OPEN LETTER

A STRONG EU RENEWED SUSTAINABLE FINANCE STRATEGY

To: Ursula von der Leyen, European Commission President
Frans Timmermans, European Commission Vice President
Valdis Dombrovskis, European Commission Executive Vice President
Mairead McGuinness, Commissioner for Financial Services, Financial Stability and Capital Markets Union

Brussels, 24 June 2021

Dear Commissioners,

If there has ever been a time when citizens have longed for far-reaching steps towards a just and sustainable economy and society, it is now.

It is commendable that the EU has given climate change a prominent place on its agenda.

Now, the crucial thing is to make the most of the enormous opportunities, the great momentum that you as politicians are given in the coming decisive months. And that demands great political courage and steadfast leadership, such as it only presents itself a few times in a person's lifetime.

We are deeply concerned to see how part of the European industry - and big players on financial markets- have responded with fierce campaigns to scale back the plans for a strong and inspiring European Green Deal. The constant push from these sectors, as well as from a number of member states, threatens to make the strategic targets of the EU's measures against climate change illusory. While financial corporations and resourceful lobby groups enjoy privileged access to decision-makers, civil society groups see their appeals and their contributions to consultations ignored. Such an approach does not lead to a green transition, and not to a just one either.

With this letter, we aim to prioritise the public interest in the sustainable finance strategy.

It is completely clear [now even for the International Energy Agency[1]] that financial flows must be diverted from unsustainable to sustainable activities and that investments in fossil fuel production and infrastructure must be halted immediately. *It is also quite clear that this must be done at a rapid pace.*

This July, we therefore expect to see the European Commission's Renewed Sustainable Finance Strategy propose strong instruments and laws to achieve the necessary change. The fact that the 16 largest EU banks have provided loans worth $560 billion to fossil fuels since the Paris Agreement was signed, shows that financial institutions are not committed to preventing disastrous climate change.[2] This is the result of no laws making it obligatory to increasingly finance green or transition activities, nor to phase out fossil fuel investments. It is a consequence of a wide range of civil society organisations being side-lined or unheard, as they call for strong public leadership towards a just transition.

1 Net-Zero By 2050, a startling new report by the International Energy Agency, May 2021
2 Banking on Climate Chaos 2021, Rainforest Action Network et al, March 2021

We want to reassert [and expect] a high level of ambition with the following four key issues:

1. **We expect the EU Commission to adhere to the strict science-based criteria that defined environmentally sustainable activities [the "Green Taxonomy"].**

   We expect the Commission to exclude activities that cannot be considered sustainable replacements for fossil fuels, such as burning trees, or lock-in carbon-intensive assets such as gas or highly risky energy such as nuclear.[3]

   The EU taxonomies should be compulsory for climate, green, social and sustainable financial products. Therefore, the EU Green Bond Standard, based on the green taxonomy, should not be voluntary as announced by Commissioner McGuinness: This is contrary to what civil society suggested in the consultations.[4]

2. **There needs to be an urgent stop to investments in fossil fuels. This needs to be facilitated by an EU "harmful taxonomy".**

   The mentioned report of the International Energy Agency, and the recent G7 climate and environment communiqué[5] of which the EU is part, give you strong political backing that fossil fuel financing needs to be eliminated immediately in the EU.

   A taxonomy for polluting activities will identify the financial flows we must do away with, and it is a precondition for adopting and enforcing rules to do so. It is an indispensable way to provide clarity for the transition and a level playing field for the many voluntary divestment initiatives and promises in the market. It would help avoid risky stranded assets.

   The Commission should not let the massive lobbying against such a taxonomy lower its ambition. Instead, it should use it as a tool to develop the kind of regulation that can guarantee not only more green investments, but the necessary reduction of harmful investments too.

3. **Strong banking rules are needed to make banking sustainable.**

   A few banks are embarking on ambitious contributions to the fight against climate change, *but most are not*. The sector has a dismal record: 92,9% of big EU banks' assets are not climate aligned.[6] This shows the absolute need for regulatory intervention embedded in law. This can be through the integration of climate change into rules on risk management, or by imposing higher capital requirements on, for example, investments in infrastructure for gas, oil or coal.[7] It can also be through the adoption of a mandatory alignment to the Paris Agreement of all banking activities. The self-regulation model as advised by the financial sector and its lobby groups will have little if any impact and must be discarded clearly in the new strategy.

4. **There need to be clear and ambitious minimum standards for investment products calling themselves "sustainable".**

   The exponential growth of ESG and so-called sustainable funds being launched is most remarkable. It proves the fact that many investors have discovered the strategic importance of being part of the transition to a just and sustainable economy. For sound business reasons.

