




European Association of Co-operative Banks

EACB Workshop on Sustainable Finance
24th May 2019 - Paris

DECLARATION

Co-operative banks' policy priorities
for greening the financial system





Ahead of the European elections this weekend and in the context of the joint workshop on “Sustainable Finance” organized by the EACB, Group Crédit Agricole, BPCE and Crédit Mutuel, today in Paris, co-operative banks would like to renew their support to the EU actions and initiatives in this field.

Co-operative Banks call European leaders to take the lead in the fight against climate change.

Indeed finance is an important tool among many others to reach sustainable development goals, since the transformation of our current economy requires huge investments.

Measures related to sustainable finance should create incentives for the transition to a sustainable economy and not new regulatory constraints in an economy which is for the moment mainly based on fossil energy.

Co-operative banks are **engaged in sustainable finance** and committed to the Paris Agreement. Considering the structure of the EU economy based **on banks financing**, co-operative banks underline the key role that they can play in making the energy transition possible at local level.


Key “decentralised” activities – such as mortgages for energy efficiency, installation of solar panels, biomass power or households saving products linked to sustainability – can only be achieved via the mobilisation of and a favourable regime for local and regional banks.

But if co-operative banks are ready to take their share of responsibility for the energy transition, they stress that **this energy transition is a societal issue involving a multitude of players**.


The difficulties in achieving the objectives of the Climate Conference of 2015 in Paris (Paris Agreement, COP21) must be addressed within a broader framework than just the banking sector.


Against this background today’s meeting has been an important occasion of dialogue with the regulators. The following topics were tackled: i) addressing climate risk: the supervisors’ approaches and challenges, ii) the new sustainability framework for investment services and the impact on co-operative banks and iii) Principles for Sustainable and Responsible Banking.








As a result of the fruitful exchange, the EACB Members have identified the following priorities in order to move forward the EU agenda:


 It is important to finalise the regulation on taxonomy as the cornerstone of all other sustainable finance initiatives. However, the taxonomy package must stay in close connection with the real economy and the real financing needs. If the taxonomy ends up being too complex or restrictive, it will affect the attractiveness of the green investments and green financing.


 We need a simple and open classification system that caters for a certain degree of flexibility to support the transition, not a binary approach. Not a focus on the “greenest activities” (thus only reflecting the “investment approach”), but on the “different shades of green” to accompany the transition (thus reflecting also the “retail banking approach”, accompanying clients in the greening of the economy).


 It should also be ensured that the European taxonomy does not place EU banks at a disadvantage when compared with other initiatives at a global level.

 Ensuring legal certainty across the legal framework is paramount. There currently are several different definitions across the sustainable finance legislative work streams pertaining to banks (Disclosure Regulation, Taxonomy regulation, the level 2 mandates to EBA provided by CRR2). The EACB calls on regulators and legislators to keep a close eye on the interrelation between the scopes of the different parts of that framework to avoid unintended inconsistencies.

 It should be ensured that banks are not penalised for continuing to finance “normal” business and it should be recalled that the key issue is on the one hand to incentivise capital flows to sustainable exposures but on the other also to finance the transition. We would stress that brown assets should not be subject to penalising Pillar 1 requirements, also to avoid creating a vicious circle leading to defaults of “newly become” stranded assets.

 Corporates data availability on climate and ESG disclosure is a key issue from both a disclosure and a prudential perspective, especially for the smaller and medium sized companies. Thus, any disclosure requirements should take into account proportionality aspects. Relevant climate and ESG-related information already collected by governments and central banks should be made accessible to banks.

 The UNEP FI Principles for Responsible Banking provide a single comprehensive framework that can help guiding banks at the strategic, portfolio and transaction level. At the same time the reporting requirements under these Principles should be proportionate, especially in the early stages after their adoption, reflecting the size and complexity of the balance sheet of the reporting bank.





For more details, a list of EACB latest position paper on sustainable finance is provided below, available on the EACB website:

EACB Response to the UNEP FI consultation on the Principles for Responsible Banking (to be published on 31 May 2019)

EACB Response to the EC Consultation on the Development of EU Ecolabel Criteria for Retail Financial Products (7 May 2019)

EACB feedback on the TEG recommendations for an EU Green Bond Standard (9 April 2019)

EACB answer to EC consultation on climate related disclosure guidelines NFRD (20 March 2019)

EACB statement on the NGFS report (17 April 2019)

EACB Answers to TEG taxonomy survey for feedback usability (21 February 2019)

EACB Answers to TEG taxonomy survey for feedback 1st round climate mitigation activities (21 February 2019)

EACB Answer to Report on climate-related disclosure (EC TEG consultation), February 2019

EACB supporter of the UNEP FI Principles for Responsible Banking

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