

A framework for sustainable investment

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Opinion

The European Commission must hear its citizens and act – and invest – to create a culture of genuine sustainable investment, writes Dimitrios Papadimoulis.



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Despite being in the centre of an acute social crisis, people are marching through the streets to protest against climate change, calling for effective measures to tackle the ongoing climate crisis.

We must not ignore these calls. We need to do more. We need more ambitious goals.

The Confederal Group of the European United Left - Nordic Green Left has always pointed out that the climate and environmental crises pose a threat to the stability, health and livelihood of societies all over the world.

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This is in addition to the loss of biodiversity that is characteristic of the mass extinction of species.

We continuously stress that the 17 Sustainable Development Goals (SDGs) of the 2030 Agenda for Sustainable Development go further than calling for action to promote prosperity while protecting the planet.

They also recognise that measures to end poverty must go hand-in-hand with strategies that build economic growth and address a range of social needs including education, health, social protection and job opportunities. There must be a holistic plan if we want to succeed.

Achieving the EU's 2030 climate targets will mean channelling investments into sustainable activities.

Much of the finance will need to come from the private sector, as the goal requires substantial investments.

“Both the Commission and the Council must finally realise that it is crucial to avoid the austerity policies of the past”

Offering financial products that pursue environmentally-sustainable objectives is an effective way of gradually shifting private investments from those activities that adversely affect the environment; this is the objective of the proposal for a regulation on the establishment of a framework to facilitate sustainable investment.

However, such investment is not an end in itself; rather it is a tool for tackling poverty, creating quality jobs, addressing Europe's brain drain and establishing permanent structures that will serve the community as a whole, without exceptions and exclusions.

The main key aspect of the proposal is to establish a unified EU classification system (taxonomy) that provides the criteria and a procedure for identifying, environmentally-sustainable investments.

This will help avoid distortions arising from differences between Member States in interpreting this concept. It will also help to restore much-needed investor confidence in sustainable investment and decrease red tape.

Another important aspect is that while acknowledging the urgency of addressing climate change, the proposal avoids a narrow focus on carbon exposure.

This is important, because such a focus could have negative spill overs, by redirecting investment flows to targets carrying other environmental risks.

The economic activity should contribute substantially to one or more environmental objectives without causing significant harm to any other.

Once the procedures are in force, the new Commission should adopt all the delegated acts necessary to specify the technical screening criteria efficiently.

This should take into account social objectives and governance targets and set up the Platform on Sustainable Finance, while keeping the Parliament and the Council fully informed.

“The Green Deal must be more than just a title; it needs to lead to effective actions with its measures properly financed”

It should also emphasise its obligation to publish regular reports focusing on facilitating innovation and the sustainable transition, as well as the effectiveness of the taxonomy.

However, this alone is not enough. The new Commission must lead on accelerating general action towards fulfilling the Paris Climate Change Agreement and the 2030 UN Sustainable Development Agenda.

Executive Vice-President-designate Frans Timmermans will be responsible for the European Green Deal portfolio.

The Green Deal must be more than just a title; it needs to lead to effective actions with its measures properly financed.

As well as private investing, a significant rate of public investment should also be targeted at sustainable activities.

Public sector bodies, such as the European Investment Bank and the European Supervisory Authorities, could monitor key developments to ensure the progressive scale-up and adaptability of the EU sustainability taxonomy.

In parallel, we need to reinforce the green lines and mainstream climate change mitigation across the whole EU budget through full climate-proofing of the budget lines, while protecting and further enhancing the objective of territorial, social and economic cohesion.

Unfortunately, these aspects seem to contradict the logic of reduced budgets, which has been the Commission’s firm stance in recent years.

Both the Commission and the Council must finally realise that it is crucial to avoid the austerity policies of the past, and that new initiatives cannot lead to the underfinancing of other important EU targets.

On the contrary, our commitment is to a socio-ecological investment plan, one which will lead to environmentally sensitive and socially-inclusive sustainable growth and indicates that the EU fiscal stance should be and remain expansionary.

About the author

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