Defining “green investments” and the role of impact assessment

Adina Manuela Relicovschi

Principle Advisor – Sustainable Finance
Luxembourg

relicovs@eib.org

www.eib.org
Why defining “green” or “sustainable” investments?

In September 2019, UN Secretary General called on all sectors of society to mobilize for a decade of action for accelerating sustainable solutions to the world’s biggest challenges — ranging from poverty and gender to climate change, inequality and closing the finance gap.

Implementing the 2030 Agenda in a full, coherent, comprehensive, integrated and effective manner requires, among others, to reorient capital flows towards sustainable investments.

The shift of capital flows towards more sustainable activities has to be underpinned by a shared, holistic understanding of the environmental sustainability of activities and investments.
Background: legal requirements

Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088

EU Taxonomy - 6 environmental objectives

1. Climate Change Mitigation
2. Climate Change Adaption
3. Water & Marine Resources
4. Circular Economy Transition
5. Pollution Prevention & Control
6. Biodiversity & Ecosystem Protection
Four overarching criteria to determine whether an economic activity qualifies as environmentally sustainable – “taxonomy aligned”
EU Taxonomy – defining “green”

Procedural steps on the alignment with EU Taxonomy: from “taxonomy eligible” to **taxonomy aligned**

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<thead>
<tr>
<th>Step</th>
<th>Description</th>
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<tbody>
<tr>
<td><strong>Step 1</strong></td>
<td>Identify which economic activity (as listed in the Delegated Acts (DA) based on NACE code) matches (partially or in full) with the project description.</td>
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<td><strong>Step 2</strong></td>
<td>Demonstrate that the project makes a substantial contribution to one or more of the six EU Taxonomy environmental objectives (check the SC criteria in the DA – currently available only for climate objectives).</td>
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<td><strong>Step 3</strong></td>
<td>Carry out a “do no significant harm” (DNSH) assessment to environmental objectives using the criteria listed in the DA.</td>
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<td><strong>Step 4</strong></td>
<td>Carry out a due diligence for MS criteria to ensure alignment with the OECD guidelines, the UN Guiding Principles on Business and Human Rights and Labour Rights conventions.</td>
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<td><strong>Step 5</strong></td>
<td>Report on “Taxonomy eligible” (an economic activity that is listed in the EU Taxonomy Delegated Acts) and “Taxonomy aligned” (a Taxonomy eligible economic activity that meets the requirements set up on above under Steps 1 to 4) projects.</td>
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Common Taxonomy – international context

Honouring our commitment to the Paris Agreement

More than 190 countries committed to fight climate change and reduce environmental degradation by signing the Paris Agreement. To honour that commitment we need to move faster and increase our ambition, as we are facing the biggest economic transition of our times.

Capital needs to flow to key environmentally sustainable sectors

To reach the target of a maximum temperature increase of 2°C, we need trillions of green investments every year flowing to key sectors of the global economy. Public finance will continue to play a key role, but a substantial part of financing will have to come from the private sector.
Let’s continue the conversation!
Post questions and comments in the IAIA23 app.

Adina Manuela RELICOVSCHI
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Luxembourg
relicovs@eib.org
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