

Green Investments

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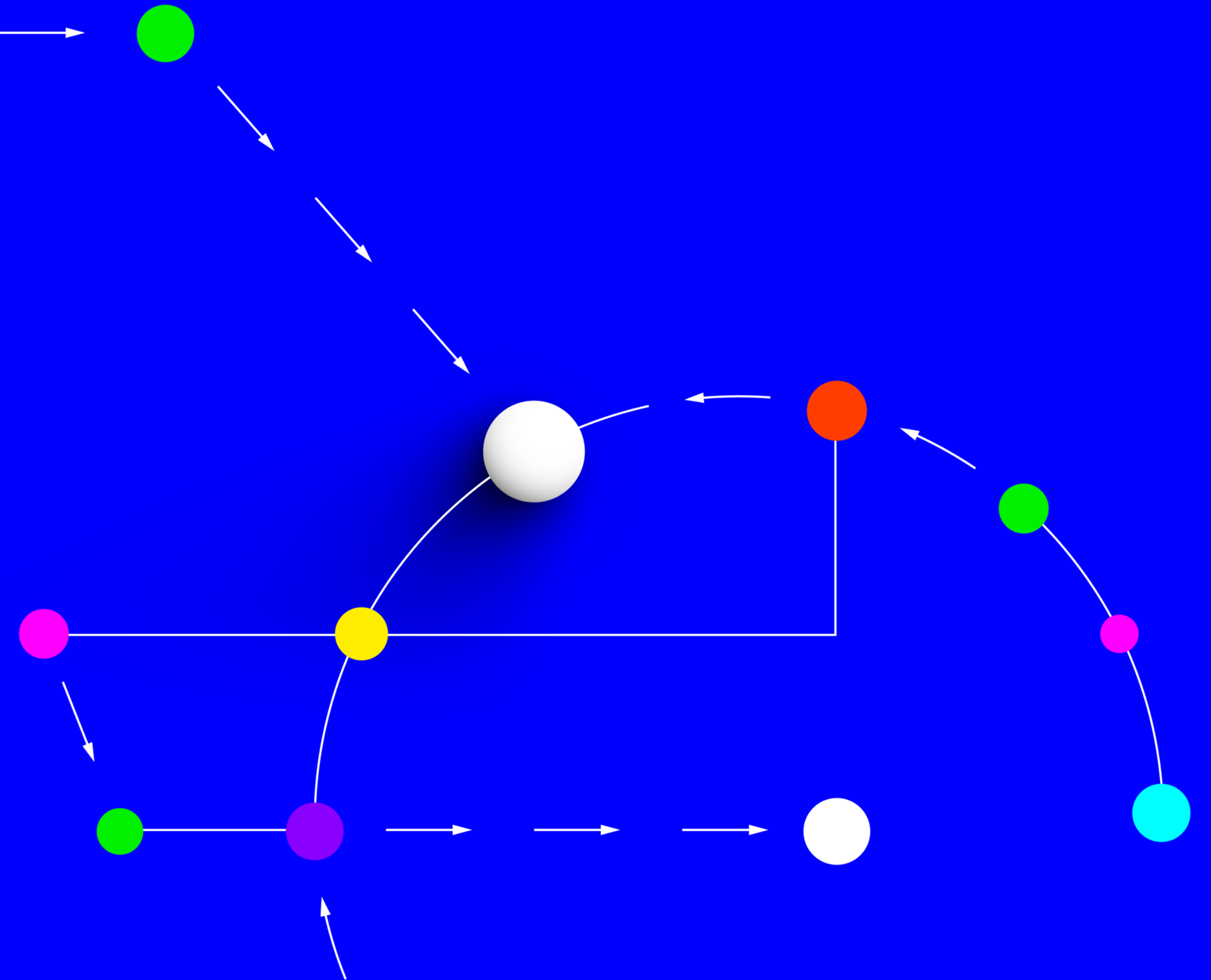
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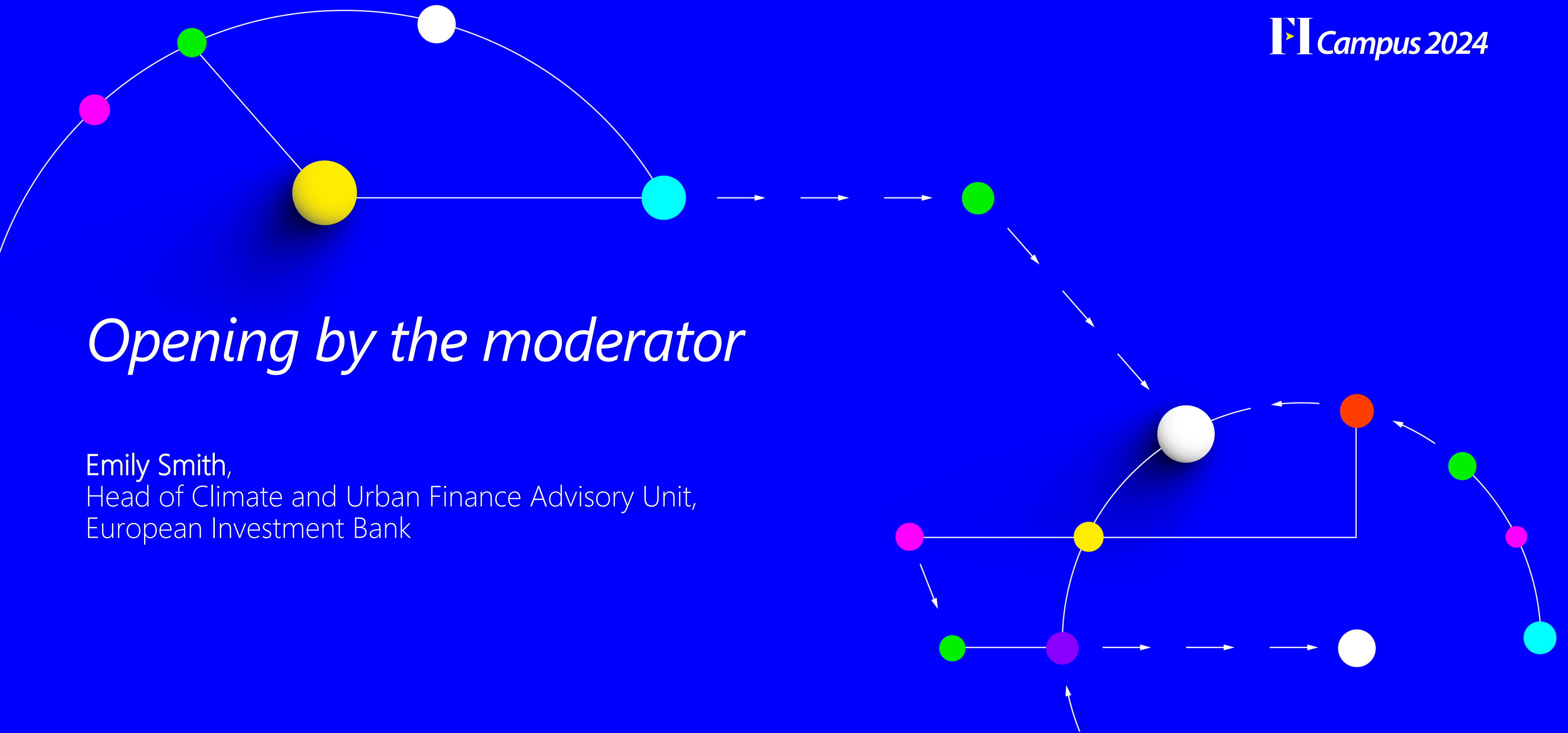
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Opening by the moderator

