

WindEurope response to European Commission's stakeholder consultation on the Renewed Sustainable Finance Strategy

SECTION I: QUESTIONS ADDRESSED TO ALL STAKEHOLDERS ON HOW THE FINANCIAL SECTOR AND THE ECONOMY CAN BECOME MORE SUSTAINABLE

SECTION II: QUESTIONS TARGETED AT EXPERTS

Question 6: What do you see as the three main challenges and three main opportunities for mainstreaming sustainability in the financial sector over the coming 10 years?

- [BOX, 2000 characters].

Main challenges:

1. Ensuring that Europe remains competitive with other markets whilst adapting incentives for investments on a scale not previously seen.
2. Pushback from financial institutions concerned about adding onerous reporting leading to market frictions and reduced efficiency and therefore loss of profits
3. Adequately represent the long-term nature of climate-related risks in decision processes which have traditionally been informed by short-term risk and returns.

Main opportunities

1. Capital should be naturally directed towards investments which have the least impact or even have positive impacts on the climate and environment.
2. Europe can be the global leader in sustainable finance and lead the way to channelling capital towards green investments, increasing the pace of the transition to a low-carbon economy in Europe and globally.
3. There is a large demand for "green investments" which could be met in a consistent and reliable manner with the successful implementation of a Europe-wide sustainable finance strategy – this should prevent the sale of financial products labelled as green but consisting of assets which can be anything but.

Question 11: Corporates, investors, and financial institutions are becoming increasingly aware of the correlation between biodiversity loss and climate change and the negative impacts of biodiversity loss in particular on corporates who are dependent on ecosystem services, such as in sectors like agriculture, extractives, fisheries, forestry and construction. The importance of biodiversity and ecosystem services is already acknowledged in the EU Taxonomy. However, in light of the growing negative impact of biodiversity loss on companies' profitability and long-term prospects, as well as its strong connection with climate change, do you think the EU's sustainable finance agenda should better reflect growing importance of biodiversity loss?

- Yes/No/Do not know
- If yes, please specify potential actions the EU could take. [BOX max. 2000 characters]

Yes – Biodiversity loss is key. Sustainable energy sources such as wind energy can help limit the impact of biodiversity loss. The EU should ensure there is sufficient funding for the development of grid infrastructure and scale storage solutions to allow the maximum penetration of clean and renewable forms of energy production.

Question 12: In your opinion, how can the Commission best ensure that the sustainable finance agenda is appropriately governed over the long term at the EU level in order to cover the private and public funding side, measure financial flows towards sustainable investments and gauge the EU's progress towards its commitments under the European Green Deal and Green Deal Investment Plan?

- [BOX, 2000 characters]

Annual or bi-annual reporting from Member States on the progress of their national banks' activities. A European index report could be created to classify banks' profiles and activities based on their sustainability efforts. This could work similarly to E&Y Renewable Energy Country Attractiveness Index (RECAI).

1. STRENGTHENING THE FOUNDATIONS FOR SUSTAINABLE FINANCE

1.1 Company reporting and transparency

1.2 Accounting standards and rules

1.3 Sustainability research and ratings

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

Question 22: The TEG has recommended that verifiers of EU Green Bonds (green bonds using the EU GBS) should be subject to an accreditation or authorisation and supervision regime. Do you agree that verifiers of EU Green Bonds should be subject to some form of accreditation or authorisation and supervision ?

- Yes, at European level
- Yes, at a national level
- No
- Do not know
- If necessary, please explain the reasons for your answer [BOX 2000 characters]

Yes, at European level - Wind energy is de facto a green investment. What is important is that those which are incorrectly labelled as green investments are credibly addressed and corrected to prevent 'green washing'. We agree that verifiers EU green bonds should be subject to some form of accreditation or authorisation and supervision. We would welcome credible rating agencies, private agencies where competition creates quick and efficient regulation similar to those adopted for the EU Securitisation Regulation.

