

PANEL SESSION: HOW CAN RESEARCH HELP?

María J Nieto
Bank of Spain

JRC SUSTAINABLE FINANCE RESEARCH FORUM 2022

Virtual

Thursday 27th October, 2022

14:00 hrs to 15:15 hrs



Among the largest economies of the world, the EU has set the **most ambitious and legally binding objectives for the reduction of the GHG emissions: **Net Zero 2050****

- ✓ The main legal instrument of the EU strategy is the EU Climate Law (2021)
- ✓ In order to operationalize these objectives, the EU Commission (EC) has proposed “Fit for 55” package
- ✓ REPowerEU plan ramps up the ambition of objectives on renewables, energy efficiency and key hydrogen infrastructure
- ✓ this greater ambition of objectives demands a large investment push (public and private)

... also it has accompanied these objectives with a “state of the art” financial regulatory framework in the realms of investor protection and safety and soundness to attract the much needed large private investment

European Commission’s 2018 Action Plan on Sustainable Finance based on its three main objectives:

- i) Reorienting capital flows towards sustainable investment in order to achieve sustainable and inclusive growth;
- ii) Managing financial risks stemming from climate change and resource depletion and
- iii) Fostering transparency and long-termism in financial and economic decisions

Following the European Green Deal in 2019, the Commission published the **2021 ‘Strategy for financing the transition to a sustainable economy’** as a new edition of the 2018 Action Plan with an added objective:

- (iv) Fostering global ambition: Need to avoid financial market fragmentation to deal with a global problem (financing orderly transition)

For central banks in the execution of their financial stability mandate: Given the very different nature of climate risks: long term horizon; high uncertainty; non-linearities and tipping points; potentially destabilizing feedback loops

- ✓ What are the challenges to assess financial stability implications of climate risk and to incorporate climate risk scenario analysis

For banks: Given the very different nature of climate risks

- ✓ What are the challenges to assess climate and sustainability risk and their impact on credit and market risks

For EU policy makers: What are the challenges in the implementation of the EU agenda to deal with climate and sustainability risks faced by market conduct authorities and prudential supervisors

- ✓ What are the policy areas in which research is most needed?

For market conduct authorities / securities supervisors: Given the desirability to have international standards: What are the challenges to have:

- ✓ *Interoperability of taxonomies across countries and what is needed? The recommendations of the EU Platform on Sustainable Finance.*
- ✓ *Interoperability of between international and EU corporate sustainability reporting standards? And, more precisely on transition and decarbonization plans.*

Paul Hiebert → Head of Division Financial Institutions, ECB

Julian Cubero → Lead Economist, Economics of Climate Change Cluster, BBVA Research

Martin Spolc → Head of Unit Sustainable Finance, DG Financial Services-Fin Stability and Capital Markets at the EU Commission

Helena Viñes Fiestas → Commissioner of the Spanish Financial Market Authority, Member of the EU Platform on Sustainable Finance and of the UN High Level Expert Group on the Net Zero Emissions Commitments

THANK YOU