Emily Smith,
Head of Climate and Urban Finance Advisory Unit,
European Investment Bank



EU Sustainable Finance Framework

FI Campus 2024; 27 June 2024

*European Commission,
Directorate General for Internal Market, Industry,
Entrepreneurship and SMEs - Ulla Hudina Kmetec,
Directorate General for Financial Stability, Financial Services
and Capital Markets Union - Tina Krajsek Samar*

Ambitious EU environmental targets

European Green Deal → European Climate law

Carbon-neutral EU economy by 2050 & 2030 interim target of -55% emissions reduction

Green Financing Requirements

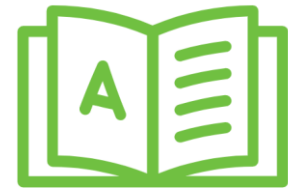
Green (private) investment needs: additional € 700 billion p.a. between 2021 and 2030 for the decarbonization of the EU economy/complete overhaul of EU industry

Investment gap cannot be filled by public sector alone

- **EU Sustainable Finance Framework: Taxonomy, Disclosure Regulation, Financial Toolbox to crowd-in private investors**

EU Taxonomy

EU Taxonomy – defining sustainable



A classification system

Provides clarity on what is an environmentally sustainable activity and under which circumstances.



A measuring tool

Measures the degree of sustainability of an investment and the degree of green activities of companies



A transition tool

Helps investors and companies to plan and report on the transition. It sets the objectives and the direction of travel for different economic activities.

Ultimately, it helps raise the needed investments to build a net zero, resilient and environmentally sustainable economy.

What the EU Taxonomy is **not**:



- It's not a mandatory list to invest in
- It's not a rating of the “greenness” of companies
- It does not make any judgement on the financial performance of an investment
- What's not green is not necessarily brown.

