

## FACT SHEET

### SOME MILESTONES IN SUSTAINABLE FINANCE

- In 2011 the finance experts from **UK-based think tank Carbon Tracker** identified 80% of fossil fuel reserves owned by the top 100 listed coal and top 100 listed oil and gas companies as “unburnable carbon”. Incompatible with a scenario in which global warming is limited to below 2°C degrees. Financially that makes these reserves “stranded assets” and market shares of fossil fuel companies overvalued, resulting in a “**carbon bubble**” that poses a stability risk to our finance system.<sup>1</sup>
- In 2013 a study by the **Greens / EFA Group** calculated the volume of such a carbon bubble within Europe’s insurance, banking and pension system showing that **up to EUR 1.2 trillion of assets were at risk.**<sup>2</sup>
- In January 2014 the **UN Environmental Program** set up an Inquiry to look into financial reforms that could support sustainable, low-carbon development and prevent investment lock-ins in unsustainable assets.<sup>3</sup> In 2016 UNEP and the inquiry’s experts form and support a **Green Finance Study Group within the framework of the G20 under Chinese presidency** that looks into options for scaling up investments in dedicated green assets to promote a low-carbon transformation. It is the **first time that the G20 is turning towards this issue.** There is increasing interest and high expectation as regards a follow-up on this issue under the upcoming **German G20 presidency.**<sup>4</sup>
- In December 2015 in Paris for the first time **ever all UN members decided on a binding agreement to fight climate change.** The provision of “[...] making financial flows consistent with a pathway towards low greenhouse gas emissions” within this agreement puts emphasis on the role of financial reform for climate protection - far beyond “regular” climate finance i.e. paying for adaptation and mitigation measures. It is a call “to shift the trillions” into sustainable development.<sup>5</sup>
- In December 2015 the **BIS’s Financial Stability Board (FSB)** established an **industry-led disclosure task force on climate-related financial risks**, chaired by Michael Bloomberg, to develop voluntary, consistent climate-related financial risk **disclosures** for use by companies in providing information to lenders, insurers, investors and other stakeholders. These disclosure standards are expected to be a decisive element for identifying sustainable financial assets.<sup>6</sup>
- In 2016 upon an initiative by Green MEPs the **European Central Bank’s European Systemic Risk Board** published a **report that calls for swift financial reforms** to avoid a “hard landing” scenario in which high-carbon assets have to be re-evaluated late and sudden resulting in potential macro-economic shocks and chain reactions.<sup>7</sup> In August 2016 the **German Finance**

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<sup>1</sup> <http://www.carbontracker.org/report/carbon-bubble/>

<sup>2</sup> <http://reinhardbuetikofer.eu/carbon-bubble/>

<sup>3</sup> <http://web.unep.org/inquiry>

<sup>4</sup> <https://www.cigionline.org/publications/energy-g20-finance-track-g20-energy-transformation-during-german-presidency>

<sup>5</sup> <http://www.wri.org/blog/2015/12/what-does-paris-agreement-do-finance>

<sup>6</sup> <https://www.fsb-tcfd.org>

<sup>7</sup> [http://www.esrb.europa.eu/pub/pdf/asc/Reports\\_ASC\\_6\\_1602.pdf](http://www.esrb.europa.eu/pub/pdf/asc/Reports_ASC_6_1602.pdf)

**Ministry** released first insights into a study, speaking about **potential for economic shocks** in case of a late capital re-allocation and un-coordinated transformation.<sup>8</sup>

- In September 2016 the **government of France** announced to issue **its first sovereign green bond** valued at EUR 9 billion. Previous green bonds by regional French entities met extremely high demand, an Ile-de-France regional council's bond was 175% over-subscribed in the space of half-an-hour. At the moment Europe is the biggest green bond market worldwide – with others e.g. China catching up via issuing sovereign green bonds.
- In 2016 the number of **sustainability initiatives of European stock exchanges** is growing: The city of London's Green Finance Initiative, sustainability-wise highly-rated Helsinki stock exchange, and the just established Luxembourg Green Exchange, LGX – the world's first platform for 100% green securities only.
- Over 2015 and 2016 more and more **investors and finance experts are highlighting opportunities and necessities to invest climate-friendly**. From Mercer<sup>9</sup>, Aviva<sup>10</sup> to the world's biggest investor Black Rock<sup>11</sup>.
- In autumn 2016 a **High-Level Working Group at the UN General Assembly** was set-up to discuss instruments to mobilize private capital for sustainable development.<sup>12</sup>
- **Central Bankers** are increasingly focusing attention on a re-orientation from risky high-carbon assets to sustainable finance. Amongst them the Dutch National Bank<sup>13</sup> and foremost the Bank of England<sup>14</sup>.
- In December 2016 the **European Commission under Vice-President Dombrovskis** is expected to establish an **expert task force** in order to develop a **Sustainable Finance Strategy for the European Union**. Several respective European initiatives are in the pipeline that do have potential to integrate sustainability into financial decision making: a review of the Capital Markets Union in 2017, Prospectus Regulation, Shareholder Rights Directive, PRIIPs.

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<sup>8</sup> <http://www.bundesfinanzministerium.de/Content/DE/Monatsberichte/2016/08/Inhalte/Kapitel-3-Analysen/3-2-Relevanz-des-Klimawandels-fuer-die-Finanzmaerkte.html>

<sup>9</sup> <http://www.mercer.com/our-thinking/investing-in-a-time-of-climate-change.html>

<sup>10</sup> <http://www.avivasustainablefinancetoolkit.com/>

<sup>11</sup> <https://www.blackrock.com/investing/literature/whitepaper/bii-climate-change-2016-us.pdf>

<sup>12</sup> <https://www.brookings.edu/research/links-in-the-chain-of-sustainable-finance-accelerating-private-investments-for-the-sdgs-including-climate-action/>

<sup>13</sup> <http://www.dnb.nl/en/news/news-and-archive/dnbulletin-2016/dnb338533.jsp>

<sup>14</sup> <http://www.bankofengland.co.uk/publications/Documents/speeches/2016/speech923.pdf>