmental risks.	Consider whether capital requirements should reflect exposure to environmental risks.	SUSTAINABILITY & RISK MANAGEMENT
Investors often disregard sustainability factors or underestimate their impact.	Clarify institutional investors duties to consider sustainable finance when allocating assets.	
Too little information available on corporate sustainability-related activities.	Enhancing non-financial information disclosure.	LONG-TERMISM IN GOVERNANCE

Figure 1 - Challenges and actions of the Action Plan. Source: https://finance.ec.europa.eu/system/files/2018-03/180308-action-plan-sustainable-growth-factsheet_en.pdf

In this context, the crucial role of the financial sector became immediately apparent. In a concerted effort with policymakers, financial institutions are to provide the fuel to the engine of rapid economic change by rewarding investments in sustainable technologies and

businesses, actively promoting the creation of decarbonised, climate resilient, and circular economies, and also taking into account the social and governance dimensions of sustainable development.

Along this general framework, in 2018, the European Union has launched an Action Plan on Financing Sustainable Growth. The Plan comprises ten key actions:

1. Establishing a classification system for sustainable activities, the so called EU taxonomy.
2. Creating an EU Green Bond Standard to enhance the effectiveness, transparency, comparability and credibility of sustainable investments.
3. Promoting investments in sustainable projects by connecting enterprises and investors through the InvestEU and other EU-backed funds.
4. Incorporating sustainability in financial advice.
5. Developing sustainability benchmarks to promote transparency and disclosure.
6. Integrating sustainability in ratings and market research (beginning by checking how credit rating agencies apply the new European guidelines).
7. Clarifying the duties of asset managers and institutional investors regarding sustainability.
8. Introducing a 'green supporting factor' for banks and insurance companies, thus promoting the inclusion of ESG risks in the review and evaluation process.
9. Strengthening sustainability disclosure and accounting rule-making.
10. Fostering sustainable corporate governance and attenuating short-termism in capital markets.

The Plan is already being implemented and, despite the pandemic and the war in Ukraine, it is progressing steadily, effectively promoting sustainable finance within the boundaries of the Union. It is a gradual process, of course, as it entails a cultural change that can only be achieved by working collectively and in a coordinated, concerted way. But the plan is moving forward.

“Re-orienting private capital to more sustainable investments require a comprehensive rethinking of how our financial system works. This is necessary if the EU is to develop more sustainable economic growth, ensure the stability of the financial system, and foster more transparency and long-termism in the economy” .

Together with the European Investment Bank Group, for instance, the EU has promoted the funding of projects and enterprises related to energy efficiency, environmental protection & recovery, resource efficiency, and social infrastructures. In 2022, the InvestEU programme was set up to “give an additional boost to sustainable investment, innovation, social inclusion, and job creation” in the old continent and globally.

Also, concrete steps have been taken to foster the creation of a truly single market for capitals in the European Union, allowing investments and savings to flow across all member states and channelling capitals to environmentally friendly and socially responsible projects.

The maritime world is catching up with the initiatives orchestrated by the European Union and promoted globally by the United Nations. Adopting a sustainable agenda and re-framing maritime business taking into account sustainability has already led to significant competitive advantages in the industry. As the concerted effort to implement ‘Green New Deals’ will continue, we can expect more initiatives to reward innovative stakeholders, ready to adopt genuinely sustainable agendas.

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