Objectives of the EU Taxonomy

✓ **Make a substantial contribution**

to at least one of the 6 environmental objectives



✗ **Do no significant harm**

to any of the other 5 environmental objectives



✳️ **Meet minimum safeguards**

comply with international minimum safeguards

Climate Change Mitigation



Climate Change Adaptation



Circular Economy



Water and marine resources



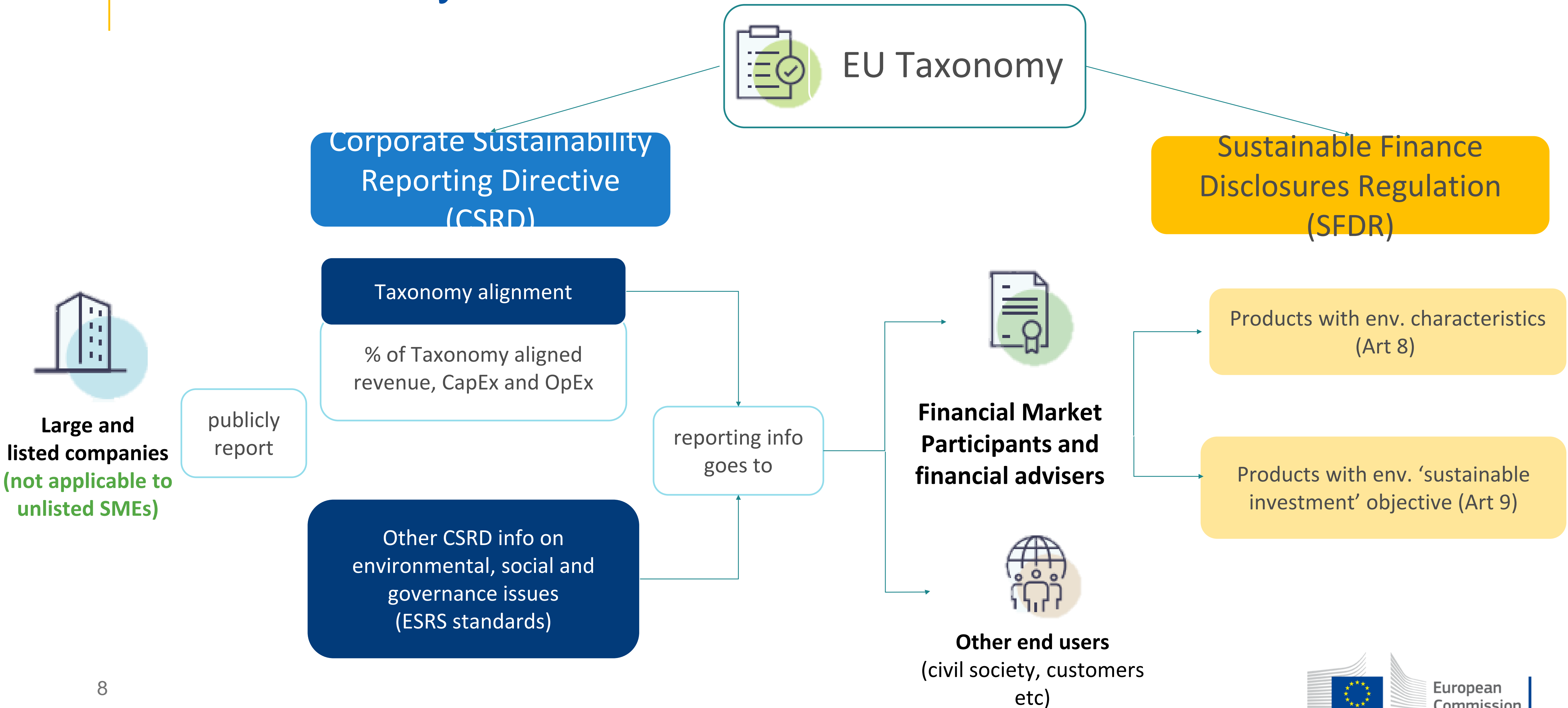
Pollution prevention and control



Biodiversity and ecosystems



EU Taxonomy for disclosures



Focus on usability, implementation and simplification

TAXONOMY - EU Taxonomy Navigator – A simple and practical guide for users [EU Taxonomy Navigator \(europa.eu\)](https://europa.eu/euromax/eu-taxonomy-navigator)

- **EU Taxonomy Compass** - a visual representation of sectors, activities and criteria included in EU Taxonomy
- **EU Taxonomy Calculator** – a step-by-step guide on reporting obligations
- **FAQ repository** – an overview of questions and answers on EU Taxonomy and its delegated acts
- **EU Taxonomy User Guide** – a guidance document on the EU Taxonomy for non- experts

EU Platform on Sustainable Finance

Article 20 : Taxonomy Regulation

Composition (35 + 14)

Chair appointed by Commission

Representatives of EEA, ESAs, EIB, EIF, FRA (7)

Private stakeholders from financial, non-financial and business sector (14)

Civil society (4)

Experts in personal capacity (1)

Academia (9)

Observers (14)

