[Article – EU defines green investments to boost sustainable finance]

During the June plenary session, MEPs will vote on a framework that determines which activities can be considered sustainable. This would establish a common classification system across the EU, provide business and investors with clarity, and encourage an increase in private sector funding for the transition towards climate neutrality.

Parliament and Council negotiators reached a provisional agreement in December 2019. Parliament's economic affairs and environment committees backed the agreement on 28 May.

Need for a common definition

Sustainable development requires the preservation of natural resources and respect for human and social rights. Climate action is an important aspect, as the need to limit and mitigate the effects of climate change becomes more and more urgent.

The EU is committed to gradually decreasing its greenhouse gas emissions. The European Green Deal, the EU's flagship initiative on climate action, sets a goal of zero net emissions by 2050.

To achieve the goal, the EU must invest in new technologies. The European Commission estimates that Europe needs about €260 billion in extra investment every year over the next decade.

Public investment will not suffice and private investors will have to step in to finance climate-friendly projects. This requires clear criteria on what exactly is sustainable and eco-friendly; otherwise, some funding might be directed to “greenwashing” projects that claim to be green, but in reality are not.

Some EU countries have already started developing classification systems. Both companies seeking funding and investors interested in supporting sustainable projects would benefit from common EU standards.