

## EBF PRESS RELEASE

# Banks present proposals to scale up sustainable finance

## • New EBF report launched at the COP25 meeting in Madrid

MADRID, 9 December 2019 – At the United Nations Climate Change Conference in Madrid the European Banking Federation today presents its recommendations on how banks' support of the transition to a sustainable economy and a carbon neutral future can be further incentivized. The recommendations are part of a new EBF report titled 'Encouraging and Rewarding Sustainability' that identifies how public-private cooperation can be leveraged to accelerate sustainable finance.

The EBF report outlines a number of concrete proposals to stimulate and contribute to the debate of the European institutions, regulators and banks on how to scale up sustainable activities, mobilize and redirect private financial flows to support such activities, develop new instruments and increase the number of eligible projects and help capital markets developments.

Specifically, the report addresses:

- Sustainable Finance Guarantee Fund
- Green Loan Securitisation Framework
- Sustainable Finance Supporting Factor
- Preferential Treatment of Collateral
- Carbon Price
- National Fiscal Incentives Policy Examples

### **Says Wim Mijs, Chief Executive Officer of the EBF:**

*"Finance alone is not a silver bullet solution. But without finance, we cannot reach the objectives of Paris Agreement. Whether we are successful will depend on collaboration and innovative thinking. We all have to put aside our differences and work together to achieve our joint objectives. The banking sector is fully aware of its responsibility and is ready to go beyond the 'benefit first' approach and bridge the financial objectives with societal needs."*

A specific element in the report is a recommendation to develop a 'Sustainable Finance Supporting Factor' as part of legislation on bank capital requirements in the European Union. It is proposed that the European Banking Authority explores, as soon as possible, the possibility of introducing a supporting factor for certain assets that are classified as sustainable under the EU taxonomy and that at the same time demonstrate a lower financial risk due to their sustainability profile based on eligibility criteria established by the EBA. This proposal addresses the criticism of the Green Supporting Factor that was perceived as lacking a link between risk and capital, which therefore raised financial stability concerns.

### European Banking Federation aisbl

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Banks are committed to serving as enablers of the future by demonstrating leadership in Europe on the challenge of climate change and in financing the transition towards a sustainable society.

To achieve the objectives of the Paris Agreement and Sustainable Development Goals the growth of sustainable activities must take place throughout all economic sectors, especially manufacturing and services. The sustainable financing markets must mirror the sustainable developments in the real economy and be able to finance and support that development without too many limitations and channel financial resources towards sustainable projects in a timely manner to help transitioning of the economy. Most companies are at different stages in their transition journey towards low-carbon and sustainable activities. Banks have a role to play in supporting corporates and SMEs on this journey, providing the funding needed to achieve this transformation.

The steps that need to be taken towards increased sustainability should be encouraged and supported by the legislation. The introduction of an incentive system is necessary given the need to accelerate the shift towards sustainable European economy.

Europe alone has identified a yearly financial gap of more than EUR 180 billion to finance policies and investments necessary to keep the global temperatures in line with the objectives of the Paris Agreement. It is more than obvious that without the private sector this funding gap cannot be closed. Given that around two thirds of the European economy is financed by banks, banks play - and will continue to play - a crucial role in the transition to a more sustainable future, acting as investors, capital providers and capital intermediaries.

The EBF report will be presented to EU policymakers at a COP25 side-event in the presence of the European Commission's Executive Vice President Valdis Dombrovskis and leading European bank CEOs. Click here for the programme of the event in Madrid.

**FIND THE REPORT AT** <http://bit.ly/37WqE59>

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### **ABOUT THE EBF:**

The European Banking Federation is committed to a thriving European economy that is underpinned by a stable, secure and inclusive financial ecosystem, and to a flourishing society where financing is available to fund the dreams of citizens, businesses and innovators everywhere. The EBF serves as the voice of the European banking sector, bringing together national banking associations from across Europe. Website: [www.ebf.eu](http://www.ebf.eu) Twitter: [@EBFeu](https://twitter.com/EBFeu).