1.5 Capital markets infrastructure

Question 35: Do you think the existing capital market infrastructure sufficiently supports the issuance and liquidity of sustainable securities?

- Please express your view by using a scale of 1 (strongly disagree) to 5 (strongly agree).
- For scores of 1 and 2, please list the main problems you see (maximum three). [BOX, 2000 characters].

4 – From the wind energy industry perspective, project finance provides competitive financing which is working to provide cheap financing. Capital market infrastructure is there and this has been proven. The more pressing issue comes from permitting. Good quality projects will find the capital required to finance them.

1.6 Corporate governance, long-termism and investor engagement

2. INCREASING OPPORTUNITIES FOR CITIZENS, FINANCIAL INSTITUTIONS AND CORPORATES TO ENHANCE SUSTAINABILITY

2.1 Mobilising retail investors and citizens

2.3 Green securitisation

2.4 Digital sustainable finance

2.5 Project Pipeline

Question 60: What do you consider to be the key market and key regulatory obstacles that prevent an increase in the pipeline of sustainable projects? Please list a maximum three for each.

- BOX max. 2000 characters

The key market and regulatory barriers to the increase in the pipeline of sustainable projects are:

- **Revenue stability** – with traditional support schemes coming to an end, many Member States are opting to promote merchant environments, zero-tariff or even negative bidding. Whilst these options provide the immediate benefits of requiring no funding (or receiving payments from developers), they significantly increase the cost of financing sustainable projects and because the projects often require high up-front capital costs (and very little or zero running costs) this significantly increases the cost paid by society for clean projects. We strongly support the Contracts-for-Difference style revenue stability seen in UK offshore tenders as a way for developers to gain visibility on prices and therefore access to low cost finance and the ability to provide long-term clean energy at a low and fixed cost to society.
- Auctions are a way to get price discovery on long term power prices - this ensures that Contracts-for-difference are "market prices" and not subsidies.
- There is a valuable public policy argument to have some fraction of power at fixed prices for over long time horizons - this ensures long-term price stability and can help dampen the unpredictable movements of gas or other fossil fuel prices that often drive power prices and other energy prices. As a net energy importer, the EU should value at least via policies its domestic, reliable energy sources.
- **Lack of efficient permitting regimes** – inefficient and complex permitting regimes across Member States increase administration costs and add delays and barriers to the development of wind energy projects in many locations.
- **Availability of required infrastructure** – Significant investments in electricity grids and other enabling infrastructure (e.g. in ports for offshore wind buildout) is required for the increased share of renewables needed to deliver Climate neutrality. The Sustainable Finance Strategy should ensure that capital is channelled to those infrastructure projects and technologies needed to support the build-out of renewables.

Question 61: Do you see a role for Member States to address these obstacles through their NECPs (National Energy and Climate Plans)?

- Yes/No/Do not know

If necessary, please provide details. [box. Max. 2000 characters]

Member States should award Contracts-for-Difference in technology-specific auctions. This instrument will be central to unlocking the Finance needed to deploy 1,200 GW of wind energy by 2050 required to deliver climate neutrality in a way that is cost effective for society.

2.6 Incentives to scale up sustainable investments

Question 66: In your view, does the EU financial system face market barriers and inefficiencies that prevent the uptake of sustainable investments?

- Please express your view on the current market functioning by using a scale of 1 (not well functioning at all) to 5 (functioning very well).
- Please specify your answer. [BOX max. 2000 characters]

4 – the EU financial system is fit-for-purpose for the financing of good quality renewable and sustainable projects.

2.7 The use of sustainable finance tools and frameworks by public authorities

2.8 Promoting intra-EU cross-border sustainable investments

2.9 EU Investment Protection Framework

3. REDUCING AND MANAGING CLIMATE AND ENVIRONMENTAL RISKS

3.1 Identifying exposures to harmful activities and assets and disincentivising environmentally harmful investments