

The Danish Financial Supervisory Authority

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Contribution to the Danish government's response to the EU consultation on the Renewed Sustainable Finance Strategy

In 2018 the European Commission put forward 10 action points in its initial 2018 Action Plan on Financing Sustainable Growth to support businesses on their transition path towards sustainability, as well as further supporting businesses that are already sustainable. This Action Plan includes e.g., the EU-taxonomy. The Renewed Sustainable Finance Strategy builds on the achievements from the 2018 Action Plan. The objective of the consultation activities is to gather data and stakeholder views on the renewed strategy.

Furthermore, as follows from the Consultation paper, the European Green Deal Investment Plan – the Sustainable Europe Investment Plan – aims to mobilise public investment and help to unlock private funds through the EU budget and associated instruments, notably through the InvestEU programme. The objective is to mobilise at least 1 trillion euro of sustainability-related investments over the next decade. In addition, for the next financial cycle (2021-2027) the External Investment Plan (EIP) and the European Fund for Sustainable Development Plus (EFSD+) will be available for all partner countries with a new External Action Guarantee of up to 60 billion euros. It is expected to leverage half a trillion Euros worth of sustainable investments. Lastly, the European Investment Bank (EIB) published on 14 November 2019 its new climate strategy and Energy Lending Policy, which notably sets out that the EIB Group will align all their financing activities with the goals of the Paris Agreement from the end of 2020. This includes, among other measures, a stop to the financing of fossil fuel energy projects from the end of 2021.

General comments

The Danish Chamber of Commerce highly supports the EU Commission's strong ambition to not only set requirements for businesses in relation to achieving the ambitious goals in relation to sustainable transition but also to support this transition through the enhancement of EU-investments to flow in their direction as well as a strategy for encouraging private investments in sustainable solutions. The importance of securing investment flows towards sustainable solutions to encourage sustainable transition for investors, new business models to arise and existing business models to evolve into a sustainable future cannot be underestimated. The Covid-19 outbreak and rebuilding the economy across the EU should also in the eyes of the Danish Chamber of Commerce focus on investments in sustainable solutions.

It is of great importance to The Danish Chamber of Commerce that Denmark keeps a leading position towards the sustainable transition and the Danish Chamber of Commerce therefore encourages the Danish government to participate in an active manner to support not only the ongoing development on sustainable transition in Denmark but also at an EU-level.

The Danish Chamber of Commerce is of the opinion that the Danish support in this manner – both at a national, EU-level – of the financing of the sustainable transition should be based on the ongoing dialogue with the Danish business community who is deeply involved in the climate case and has already taken initiatives in regards of sustainable transition. This applies for instance in the active participation and leadership of the 13 “climate partnerships”, and the ongoing follow up work from the recommendations as a result of the partnerships.

Specific comments

Access to EU-programs for investments

It is essential that all business, notably the small and medium sized-companies (SMEs), should have easy access to information, for instance through a campaign, on how to apply for investments through the different forms of EU-programs for investments as mentioned in the consultation paper. This guidance should on a Danish national level come from – preferably – e.g., the Danish Business Authority. The Danish Chamber of Commerce will (needless to say) also encourage businesses to apply for such investments and funding. The EU-programs for investments in sustainable solutions should also be seen in light of the ongoing EU Research and Innovation programme in environment in order to secure funding both at a research level and to existing business.

Create an environment for investments which is attractive and competitive

The transition towards more sustainable solutions will require massive investment in both short- and long-term projects in, e.g., renewable energy, optimization of existing product and ways of production and resource efficiency. These investments will come from, among other, the financial sector and other private investments. It is therefore crucial to ensure, that the Renewed Strategy does not place unnecessary burdens on the free market mechanisms and competitiveness of business. The regulation of capital market infrastructure should be fit for purpose to encourage investment in sustainable solutions.

By creating an investment environment that is attractive and competitive, ground-breaking new sustainable solution are much more likely to occur. Furthermore, The Danish Chamber of Commerce emphasizes the need to ensure that the Renewed Strategy is based on a common playing field for companies across the EU and stresses the importance of a uniform implementation in the different member states.

Review of the Non-Financial Reporting Directive (p. 1.1.)

Reference is made to The Danish Chamber of Commerce contribution of 27 March 2020 to the Danish government’s response to the EU consultation on the Non-Financial Reporting Directive.

Accounting standards and rules and sustainable research and ratings (p. 1.2 and 1.3)

As mentioned above, the business community in Denmark already has an ongoing dialogue and suggestions regarding sustainable transition. This includes an ongoing discussing concerning

which is the best solution on company reporting and transparency on sustainability. The Danish Chamber of Commerce is positive of the work of FSR – Danish Auditors, CFA Society Denmark and Nasdaq Copenhagen in this context.

It is important to emphasize that any regulation on this point should be aligned with international reporting guidelines and best practices such as the new EU-taxonomy and should not entail unnecessary burdens on businesses to report both nationally and to an EU-level body. In general, unnecessary administrative burdens that are not proportional with the advantages must be avoided.

Definitions, standards and labels for sustainable financial assets and financial products

The Danish Chamber of Commerce generally supports the clarification on different forms of definitions through the development of EU-standards and labels to enable easier access for investors, companies and private savers, e.g., the establishment of the EU Green Bond Standard. The Danish Chamber of Commerce also supports the further development of the EU-taxonomy to ensure a uniform language on what a “green” investment is and a level playing field when it comes to rules and regulations. A common language will contribute to ensure a common playing field for companies across the EU given that the standards are uniformly implemented in the different member states. Preferably such a common language on green investments should reach even further than across the EU towards an even more international common language.

Digital sustainable finance

The Danish Chamber of Commerce supports the increased use of technological innovation and machine learning to better identify and assess to what extent a company’s (or other actors) activities are sustainable. This ensures transparency and increases flow of investments to real sustainable solutions. Possible EU-action on this point should focus on being fit for the digital age; technology neutral and aiming at including new innovative solutions (not preferring or prejudicing a specific provider or technology).

In this context, the Danish Chamber of Commerce supports the development of a regulatory sandbox on EU-level mentioned in the consultation on a new digital financial strategy for Europe/FinTech Action Plan so that knowledge on new technology is shared across the EU. This could also take innovation and machine learning on identifying sustainable companies into account.

The Danish Chamber of Commerce generally supports a more data driven EU and that regulation enables this for instance, by introducing technology neutral reporting and compliance criteria and processes for sustainability requirements. This must at the same time ensure safety and transparency for companies (and consumers) on the processing of data.

Promoting sustainable finance globally

It is essential for the Danish Chamber of Commerce that the transition towards a more sustainable future is coordinated on an international level. The climate crisis – as the COVID-19 outbreak – knows no borders between states. This also applies for the financing of the sustainable transition.

Therefore, the Danish Chamber of Commerce supports the further development of the International Platform on Sustainable Finance with the purpose of promoting integrated markets for environmentally sustainable investment at a global level and to deepens the international coordination on approaches and initiatives that are fundamental for investors to identify and seize environmentally sustainable investment opportunities globally. The Danish Chamber of Commerce encourages the Danish government to play an active part in this work.

Best regards,

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