

PRESS RELEASE

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BETTER FINANCE Unveils Key Insights on EU Transition Investing

BETTER FINANCE, a prominent advocate for investor rights and financial transparency, has issued its position paper on transition investing. In BETTER FINANCE's opinion, transition investing, which focuses on redirecting capital to improve economic activities currently detrimental to the environment, plays a crucial role in achieving climate neutrality and the EU must use the full potential of its transition investing tools.

The European Commission's recent release of the "Recommendation on facilitating finance for the transition to a sustainable economy" underscores the importance of these investments in Europe's pursuit of environmentally conscious goals. Despite efforts to clarify the use of transition finance tools, concerns persist due to the non-binding and voluntary nature of the Recommendation.

BETTER FINANCE emphasises the need for credible transition plans with transparent measurement to prevent greenwashing and calls for supplementary research to comprehensively assess the EU's transition investing landscape. End-users should be able to compare the ways in which transition investing methodologies are applied and how the progress is measured, ensuring full transparency and accountability of those reporting on transition activities.

While the EC emphasises the role of financial intermediaries in integrating guidance and engagement into transition finance strategies, BETTER FINANCE argues that structured engagement, rather than divestment from carbon-intensive industries, is key to driving the transition to net zero. Among BETTER FINANCE's recommendations, the one calling for a unified engagement mechanism mandate would ensure common practices and evaluation of engagement, reduce greenwashing and enable the timely phase-out of highly emitting sectors without risking the creation stranded assets, or merely shifting them at a low price to non-European buyers by simple exclusion and divestment.

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