   Certain powerful asset managers, however, are still lobbying heavily against the new EU rules being designed to improve the clarity and transparency of such products. *We therefore need strict and mandatory rules to be proposed in the new Sustainable Finance Strategy. Greenwashing has to be avoided at all costs*. The EU Commission should ensure via regulation that new financial products do not invest in the most polluting and climate damaging sectors, such as coal. Right now, the biggest asset managers present

3 Taxonomy Regulation, See Article 10.2
4 Consultation on the renewed sustainable finance strategy, all responses available, April - July 2020
5 Joint commitments: G7 Climate and Environment Ministers, May 2021
6 Mapping climate risk: Main findings from the EU-wide pilot exercise, European Banking Authority, May 2021
7 Letter to EU policymakers to close the climate finance doom loop, Finance Watch, May 2021

in Europe are failing to phase out coal and to implement investment restrictions to decarbonize their portfolios.[8]

We support you in implementing an ambitious strategy against climate change and an even more ambitious Renewed Sustainable Finance Strategy, but:

When finalising the new Sustainable Finance Strategy, the undersigned expect their voice to be heard, as well as the citizens' and civil society responses to the consultations. The European Commission needs to demonstrate political will so that finance plays its part in the required transition.

SIGNATORIES

57 organisations, including civil society and ethical banks

8 Slow Burn: The asset managers betting against the planet, Reclaim Finance et al, April 2021

FETS
Finançament Ètic i Solidari

Financité

fondazione finanzaetica

Friends of the Earth Europe

Les Amis de la Terre France

milieudefensie
Friends of the Earth Netherlands

fund OUR FUTURE
A Global Climate Finance Campaign

Global Alliance for Banking on Values

GLS Bank
das macht Sinn

Institut Veblen
pour les réformes économiques

Vartotojų aljansas
Lithuanian Consumers Alliance

MagNet
MAGYAR KÖZÖSSÉGI BANK

MERKUR
ANDELSKASSE

NICOS POULANTZAS INSTITUTE

OPEN SOCIETY FOUNDATIONS

PositiveMoney

PositiveMoney Europe

Post Growth INSTITUTE

RAINFOREST ACTION NETWORK

RECLAIM Finance

ReCommon

ShareAction»

SMF

sinergia ANIMAL

SOS FAIM

Südwind
INSTITUT FÜR ÖKONOMIE UND ÖKUMENE

TALOUSDEMOKRATIA

TRANSPORT & ENVIRONMENT

urgewald

Vert d'Iris International
scri-fs

WEAll

Zuko Germany
Zukunftskonvent

SIGNATORIES LIST

1. Africa Europe Faith & Justice Network
2. Amazon Watch
3. Association for Farmers Rights Defense (AFRD Georgia)
4. ASUFIN (Asociación Usuarios Financieros)
5. Attac Austria
6. Attac France
7. Attac Germany, Financial Markets & Tax Working Group (AGFS)
8. Attac Liège
9. Attac Switzerland
10. Attac Wallonie-Bruxelles
11. Attac Zurich
12. BankTrack
13. Both ENDS
14. Bürgerbewegung Finanzwende
15. Centre for Research on Multinational Corporations (SOMO)
16. Clean Air Action Group - Hungary
17. Corporate Europe Observatory
18. E3G - Third Generation Environmentalism
19. Ekobanken medlemsbank
20. Ekumenická akademie (Ecumenical Academy)
21. etika
22. EuroMemo Group
23. Fair Finance International
24. Fair Finance Netherlands (Eerlijke Geldwijzer)
25. FEBEA - European Federation of Ethical Banks and Alternative Financiers
26. FETS - Finançament Ètic i Solidari
27. Financité
28. Fondazione Finanza Etica
29. Friends of the Earth Europe
30. Friends of the Earth France
31. Friends of the Earth Netherlands-Milieudefensie
32. Fund Our Future
33. Global Alliance for Banking on Values
34. GLS Bank
35. Institut Veblen pour les réformes économiques
36. Lithuanian Consumers Alliance
37. MagNet Hungarian Community Bank
38. Merkur Andelskasse
39. Nicos Poulantzas Instititute
40. Open Society European Policy Institute
41. Positive Money
42. Positive Money Europe
43. Post Growth Institute
44. Rainforest Action Network
45. Reclaim Finance
46. ReCommon
47. ShareAction
48. Show Me Finance
49. Sinergia Animal
50. SOS Faim Luxembourg
51. SÜDWIND-Institut
52. Talousdemokratia – Economic Democracy Finland
53. Transport & Environment
54. urgewald
55. Vert d'Iris International
56. Wellbeing Economy Alliance
57. Zukunftskonvent Germany