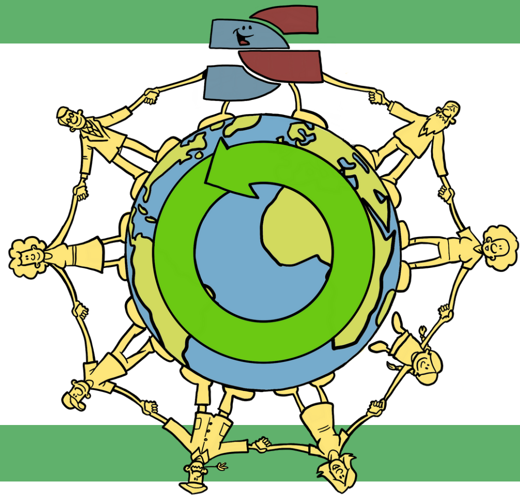
EUROPEAN ASSOCIATION OF CO-OPERATIVE BANKS

Coop26

A Client-centred Green Transition driven by Co-operative Banks

9th November



CALL FOR ACTION FOR A CLIENT-CENTRED GREEN TRANSITION

Voiced at the occasion of the UN COP 26

The European Association of Co-operative Banks' members are committed to the Paris agreement. Co-operative banks acknowledge that **climate change is one of the greatest challenges facing us all**. The results of the IPCC report and the ambitions of COP 26 show how much commitment and concrete actions are needed to achieve an unprecedented transformation. **Our key focus** is at the local and regional level placing **SMEs and households at the centre**. In many remote parts of Europe, co-operative banks represent the exclusive access to finance and are the only player supporting customers in the transition path. **"Leaving no one behind"** is of particular importance to us. Against this background, the EACB would like to address to EU and international regulators and policymakers a call for:

10 POLICY ACTIONS

1 **Gear up efforts to ensure an inclusive climate transition - this is not a revolution of the elites**. All companies from the full economic spectrum and households from urban to remote regions must be addressed. To do so, they need: i) public advisory support to identify appropriate climate mitigaton and adaptation measures, ii) public transition funds to finance them and iii) fiscal incentives.

2 **Minimise disruption and job loss in the net-zero alignment process.** Policymakers shall prioritize achieving GHG reductions in the most cost-effective manner possible and integrate training and employment support strategies for the adjustment. It is important that certain sectors or communities not bear disproportionately the costs of the transition.

3 **Provide incentives by applying an appropriate carbon and shadow prices.** Increase the “price” of not acting to reduce the negative externality of emitting GHGs. The incorporation of the social cost of carbon (SCC) should be used in economic and financial calculations. Other suggestions are subsidies, trading emission rights through market mechanisms and auctions.

4 **Provide companies with tools for establishing their transition plans.** We need coherent, sectorial and science-based methodologies to ensure companies’ engagement. Smaller companies further need public authorities’ guidance: i) to measure their performance compared to the economic sector they operate in, ii) to identify intermediate targets of carbon footprint reduction (end target is the EU climate taxonomy); iii) to track and verify progress. The reporting shall remain proportionate to reduce costs and administrative burden.

5 **Provide a dynamic and transparent policy framework that fosters transition pathways for all economic sectors.** We need a taxonomy framework that recognises the transition efforts of companies towards the Paris Agreement’s objective. Today’s dark green approach defines the landing zone but is too binary. We recommend a forward-looking approach that defines “different levels of transition”. From lower to higher degrees, all industries and sectors should be given the chance to adapt their business through credible transition plans following a dynamic, staged approach. All sectors play an important social and economic role in supplying people with goods and services. They shall be accompanied in their climate transition efforts.

6

Establish a public climate data hub.
We need a public data hub that integrates the large amount of information that already exist, such as sectoral GHG emission figures and vulnerable areas' monitoring data (i.e. heat maps, flooding or erosion risk area). This would allow the financial sector, companies, cities or citizens to achieve a unified detection of climate considerations and increase climate change resilience.

7

Address the lack of companies' ESG data.
We call on regulators to ensure standardisation of reporting methodologies to increase availability and comparability of companies' ESG data starting with climate. To improve public access, we claim the creation of an EU ESG data register centralizing companies' reported climate and sustainability data. Similar initiatives are encouraged at international level to avoid diverging reporting requirements across jurisdictions. For SMEs, simplified but still standardised tools are needed.

8

Build capacity on climate risk modelling and scenario analysis.
Concerning physical climate risks, we ask public authorities to provide financial and non-financial companies with risk scenarios for the different national and regional situations as "generally accepted risk standards". We also need a mapping of physical risks at EU level, with the possibility to zoom in at different scales (national, regional, local). Moreover, in the development of climate stress tests exercises (and especially bottom-up ones), there will be a clear need for methodologies that can be easily understood and implemented by institutions in a proportionate manner.

9

Increase transparency via labels and standards.
We support the creation of labels for green retail loans and green real estate loans that may incentivise the uptake by retail clients and SMEs. The labels for energy-efficient real estate loans could be accompanied by a differentiated risk-based capital charge. New standards for emerging products such as transition bonds and "sustainability-linked bonds" are desirable. This would allow greater market certainty, transparency and would help companies to identify eligible projects to be financed.

10

Internationally foster convergence and align efforts.
Climate change is a global challenge that requires internationally aligned efforts. While international fora are providing an important framework to address the fight against climate change, further convergence is necessary. We call for progress on global equivalence of green taxonomies, forthcoming sustainability reporting standards including double materiality, and climate risk methodologies.

The co-operative banks model follows the principle that customers can become members of the bank, thereby having a stake in the business and having a say in the policies. The objective of co-operative banks is therefore not to maximize profits, but to serve their members in the long-term. Thus, co-operative banks promote the social, environmental and economic wellbeing of the communities they belong to. They are a driver of sustainable growth, with **2,700** locally operating banks and **43,000** outlets serving **214** million customers, mainly consumers, SMEs and communities. Europe's co-operative banks represent **85** million members and **705,000** employees and have an average market share in Europe of 22%. Co-operative banks are engaged in sustainable finance and are key drivers for climate financing at the regional and local level.

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