
Press release

Banks call for more clarity over roadmap to 2050 decarbonisation targets

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The Association for Financial Markets in Europe (AFME) has outlined the industry's priorities that should underpin the Renewed Sustainable Finance Strategy, the EU plan for channelling private capital towards sustainable investments. Responding to the European Commission consultation, AFME has called on the Commission to provide more clarity to corporates, banks and investors over the roadmap to the decarbonisation targets set out in the Paris Agreement. AFME highlighted that only a holistic approach, supported by a strong public-private partnership and a globally coordinated policy will achieve the deep structural change required to transition into a more sustainable EU economy.

AFME is calling on the Commission to:

- Provide a clear roadmap for the transition of the real economy, including industry specific milestones and frameworks such as the appropriate pace of phasing out stranded assets.
- Deliver a strong partnership of the public and private sector, with actions including market-based carbon pricing mechanisms, a plan to gradually phase out blanket government subsidies to high carbon emitting industries, and fiscal policy incentives to green issuers/borrowers and investors/lenders.
- Promote the collection of better ESG data to support good investment and lending decisions and more alignment in reporting requirements between corporates, banks and investors at the international level.
- Encourage carbon-emitting companies to lower their carbon emissions through appropriate transition pathways rather than applying penalising capital charges to banks that will have a knock on impact to these companies and overall ability to transform.
- Encourage the development of climate/environmental risk assessment methodologies that include a forward-looking perspective in addition to existing backward-looking analyses to enable a more accurate calibration of regulatory capital requirements reflecting the long term asset risk profile.

Rick Watson, Managing Director, Capital Markets at AFME said:

"The transition to a more sustainable economy is of vital interest and importance to everyone. Investors, corporations and banks all stand ready to play key roles in achieving this including through harnessing the power of capital markets to make it happen. But in order to do so all participants need to understand more about what is expected of them at this crucial stage. For lenders, this includes clarity around disclosure requirements and the development of risk analysis and management processes which are essential to underpin future incorporation of ESG into the prudential framework. Broader progress towards delivering a comprehensive and coherent sustainable finance programme must be a shared endeavour between the public and private sectors to provide consistent sustainable finance regulations for corporates, banks and investors".

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Association for Financial Markets in Europe

London Office: 39th Floor, 25 Canada Square, London E14 5LQ, United Kingdom T: +44 (0)20 3828 2700

Brussels Office: Rue de la Loi 82, 1040 Brussels, Belgium T: +32 (0)2 788 3971

Frankfurt Office: Neue Mainzer Straße 75, 60311 Frankfurt am Main, Germany T: +49 (0)69 153 258 963

www.afme.eu

AFME Contacts

Patricia Gondim
Interim Head of Media Relations

patricia.gondim@afme.eu

+44 (0)20 3828 2747

James Thursfield
Digital Content Manager
James.thursfield@afme.eu

+44 (0)7557921379

Notes:

1. 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.
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