

Sustainability Blog

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Key takeaways: PwC international conference: Progress or setback? Sustainable Finance and the current energy crisis

Do companies need more time to implement the EU Sustainable Finance regulations?

Do we have the possibility of more time in the face of the ever more urgent climate crisis? What are the most effective ways to reach the Paris climate goals and how can the existing regulation be optimized to fulfill that goal? Those were the important questions discussed at the PwC EMEA Sustainable Finance Event on 18 September 2023 in Frankfurt am Main or online including multi-stakeholder panel discussions and workshops on the impact of the energy crisis on the sustainable transformation, on the increasing regulatory and societal demands on the financial sector with regard to sustainability and on the challenges and opportunities with regard to the implementation of the EU Sustainable Finance Strategy. Learn more about the key takeaways of the conference.

To contain global warming within the 1.5°C increase agreed in the 2015 Paris Climate Treaty, the world has less than ten years to halve global greenhouse gas (GHG) emissions and until 2050 to reach net zero. At the same time, we currently see rising energy prices, inflation, increased supply chain risks and a protracted transition to renewable energies. Financial companies play an important role in the green and sustainable transition of the economy as credit granting institutions, asset managers, underwriters and risk managers. How can they best contribute to the transition navigating between increasingly complex regulatory and supervisory requirements, stakeholder expectations and a challenging economic backdrop?

The conference started with a keynote presentation by Sven Gentner, Head of Asset Management, European Commission who is seen by many as one of the key architects of the EU Sustainable Finance regulation. He emphasized that the sector-specific European Sustainability Reporting Standards (ESRS) will be postponed by 2 years in order to not overburden companies. Subsequently, there were 3 break-out sessions by sector, i.e. banking, insurance and capital markets. The banking session focussed on risk management, the transition pathways that are needed by companies and the challenges with ESG data quality, also from an auditors' perspective. The capital markets session discussed current challenges with the interpretation of the regulation. Another discussion point with regard to real estate investments was that the investor is dependent on the ESG data provided by the property owner which is often not easily available. In the insurance breakout the role of insurance companies in supporting the sustainable transition was discussed highlighting for example that sustainable insurance products providing incentives for sustainable behavior are not yet widespread on the retail market.

After the break Dr. Nina Seega, Director of the Center for Sustainable Finance of the Cambridge Institute for Sustainability Leadership (CISL) emphasized the urgency of action by financial companies, in particular from a risk management perspective. She reminded participants that non-action or delayed action with regard to implementing a sound ESG risk management, e.g. continued investments in fossil fuels, is more risky and will be more costly in the long term as it would lead to stranded assets.

Here are the key takeaways of the conference:

1. The financial sector has a key risk management function and companies have an important role to play in reducing CO2 emissions and protecting biodiversity and ecosystems on which our economic and financial system depends.

2. Regulation will never be perfect and even if the current Sustainable Finance regulation needs some adjustments, there is an urgency to act now. Companies should put themselves in the driver seat and set their own sustainability objectives and transition pathways rather than merely fulfilling regulatory obligations.
3. Make your company future proof and resilient by setting reliable transition pathways to net zero and investing into the renewable energies of the future.

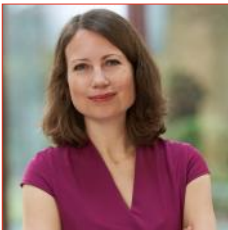
Get ongoing updates on the topic via regulatory horizon scanning in our research application, PwC Plus. Read more about the opportunities and offerings here.

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