Speech by Vice-President Katainen at the High-Level Conference on Financing Sustainable Growth – 'Sustainable finance within the Commission's Agenda promoting sustainability'

Good morning Ladies and Gentlemen.

I am sure you have already been well informed by now on what sustainable finance means to the European Commission. I once more want to thank Mr. Thimann on the excellent job that you have done with the High-Level Expert Group on Sustainable Finance and on creating an basis for what sustainable finance could mean and what kind of actions the European Commission could take in order to pursue the goals for sustainable finance.

Actually, I hope that when we have a similar type of event in say five years' time, we could drop the first word, sustainable. Because sustainable finance is supposed to be mainstream. Sustainable finance is not just a side effect of the financial market. It is like ten or fifteen years ago when you went to the supermarket and tried to find organic carrots. Today they are mainstream.

Sustainable finance is not "second-best" finance, it's not something that is just a good dead. That is the reason why I wanted to say that hopefully in five years' time we can drop the "sustainable" because it will have become already a normal way of looking at things and our financing will be going towards sustainable, long term, sustainable products much more than it is doing at the moment.

Today's theme is about raising the financial resources for a more sustainable, resource-efficient, circular economy, for sustainable growth, for new and innovative green technologies to achieve our climate and environmental targets.

It is about taking into account environmental, social and governance aspects when making investment and finance decisions in all areas of our economy.

Sustainable finance plays a key role in turning the United Nation's 2030 Agenda for Sustainable Development to which the European Union is fully committed, into reality. The European Commission, among other initiatives, set up a dedicated multi-stakeholder platform on the implementation of the sustainable development goals last year.

Sustainable finance is the crucial element to reach our ambitious European energy, climate and environmental policy goals as enshrined, for instance, in the EU's 2030 climate and energy framework or the Circular Economy Action Plan.

Making Europe’s economy more sustainable and contributing to sustainable development globally means undertaking a huge investment programme, both in the public and private sector, to improve, innovate, and become more efficient and competitive. This is an immense opportunity for us.

The European Union is already in a transition process to a low-carbon, more resource-efficient, circular economy. As mentioned earlier, estimates on investments needs to make our current economy in Europe greener and more sustainable, bringing it in line with a 2° or even 1.5° pathway agreed in the Paris Agreement in December 2015, amount to additional investments of around EUR 180 billion per year over the next 2 or 3 decades.

Most of these investments – in sustainable infrastructure, more energy-efficient buildings and equipment or new environmental technologies – will have to be made by companies and, more generally, the private sector. Finance will, to a large extent, have to come from private investors and capital markets.

This means that we need to create the right framework conditions for private investments and finance, provide guidance to investors and accelerate sustainable investment opportunities. And we need to connect capital willing to invest with sustainable investment projects seeking finance.

The Commission’s Action Plan on sustainable finance includes dedicated actions to mobilise sustainable finance. There is also a strong link to the Investment Plan for Europe, with its finance and advisory capacity, to step up investments.

Let me mention two important actions which will help us increase sustainable investments and better connect finance to investments:

1. An EU classification of green and sustainable activities:

One of the key actions in the Commission’s Action Plan on sustainable finance is to determine what ‘green’ and ‘sustainable’ activities, across the EU, are. Investors need clarity and certainty when investing in green or sustainable projects.

By building up, step-by-step, a harmonised EU classification system of green and sustainable activities, we can increase transparency in the market and guide investors.

Clear understanding on what the EU regards as green or sustainable will also allow, in conjunction with standards, labelling green investment funds or other green or sustainable financial products. This would facilitate raising capital for sustainable investments from institutional and retail investors alike.

2. Making projects investor-ready and leverage private finance through EFSI and EIAH:

Another major challenge to increase low-carbon and green investments is to make economically viable projects investment-ready. This requires capacity to prepare and develop investment projects. We are aware of the investment and project preparation needs in different parts of the European Union and across different sectors.

The European Investment Advisory Hub is already supporting, through project development and support services, green and sustainable investment projects. There will be even stronger focus on sustainability and better local access to advisory under the extended European Fund for Strategic Investments ("EFSI 2.0") until the end of 2020.

Among concrete, and more targeted examples – we have set up the advisory initiative for urban authorities (URBIS) or established the platform to support circular economy financing. Both with strong stakeholders' engagement. And in both cases the ultimate goal is the same – promote innovative approaches in financing sustainable investments.

Furthermore, to accelerate investments in low-carbon, green and sustainable projects, pooling of private and public resources, including ways to share risks, will be necessary to accelerate their implementation.

There is an important role for public finance to play, coming from EU and national budgets, to mobilise private capital. This is complementary to setting the right regulatory framework conditions. Smart regulation and effective use of public budgets are complementary tools and must go hand-in-hand.

We already have the European Fund for Strategic Investments which is a highly effective financial instrument to encourage more sustainable investments while attracting private investment. The EFSI now has a target of at least 40% for investments that contribute to climate action, in line with the Paris Climate Agreement goals.

Under EFSI, we can also support the bundling of smaller green or sustainable projects into larger portfolios through Investment Platforms, making them more attractive for private investors.

There are similar good practice examples at national level, for instance promotional banks which support environmental and sustainable investments through targeted equity and loan finance.

We need to learn lessons from our current EU financial instruments and best practice examples at national level for the next generation of public support instruments under the next, post-2020 Multiannual Financial Framework. In this context we are preparing the InvestEU Fund, a single, multi-policy investment support instrument.

This could be an important avenue – in addition to reformed regulatory frameworks – to mobilise the necessary financing for green and sustainable investments.

Ladies and gentlemen,

Moving to a more sustainable European economy, with its various dimensions, and contributing to the political agenda of a sustainable, resource efficient and circular economy requires making huge investments, mobilising finance and changing the way of decision-making.

We have set clear policy frameworks, at European level and internationally, to make this transition happen. We know what needs to be changed and we have the tools to bring about this change. Now, it is time to accelerate their application.

Ladies and gentlemen, thank you very much for participating to this conference. We are eagerly waiting for your views on our sustainable finance approach. This must be a joint venture between public authorities and private sector. The private sector knows how the market is evolving, what is possible and where regulatory help is needed. And the public sector’s role is to set the target from the societal point.

Thank you very much.