Remarks by Commissioner McGuinness at the press conference on the New Sustainable Finance Strategy and a European Green Bond Standard

Brussels, 6 July 2021

Thank you Valdis, and good afternoon everyone.

I'm going to make a statement which is absolutely true and I think we need to take it on board: that climate change is a risk to financial stability. And the work we are doing today is to make sure that we address this fact.

The European Central Bank, with the European Systemic Risk Board, highlighted this just last week. And they warned of falls in global GDP by 20 percent by the end of this century if we do not mitigate climate change well enough. So we have been warned about the impact on the financial system of climate change.

And therefore we need the financial system to be resilient to the physical risks of climate change, like heatwaves, wildfires, floods, etc.

But we also have to guard against the transition risks too, that might arise in the system: the risk of a financial shock if our move towards sustainability is disorderly.

Today's proposals helps to raise our ambition, so the financial system plays its full role in the European Green Deal and climate neutrality by 2050, while making sure that we have an orderly, fair transition to get there.

We've adopted a new Strategy for Financing the Transition to a Sustainable Economy, as has been outlined by Valdis.

And we are proposing a European Green Bond Standard, already introduced.

There are four pillars to our strategy, which is transition, inclusiveness, resilience and the global perspective.

And this Strategy will help the economy transition to sustainability. We want more support for the intermediate steps. For example, we are considering an intermediate Taxonomy to complement the existing green Taxonomy – and this would allow us to develop transition bonds.

The Strategy will also build a more inclusive sustainable finance framework. And that means taking along SMEs and retail investors. So we are exploring green mortgages and green loans.

And we're looking too at social investments – going beyond climate.

As I've said, climate change is a financial stability risk. So the Strategy looks at how to improve the financial sector's resilience and how the sector itself can contribute to sustainability.

And finally, the Strategy looks at the global picture: making sure that the international work is both coherent and ambitious. And the European Union is leading in this field, in sustainable finance but we want to get more countries come on board with us, because the truth is Europe alone will not solve the climate crisis.

So we're looking forward to COP 26 in Glasgow in November, where climate finance will be on top of the agenda.

I want to add a few words to what Valdis has said on the regulation for a European green bond standard.

As has been said, we lead in this area. About half of global issuance last year, took place in the European Union – and about half of green bonds are denominated in euros, making it the most popular currency for green bonds.

But we believe we can do more to support green bonds, which only represent 2 to 4 percent of the overall bond market. So, the capacity to expand this is significant.

And therefore the European Green Bond Standard will set a gold standard in the green bond market.

Together with our new Strategy and the European Green Bond Standard this will ensure that the European Union remains the global leader on sustainable finance – and this will help bring the rest of the world with us.

So, there is no time to waste. The dramatic effects of climate change are already being felt

We need to step up and make our financial system resilient, and ensure that the sector also plays its role in the transition. Thank you.

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