



The financial sector's Climate Commitment

Focus points for next steps

Last year, the Financial Sector Climate Commitment Committee (CFSK) reviewed the Climate Commitment of 2019. This was an internal review in which external parties were consulted. Prompted by the internal review of the Climate Commitment, this work plan fleshes out the CFSK's follow-up to the Climate Commitment, with the four 2019 commitments underlying new steps in this partnership.

Commitment in 2019

In 2019, the financial sector voluntarily decided to contribute to putting the Paris Agreement and the Dutch Climate Agreement into effect. By signing the Climate Commitment, banks, pension funds, insurers and asset managers have committed to the following agreements:

- 1 They will contribute to **financing the energy transition and accept a best-efforts obligation** within the scope of laws and regulations and the risk-return objectives.
- 2 The parties will measure the **CO₂e emissions of their relevant financing and investments**. They will report on this publicly from financial year 2020 onwards.
- 3 The parties will publish their **action plans, including reduction targets for 2030** by 2022 at the latest. The parties will explain what they are undertaking to contribute to the Paris Agreement.

Review of Climate Commitment

Last year, the Financial Sector Climate Commitment Committee (CFSK) reviewed the Climate Commitment. This was an internal review in which external parties were consulted. The review established that all signatories of the commitment have prepared an action plan. The commitment presented an incentive for financial institutions to identify (more quickly) how their financing and investments impact the climate. This has been the focal point in recent years. The commitment to jointly financing the energy transition is a challenge that institutions take up individually and could help to show how signatories fulfil it and collaborate in public-private financing. This is something the industry intends to pursue further.

The Climate Commitment raises awareness about the urgency of combating climate change, focusing on how this can be achieved through finance and investment. Some of these agreements are now enshrined in European laws and regulations to help create a level playing field. This illustrates the proactive stance taken by the financial sector at the time. The transition is a shared responsibility of government, the financial sector and real economy (businesses and consumers). The Climate Commitment offers a useful platform to discuss existing and future initiatives and (European) regulations, focusing on the Dutch context.

Follow-up work plan Climate Commitment

Prompted by the internal review of the Climate Commitment, this work plan fleshes out the CFSK's follow-up to the Climate Commitment, with the four 2019 commitments underlying new steps in this partnership.

>> The financial sector is as ambitious as ever

The Climate Commitment focuses on aligning funding with the Paris Climate Agreement goals by 2050, including reduction targets for 2030. The new agreement reached between countries at COP28 marks an important step towards achieving the Paris Agreement goals. The sector intends to continue its international leadership role, which will include stepping up its commitment to financing the energy transition and making regular adjustments to the 'Guideline document on relevant financing, investments and action plans'.

>> Understanding and accelerating the transition to a sustainable economy

The transition goals call for major public and private investments. Individual financial institutions invest in renewable energy or greening schemes where appropriate. Public-private partnerships are needed because some enterprises and projects are less easy to fund. The Ministry of Economic Affairs and Climate (EZK) and Invest-NL are organising a pilot funding forum to get things going and align as closely as possible to public funding. According to Invest-NL, the primary goal of the pilot is "to find a structure that works for private financiers and policymakers at the Ministry of Economic Affairs (and other relevant ministries) to generate investment-worthy projects in the climate and energy transition and circular economy, and private financial parties can provide responsible and long-term funding".

As well as this financing forum, the CFSK is looking into how the financial sector and government can further shape public-private partnerships in the context of the transition to a sustainable economy. This covers the following subjects:

- I **Providing quantitative and qualitative insight into what the national and international financial sector is already doing to finance the energy transition and where problems are found, particularly in the Dutch context.**
- II **Mapping out a transition roadmap of one or two specific energy- and capital-intensive sectors with an important role in the transition and associated financing. This will align as closely as possible with existing public-private partnership consultative structures.**
- III **Sector differences: what role do the various parties play in the economy and what resources can they use to finance the energy transition?**

The commitment to participate in financing the energy transition will be covered in the next progress report. The CFSK is looking into the reporting method.

>> Adjustment to the 'Guidance on relevant financing, investments and action plans'

To aid comparison, the Climate Commitment's guidance includes criteria and guidelines that action plans must meet. An annual proposal is made according to a fixed cycle to adjust and clarify in the guidance the criteria around action plans where necessary, such as in response to current developments. The main question here is: *How can financial institutions contribute to reducing emissions in the real economy?*

The guidance was updated in 2023. The main changes compared to the first version are:

- I Investment institutions will also report on government bonds from financial year 2023 onwards.
- II Institutions will also report scope 3 emissions from the 2023 financial year or explain why this is not possible or desirable.
- III Institutions provide insight into the use of carbon offsets and/or carbon credits when reporting carbon content and presenting reduction targets.

A revised guidance document will also be prepared in 2024 for transparency purposes. This aims to provide a comparable way for institutions to report on their contribution to the transition. This adjustment is made under competition law. Issues in the discussions on this adjustment include:

- I Progress on the best-efforts commitment to energy transition financing.
- II Sharing good practices to inspire other financial institutions.
- III Transparency on how climate policy affects different sectors.
- IV Relevant (sectoral) transition roadmaps.
- V Sharing the latest insights on portfolio reduction targets under international guidelines.
- VI Harmonising the drafting and definitions of laws and regulations, such as the CSRD/ESRS and SFDR (corporate sustainability information).
- VII Discuss engagement opportunities for alignment with relevant regulations, such as the Shareholders Rights Directive II and the Corporate Governance Code.
- VIII Align transition plans with international guidelines, such as the net zero alliances.
- IX Comparability of action plans and reports.

Importantly, the guidance continues to accommodate the different characteristics of the four subsectors: banks, pension funds, insurers and asset managers.

>> Strengthen cooperation between the financial sector and external parties

During the Climate Working Conferences, the financial sector meets to discuss how to fulfil the Climate Commitment tasks. In recent years, a good deal of attention has been devoted to stepping up the urgency for climate change. Financial institutions have published emission reports and action plans, which will sharpen the focus on in-depth analyses. Exchanging technical aspects and presenting new developments are important aspects of this. The umbrella organisations remain responsible for these meetings and will continue to develop the programme.

To improve cooperation with external parties, a social dialogue is organised at least once a year to discuss subjects such as dilemmas in implementing the Climate Commitment and the preconditions to achieve the goals. This dialogue is aimed at civil society organisations and academia for external feedback. Expert opinions with concrete recommendations are also covered. The meeting report will be shared with all attendees and actively discussed in the CFSK. All participants will be given feedback addressing their opinions.

>> Interplay between government, the financial sector and business

To create the conditions for the ultimate transition in the real economy, the energy transition calls for an effective interplay between government, the financial sector, business and consumers. With the Climate Commitment, the financial sector is taking responsibility and has made considerable progress. Cooperation between the financial sector and the Ministries of Finance and Economic Affairs & Climate helps to put the transition pieces together. If possible, annual consultations will be held between directors of financial institutions and the Ministers of Finance and Economic Affairs & Climate on the progress of the Climate Commitment. These consultations cover key issues such as public-private partnerships and shared dilemmas.

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