Mandate

Advise on usability of the EU Taxonomy and wider sustainable finance framework

Advise on development and update of technical screening criteria

Monitor and report sustainable capital flows

Advise on possible review of the Regulation

Advise on wider policy development

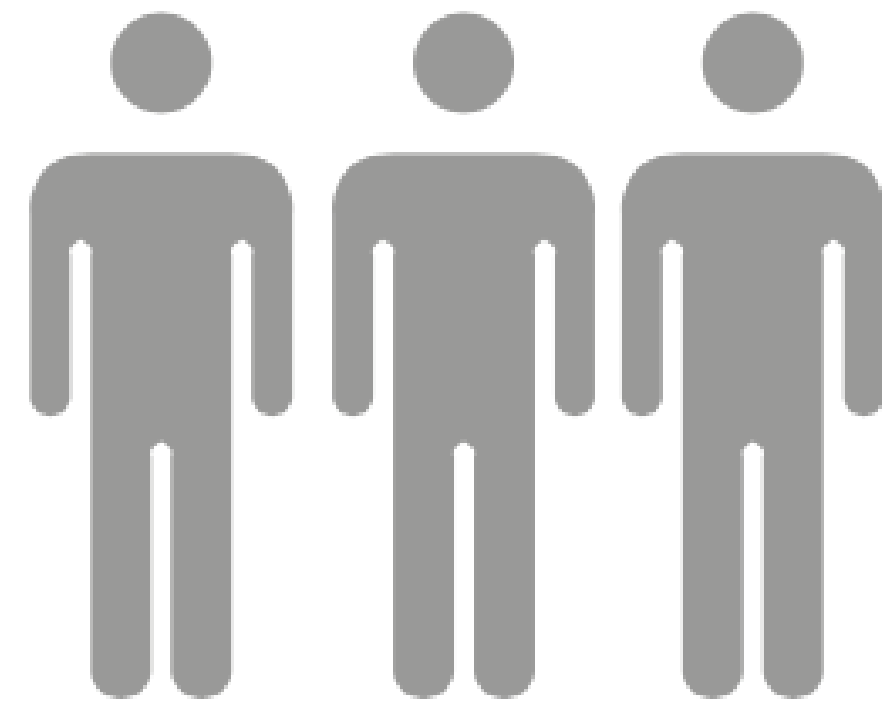
Subgroup 1 on Usability and Data

Technical Working Group

Subgroup 3 on Monitoring Capital Flows

