Summary for policymakers

Delivering 2030: Investor expectations of EU sustainable finance

April 2024

Following the launch of the Sustainable Finance Action Plan in 2018, a comprehensive regulatory regime to increase transparency and reorient capital towards net zero is now in place, cementing the EU as a world leader in sustainable finance. While the building blocks are now in place, investors and wider market participants continue to face regulatory implementation challenges – issues which create barriers to scaling capital flows that support the decarbonisation of the economy as a whole.

These barriers must be addressed as an urgent priority in the next mandate if the EU is to close the net zero financing gap and stay on course to meet its 2030 targets.

It is testament to Europe's climate ambition that the tools and levers that investors need to channel capital in line with net zero already exist. The focus must now be on targeted enhancements or revisions to existing regulations that address the usability and implementation issues that investors and corporates have struggled with in recent years.

As part of this, the Commissions can ensure that existing regulation helps to identify and facilitate investment in entities operating in high emission and hard-to-abate sectors. Sectors whose transition is both necessary and will have the greatest impact on real economy emissions reductions.

Notably, there remains a lack of clarity around whether transitioning assets can be considered sustainable, alongside gaps in the EU's regulatory disclosure architecture, are hindering investors' capacity to direct capital towards the transition.

The increased disclosure and transparency created by sustainable finance regulation is an important prerequisite for action - but is ultimately a means to an end. The next mandate must also focus on building out the links between sectoral and sustainable finance policy tools. Investors will only be able to provide the finance required to support the transition if the right incentives and sectoral policies are in place to drive the decarbonisation of high-impact sectors and the economy as a whole. If this happens, huge strides will be made towards unlocking private capital and delivering on the Commission's ambition to reduce emissions by at least 55% by 2030.

Our paper, developed in consultation with a number of IIGCC's investor members, identifies policy-related barriers to net zero created by the EU's sustainable finance policy framework and recommendations for addressing them.

Key recommendations

Number	Regulation	Theme	Recommendation
1.	Taxonomy	Usability / data	Commit to a Commission review of the usability of Substantial Contribution and Do No Significant Harm criteria to address implementation issues, in line with the recommendations of the PSF's 2022 data and usability report
2.	Taxonomy	Reorienting capital	Ensure subsequent reviews of the Taxonomy increase the range of Taxonomy-eligible activities in line with the PSF's list of priority economic activities and wider high impact activities
3.	Taxonomy	Mitigating greenwashing risk	Uphold the scientific integrity of the Taxonomy by ensuring activities that are not compatible with a 1.5c pathway are removed from the 'transitional' category
4.	CSRD	Usability/data; mitigating greenwashing risk; reorienting capital	Commit to mandating disclosure of key climate-related indicators under the European Sustainability Reporting Standards (ESRS), irrespective of materiality assessments, including Scope 1, 2, and 3 GHG emissions and disclosures enabling investors to assess the credibility of corporate transition plans.
5.	CSRD	Usability/data; mitigating greenwashing risk; reorienting capital	Ensure sector-specific standards for the high impact sectors identified by EFRAG (including Capital Markets) are ready for adoption by mid-2026.
6.	CSDDD	Usability/data	Ensure detailed requirements for the implementation of transition plans align with sector-neutral and sector-specific ESRS.
7.	CSDDD	Reorienting capital	Commit to extending sustainability due diligence requirements under CSDDD to financial institutions in a proportionate and workable manner in the Commission's forthcoming review report.
8.	SFDR / EU Taxonomy	Mitigating greenwashing risk; reorienting capital	Clarify the framework to assess transitioning assets, leveraging the definition of 'sustainable investments' under SFDR or the EU Taxonomy to accelerate transition finance flows.
9.	SFDR	Mitigating greenwashing risk; reorienting capital	Deliver on proposals to introduce product categories/labels under SFDR, including a dedicated category for transition-focused investment strategies.
10.	SRD II	Usability/data; reorienting capital	Commit to reviewing SRD II under the next mandate and embedding the concept of sustainability more explicitly within the requirements, including the adoption of a revised definition of stewardship and potentially an EU Stewardship Code.

11.	Low Carbon Benchmarks Regulation	Usability/data; reorienting capital	Commit to reviewing the Low Carbon Benchmarks Regulation, adapting prescriptive methodological requirements to better support real-world decarbonisation and prioritising comprehensive and transparent disclosures.
12.	Fit for 55 package	Reorienting capital	Member States should swiftly implement the policies established under Fit for 55, to create price signals and commercial incentives that attract the necessary private investment in the real economy.
13.	Sector roadmaps	Reorienting capital	Develop sector roadmaps to increase transparency over how key sectors of the economy will decarbonise and by when, accompanied by targeted measures to crowd in private finance.