Press release – Green finance: Parliament adopts criteria for sustainable investments

Parliament has adopted new legislation on sustainable investments. It lays down six environmental objectives and allows economic activity to be labelled as environmentally sustainable if it contributes to at least one of the objectives without significantly harming any of the others.

The objectives are:

- climate change mitigation and adaptation;
- sustainable use and protection of water and marine resources;
- transition to a circular economy, including waste prevention and increasing the uptake of secondary raw materials;
- pollution prevention and control; and
- protection and restoration of biodiversity and ecosystems.

Boosting green investments

Establishing clear European "green" criteria for investors is key to raising more public and private funding so that the EU can become carbon neutral by 2050 as set out in the European Green Deal as well as to prevent 'greenwashing'.

The Commission estimates that Europe needs around €260 billion per year in extra investment to achieve its 2030 climate and energy targets. In a resolution (15.05.2020), MEPs also called for investments under the COVID-19 recovery plan to be prioritised as part of the Green Deal.

"The taxonomy for sustainable investment is probably the most important development for finance since accounting. It will be a game changer in the fight against climate change”, said lead negotiator for the Environment Committee, Sirpa Pietikainen (EPP, FI). “Greening the financial sector is a first step towards making investments serve the transition to a carbon-neutral economy”, she added.

“All financial products that claim to be sustainable will have to prove it following strict and ambitious EU criteria. The legislation also includes a clear mandate for the Commission to start defining environmentally harmful activities. Phasing out those activities and investments is as important to achieving climate neutrality as supporting decarbonised activities”, said Economic Affairs Committee rapporteur Bas Eickhout (Greens/EFA, NL).

Transition and enabling activities

Activities that are incompatible with climate neutrality but considered necessary in the transition to a climate-neutral economy are labelled *transition* or *enabling activities*. They must have greenhouse gas emissions levels corresponding to the best performance in the sector.

Solid fossil fuels, such as coal or lignite, are excluded, but gas and nuclear energy could potentially be labelled as an *enabling* or *transitional activity* in full respect of the “do no significant harm” principle.

Next steps

The law enters into force after publication in the Official Journal. The Commission will regularly update the technical screening criteria for *transition* and *enabling activities*. By 31 December 2021, it should review them and define criteria to identify activities that have a significant negative impact.