SMEs and Green Transition

No Green Transition without SMEs



99.8%

64.4%

51.8%

enterprises

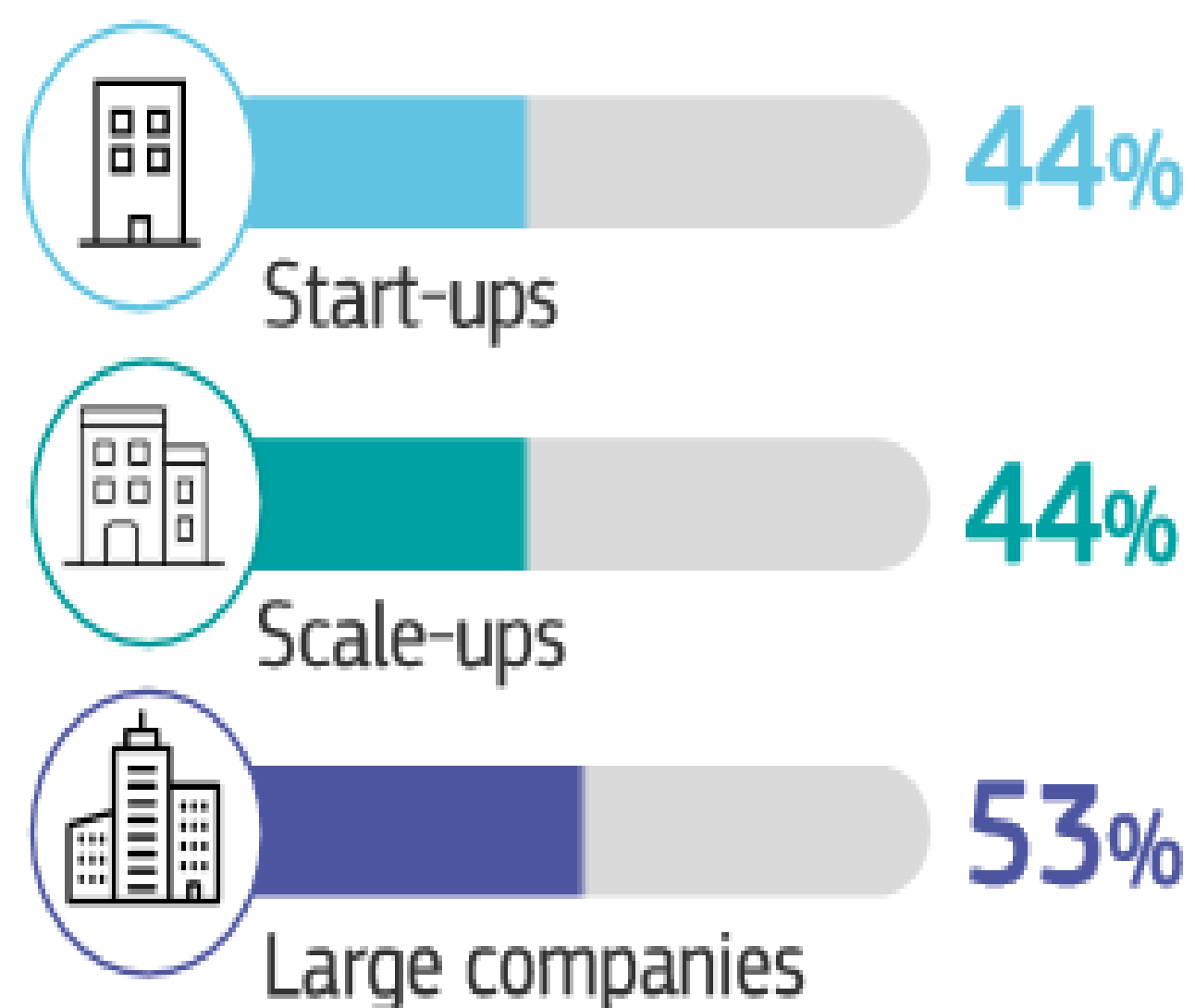
jobs

of value added

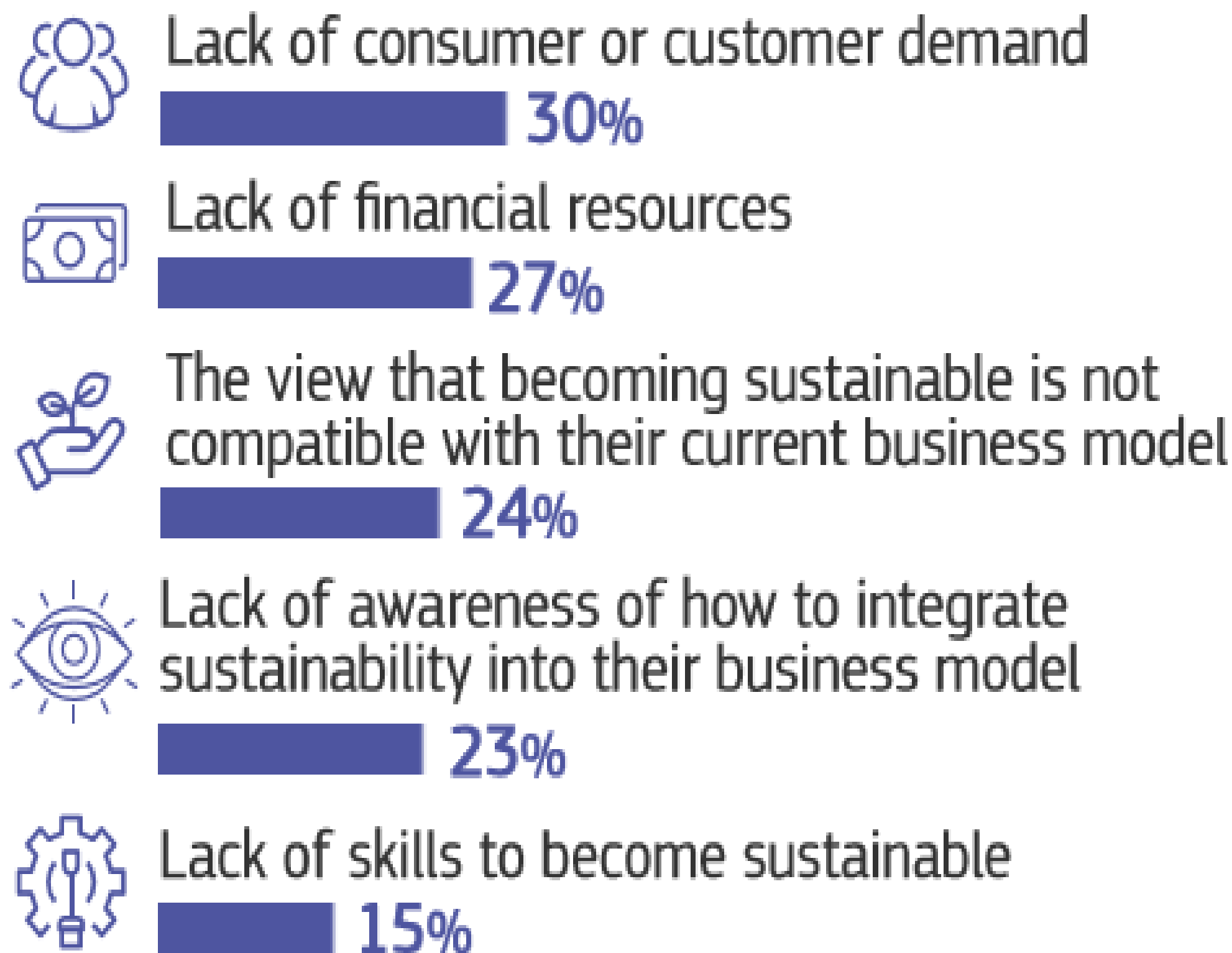
+ Innovation

- Important (negative) environmental impact: 64% of industrial pollution

34% of SMEs have a strategy or action plan to become a sustainable enterprise, which compares to:



