BETTER FINANCE
The European Federation of Investors and Financial Services Users
Fédération Européenne des Épargnants et Usagers des Services Financiers

PRESS RELEASE

High-level Debate on the Ambitious but Vague EUROPEAN GREEN DEAL: will it provide EU citizens with Sustainable Value for Money?

27 January 2020 - The new President of the European Commission refers to the European Green Deal as "Europe's man-on-moon moment". BETTER FINANCE strongly supports the Green Deal, the most important shift in European energy policy we have seen in the last two decades. But since the devil is in the detail, it raises the question whether the proposed measures are enough to reach carbon neutrality by 2050 and provide sustainable value for money for EU citizens as pension savers and investors? As proven by the CMU (Capital Markets Union) Plan, ambitious long-term goals are easier to set than to fulfil….

On the one hand, the objectives proposed by the European Green Deal represent steps in the right direction, putting the continent on a more sustainable path. On the other hand, the project might lack the necessary potential to "land on the moon". For instance, the Commission aims to reduce carbon emissions by 50-55% by 2030 and to reach carbon neutrality by 2050. However, research[1] indicates that in order to fulfil this goal and limit global warming, carbon emissions should be reduced by **at least 60-65%** by 2030. Therefore, the actual plan might be insufficient to meet the 1.5° C target.

Another important question is: **who is going to pay for the European Green Deal?** The Commission intends to mobilize 3 trillion euros over 10 years via public funds and private funds. Even if this figure seems impressive at first, it might not be enough to reach the estimated targets. Therefore, some[2] support the idea of mobilizing Members States and national investments through a reform of the EU fiscal framework, i.e. authorising a long-term deviation or exemption from EU fiscal rules for green public expenditures[3].

BETTER FINANCE welcomes the intention to revise the Energy Taxation Directive including the extension of the Trading Emissions System to other sectors. However, we stress the need for an effective **EU-wide (at least) carbon tax** targeting the high carbon emitters in the EU. Policymakers must assume their core responsibility to act against "negative externalities" such as GHG emissions.

It is crucial for the EU Commission to walk the talk and truly reorient capital flows towards investments that really impact the environment and global warming in particular. Indeed, in our view, merely screening investment portfolios will not generate any positive impact. For example, asset managers as shareholders should get much more involved in recycling and greening the massive investment market embodied by oil companies, instead of dumping their oil company stocks … to whom?

We are also concerned about the shortcomings of the design of specific measures that are meant to increase opportunities for individual investors to identify sustainable investments. At the beginning of December, EU co-legislators struck a provisional agreement to establish common European rules on

[1] The Intergovernmental Panel on Climate Change (IPCC), Special Report, Global Warming of 1.5 ºC, Chapter 2
[2] Bruegel, Paying for the European Green Deal, Podcasts and Article
[3] Bruegel, The European Green Deal needs a reformed fiscal framework, December 2019

what can be considered a green investment ("taxonomy"), that in BETTER FINANCE's opinion still falls short of representing "a single grammar to greening financial markets"[4].

Moreover, another measure - the EU Ecolabel for retail financial products - sets new parameters that would allow investment funds **with only 18%**[5] of "green" listed companies to be awarded the label. Such a low threshold would only mislead individual investors into greenwashed products, thus undermining the credibility, not only of the Ecolabel, but of the entire European Green Deal.

In the end, in as far as "sustainable finance" is concerned, the responsibility of policy makers is to reconcile the financing of a greener economy with defusing the pensions time bomb, addressing the latter by ensuring a fair deal for EU citizens as pension savers. EU citizens as savers are by nature mostly long-term driven, evidenced by the fact that 67% of their total assets are deployed in long-term investments, and the fact that their main saving goals are long-term. For these reasons EU citizens as savers have a great need for "sustainable finance" products, stresses Guillaume Prache, the Managing Director of BETTER FINANCE. "*We are therefore surprised that yet another high-level debate on the future of the Green deal, and "**triggering investment"**[6] in particular, is lacking the voice of EU citizens as savers, financial consumers and small investors."*

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Contact: Chief Communications Officer | Arnaud Houdmont | +32 (0)2 514 37 77 | houdmont@betterfinance.eu

[4] https://twitter.com/pcanfin/status/1206699134893342720

[5] The percentage represents the weighted revenue coming from Green companies included in the investment fund (JRC Technical Report 2.0: Development of EU Ecolabel criteria for Retail Financial Products)

[6] High-level public conference on implementing the European Green Deal - the European Climate Law