
Press release

Next stage of sustainable finance agenda critical to meeting EU sustainability objectives, says AFME

6 July 2021

AFME has today welcomed the [publication](#) by the European Commission of the EU Renewed Sustainable Finance strategy.

Adam Farkas, Chief Executive of AFME, said:

“Europe’s leadership on sustainable finance has given rise to several ambitious and comprehensive regulatory proposals. Now, the next stages of the sustainable finance agenda will be critical to mobilise private investment on the scale needed to meet the EU’s sustainability objectives.

“A broader, more flexible approach to classifying transition activities would go a long way to helping to accelerate Europe’s pathway to achieving net-zero carbon emissions by 2050. The recognition in the Renewed Strategy that the current EU Taxonomy framework could better recognise investments for intermediary steps on the pathway towards sustainability is extremely helpful. A robust transition framework should include both activities and entities that are already low carbon, but also be forward-looking and include firms, their assets, and their activities that demonstrate the commitment and potential for transition within scientifically determined thresholds.

“Capital markets will need to play a central role in the green transition. We estimate that [35% of the funding needed to meet the Paris Agreement is required from equity, alongside 44% from loans and 21% in bonds](#). While the markets for green bonds have seen significant growth in Europe, climate finance needs to scale across all asset classes. It is important to take a holistic approach that fosters all products and asset classes – including equity and securitisation – that can contribute to mobilising capital resources towards the transition.

“AFME will continue to support a risk sensitive approach to the integration of ESG factors into prudential regulation and we look forward to the work programme in this area. Any specific prudential treatment distinguishing between ‘green’ or ‘brown’ assets needs to be consistent with the principles of prudential regulation. This should be done in a dynamic, forward-looking and risk-oriented manner which is based on experience and scientific data, and agreed at an international level as far as possible.

“We welcome the commitment for the EU to continue to cooperate with its partners in international fora to agree on common objectives and principles for taxonomies. The development of regional taxonomies should follow a set of common, globally consistent principles and, as such, the evolution of the EU Taxonomy should take international taxonomy developments into account. International regulatory convergence in ESG reporting is particularly important in the further elaboration of the European reporting framework.”

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Notes:

AFME (Association for Financial Markets in Europe) promotes fair, orderly, and efficient European wholesale capital markets and provides leadership in advancing the interests of all market participants. AFME represents a broad array of European and global participants in the wholesale financial markets. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. AFME participates in a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association (ASIFMA) through the GFMA (Global Financial Markets Association). For more information, please visit the AFME website: www.afme.eu. Follow us on Twitter [@AFME_EU](https://twitter.com/AFME_EU)