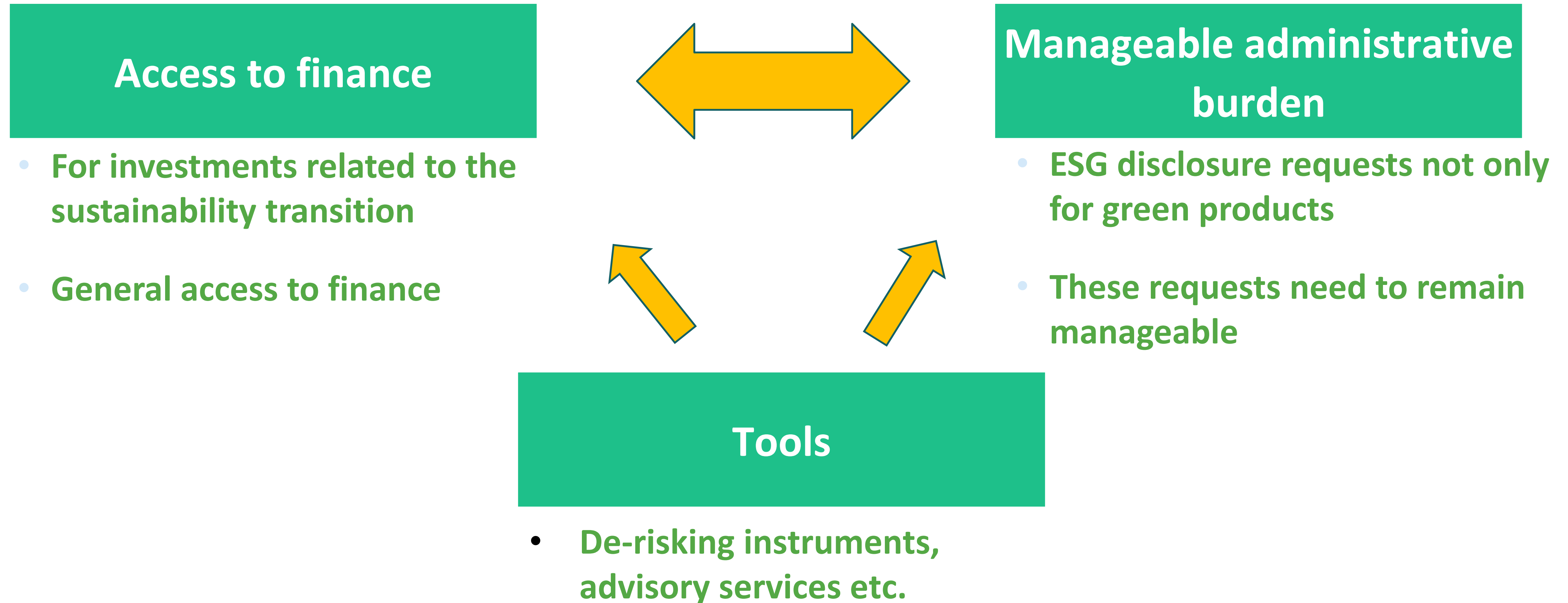
The most mentioned barriers to sustainability that SMEs face are:



The survey was conducted before the economic impact of the COVID-19 crisis was fully felt by businesses in the EU. However, the issues highlighted by the survey only become more important as a result of the COVID-19 crisis.

Source: Flash Eurobarometer 486

SMEs' Access to Finance is Key



Challenges Faced by SMEs to Access Sustainable Finance

- **Proliferation of disclosure requests:** Although no direct reporting obligations under EU sustainable finance framework*, there is a „trickle-down effect“ from banks & value chain partners, in spite of safeguards in the Corporate Sustainability Reporting Directive (CSRD) and European Sustainability Reporting Standards (ESRS). No adequate framework is yet in place to sufficiently control this effect.
- **Supply of affordable sustainable finance:** limited offer, no „greenium“, large ticket size – business model making green SME finance attractive for financial institutions to be developed
- **Information** on available sustainable finance and related disclosure issues

*for unlisted SMEs who constitute the majority of all SMEs

SME Relief Package to Address the Challenges (2023)

One objective: Finance for SMEs' sustainability transition with minimal additional burden.

Relevant actions:

- **Provide SMEs with a simple standardised framework to report on ESG issues by**
 - **limiting the risk of disclosure requirements trickling down** on SMEs not in the scope of Corporate Sustainability Reporting Directive
 - ensuring the rapid delivery of a **voluntary standard for non-listed SMEs** (*public consultation just closed*)
- **Encourage financial institutions to include green SME financing in their business models by**
 - working towards a **standard/a definition of green loans notably for SMEs** based on upcoming advice by the European Banking Authority (*n.b.: advice published in December 2023*)
 - **assessing an SME-friendly adaptation of the Green Asset Ratio** to be considered in a future update of the Taxonomy Disclosures Delegated Act

InvestEU Programme: InvestEU Fund InvestEU Advisory Hub

InvestEU Programme

InvestEU Programme



THE INVESTEU FUND

Mobilising public and private investment using guarantees from the EU budget.



THE INVESTEU ADVISORY HUB

Providing technical advice to investment projects seeking financing.



THE INVESTEU PORTAL

An easily-accessible database bringing together projects and investors.

€26.2bn
InvestEU
Fund



€372bn

of additional investments
across Europe
(of which 30% to contribute
to climate objectives)

*Sustainable
Infrastructure*
€ 9.9 billion

*Research, Innovation
& Digitalization*
€ 6.6 billion

*Small & Medium
Sized Enterprises
(SMEs)* € 6.9 billion

*Social Investment
& Skills* € 2.8 billion

Green transition

Continued recovery

Digital
transition

EIF portfolio guarantee products for SMEs



Sustainability Guarantee product - criteria

The Financial Intermediary shall ensure that the Final Recipients and/or Final Recipient Transactions, as applicable, comply with the following Product Eligibility Criteria (*Taxonomy not directly applicable to InvestEU; it is 'taxonomy-inspired'*):

Sustainable Enterprise - SME or Small Mid-Cap satisfying at least one of the criteria below:

- it has been awarded within the last 3 years a **clean-tech or "green" prize, grant or funding**
 - **it has registered one renewable or clean-tech intellectual property rights** related to climate and environmental sustainability
 - **it has registered an eco-label**
- its main activity falls into one or more of the specified **green activities**, representing at least 90% of its turnover
 - it has incorporated in its business model **"green" practices**
 - it has been certified with an **environmental certificate** from a pre-defined list,

Green Investment in Agriculture and Forestry – A Final Recipient Transaction having as purpose an investment one or more of the following areas

- Investments in **afforestation, reforestation, forest rehabilitation/restoration** including related equipment, sustainable forest management
- Investments in the **development or adoption of sustainable and organic agricultural practices**

Green Investment - A Final Recipient Transaction having as purpose an investment one or more of the following areas:

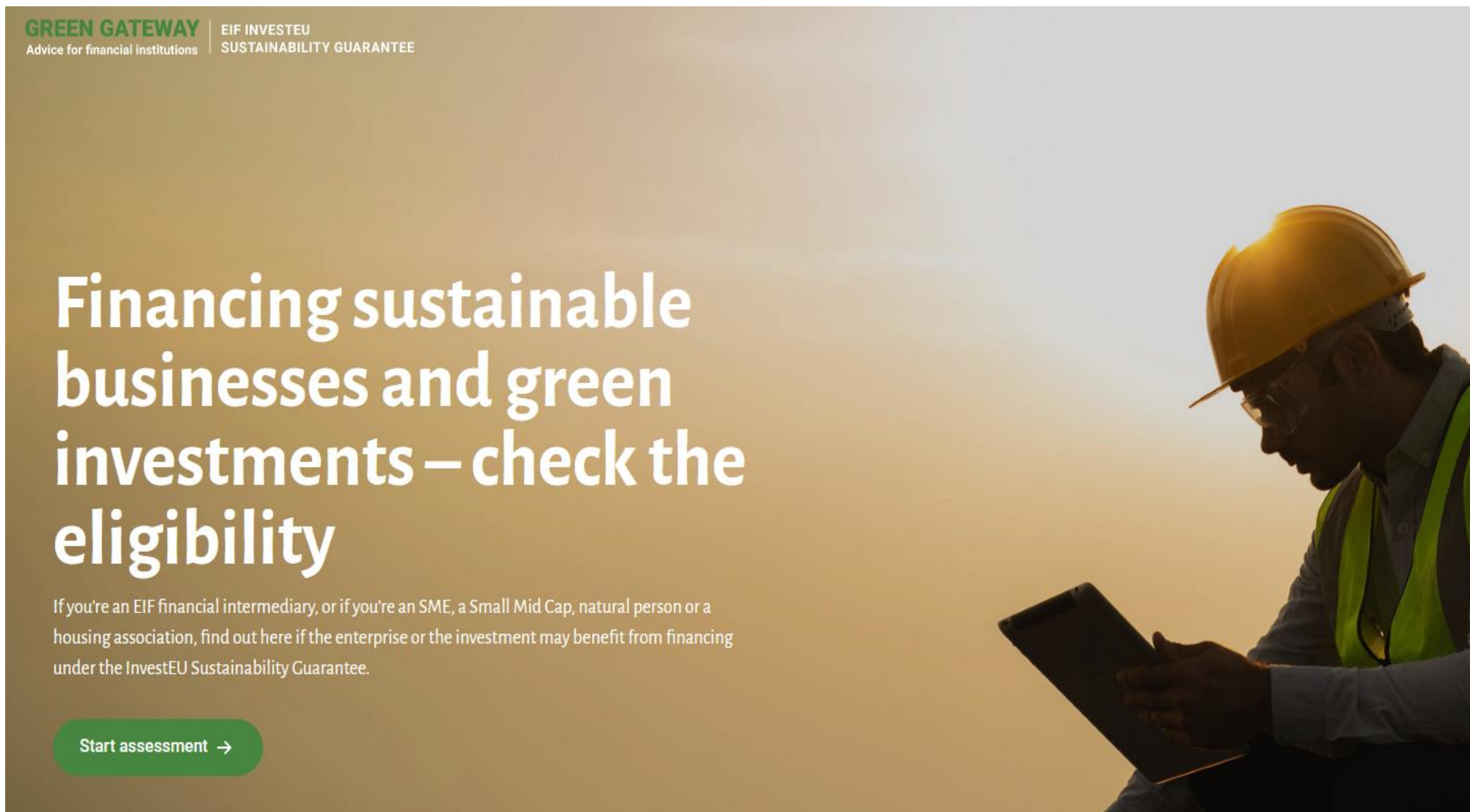
- **Climate change mitigation**
- **Climate change adaption**
- **Transition to a circular economy**
- Investments related to **environmental impact and sustainable management of natural resources:**
 - **Protection and restoration of biodiversity and ecosystems**

Social Accessibility Investment – A Final Recipient Transaction having as purpose an investment in the following area

Enhancing accessibility of services, products and infrastructures and developing assistive technologies as well as for making the organisation and its premises accessible **for customers and employees with disabilities and/or impaired function**

Sustainability Guarantee – specific practicalities

Use case document and the Eligibility Check online tool :



GREEN GATEWAY | EIF INVESTEU
Advice for financial institutions | SUSTAINABILITY GUARANTEE

Financing sustainable businesses and green investments – check the eligibility

If you're an EIF financial intermediary, or if you're an SME, a Small Mid Cap, natural person or a housing association, find out here if the enterprise or the investment may benefit from financing under the InvestEU Sustainability Guarantee.

[Start assessment →](#)

The online Eligibility Check tool follows the Use Case document and covers:

- ✓ **description** of each eligibility criteria
- ✓ documents needed to **prove** eligibility
- ✓ calculation of KPIs for **impact assessment**
- ✓ the possibility to download an **Eligibility report**

To be used by Financial Intermediaries and Final Beneficiaries

Direct link: [sustainability-use-case.pdf \(eif.org\)](https://eif.org/sustainability-use-case.pdf)

Equity Products*

*EIF Joint products between SME and RID window, investment capacity of over € 6 billion

**Capital
Market
Union
support**

Promote an integrated European capital market, provide diversification of sources of financing & strengthen solvency of enterprises

**Enabling
sectors**

Support crucial sectors which can sustain the EU as a independant and autonomous economy

**Climate
& environmental
solution**

Boost support for R&D upscaling & commercialisation of solutions that contribute to the EU Green Deal

**Digital, Cultural
and Creative
Sector**

Strengthen the EU's competitiveness, digital independance strategic autonomy

InvestEU Member State compartment

MS contributions to MS compartment #InvestEU

MS	Source of funding	InvestEU window(s)	Products	Implementing Partner
RO	RRF (€ 550 million)	SME window	1. Portfolio guarantee for resilience (min € 300 m)	EIF
		Sustainable infrastructure window	2. Climate Action Portfolio Guarantee (min € 200 m)	EIF
			3. Energy efficiency investment in the residential and buildings sector (€ 50 m)	EBRD
EL	RRF (€ 500 million)	SME window	1. Sustainability Guarantee (€ 154 m)	EIF
		Sustainable infrastructure window	2. Competitiveness Guarantee (€ 163 m)	EIF
			3. Innovation & Digitalisation Guarantee (€ 83 m)	EIF
		RID window	4. Green & Digital Portfolio Guarantee (€ 90 m)	EBRD
CZ	ERDF (€ 80 million)	SME	Guarantee 2023-2030 programme (€ 80 m)	National Development Bank
FI	-ERDF + national budget (€ 30 million) + potential to increase	SME window	Sustainability Guarantee for Finland	EIF
		Sustainable infrastructure		
BG	RRF (€ 150 million)	SME window	1. Sustainability Guarantee (€ 75 m)	EIF
	ERDF (€ 125 million)	Sustainable infrastructure window	2. Competitiveness Guarantee (€ 75 m) 3. InvestEU Guarantee for SMEs and small mid-caps (€ 125 m)	EIF BDB
MT	ERDF + national budget (€ 14 million)	SME	SME Competitiveness Guarantee (€ 14 m)	EIF

A series of events in 2024:
Madrid, Vilnius, Warsaw, Amsterdam



FI Campus 2024

Thank you

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