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## **Discours de Robert Ophèle, président de l'AMF - Conférence du Crédit Agricole CIB et SEB - " Implementing the French-Swedish partnership for innovation and green solutions " - Paris - 20 mai 2019 (en anglais uniquement)**

Seul le prononcé fait foi

### SEEING THROUGH THE GREEN LABEL

Madame l'Ambassadrice, Monsieur le Commissaire général au développement durable, cher Xavier Musca, ladies and gentlemen,

It is an honor and a pleasure to say a few words at the beginning of today's event. France and Sweden share many values and our two countries have engaged in relentless efforts to make sustainable finance a reality.

Within the international community of securities markets' regulators, after many years of debate whether or not IOSCO should tackle this issue, together with my friend Erik Thedéen, Director General of Finansinspektionen, the Swedish Financial Supervisory Authority, we have succeeded last year in putting sustainable finance on the agenda of the Board of IOSCO. Erik is now chairing the IOSCO's " Sustainable Finance Network " (SFN).

It is sometimes said that Europe representing such a small part of carbon dioxide and other greenhouse gas emissions globally<sup>(1)</sup>.

In 2016, the European Union represented 9.6% of global CO2 emissions (emissions generated on EU soil), behind China (29.2%) and the United States (14.0 %). In terms of CO2 emissions per population, the United States rank first (15,5 t CO2 / inhabitant), with EU averaging 6.7 t CO2 / inhabitant. CO2 emissions represent over 72% of total greenhouse gases associated with human activities. Commissariat général au développement durable/I4CE, Key Climate Figures - France, Europe and World, Nov. 2018.

, that European efforts are disproportionate and, in some cases, dangerous, since they might have negative consequences for economic growth. This is largely irrelevant and should not reduce our ambition in the fight against climate change. First, because we could be an example and many countries around the world are on the same journey. Second, because our companies and our financial institutions - our banks, our insurance companies, our asset managers, our pension funds - have a worldwide footprint.

The financial sector has obviously a key role to play in order to effectively ensure the transition of our economies to a more sustainable growth model and to fight global warming, in line with the Paris Agreement. Moreover, at a time when the reputation of financial institutions is low in our countries, the move to sustainable finance is also a unique opportunity for the financial industry to reconcile with the People. If financial institutions can't be part of the solution, they will be seen as part of the problem.

It means for all economic players proper disclosure, clear commitments, appropriate communication and effective delivering.

It is also where financial regulators have a key role to play.

But easier said than done.

How do we get the right information about green risks and opportunities? Appropriate disclosure from very diverse institutions, acting in very diverse sectors and operating with very diverse business models, disclosure allowing for a meaningful assessment and fair and accurate comparison, is challenging indeed, with many possible unintended consequences.

One should cover all the chain of economic and financial relations, starting with companies for their own activities, including their supply chain and the usage of their products and services by customers. We need more accurate measures of carbon footprints, but also of other environmental footprints. We need not only static figures, but also forward-looking metrics. We all know the difficulties of measuring accurately scope 3 emissions of GHG; challenges are numerous, but tools and methodologies are progressing rapidly.

Better measurement and better disclosure at company level will allow financial institutions to measure the impact of their financing and to develop their own reporting on their investment activities and provide the appropriate information to their own investors when

they intermediate the investment process. It will allow to elaborate targeted low-carbon and green investment strategies and products, transparent indexes and benchmarks, as well as to inform fairly and appropriately the end-investors, whether institutional or retail.

Who should define the measuring tools, the appropriate disclosures, the meaningful benchmarks? What should be the respective role of public authorities, and among them, the financial regulators, and of private bodies? What are the necessary safeguards?

We have currently a flurry of complementary or competing initiatives, both private and, semi-public. Despite first efforts of consolidation, no single framework prevails and, although this is partly due to the complexity, rapidly evolving and wide-ranging perimeter of the issues to be covered, the situation is obviously confusing and is not very efficient, neither from the point of view of issuers, nor from that of investors.

This is very detrimental and, to some extent, the slowdown encountered recently in the development of the green bond market are signs of this necessity to precise the applicable framework. In this case, efforts to define more precisely the applicable framework at EU level should help consolidate this still nascent market and support its role for the transition.

Let me describe briefly what could be the "Feuille de Route" for sustainable finance viewed by a national financial market regulator. We set for ourselves two main objectives: facilitate and supervise.

Facilitate means raising awareness, helping market participants address the new challenges, encouraging innovation in support of sustainable finance, providing advices to the appropriate standard setters and regulatory bodies which, in that domain, should be European bodies, and helping devise an efficient regulatory framework for sustainable finance.

I do think that authorities such as the AMF should focus on supervision and enforcement of the rules. What does it mean? Let me mention four areas which need the regulators' close involvement:

- First, implementing fully the non-financial reporting requirements for listed companies; the 2014 European Directive and the 2017 associated guidelines provide already a strong framework; the outcome of the current consultation on the update of these guidelines will provide a decisive enhancement on climate information. Domestically, the AMF has stepped up its reviews of the non-financial disclosures of listed companies and we will publish a new report on our findings later this year, highlighting good and bad practices and avenues for improvements.

- Second, preparing technical standards and implementing the now agreed European regulation on sustainability-related disclosures in the financial services sector. These requirements are largely similar to the French already in force requirements, the so-called Article 173; a joint report from French authorities on the implementation of this Article 173 will be released in the next few days and the AMF will also release later this year a specific report reviewing practices in the French asset management sector.
- Third, implementing the European benchmark regulation (BMR), with its focus on benchmark administrators, as amended by the now agreed regulation which creates two new green indexes – the "EU Climate Transition Benchmark" and the "EU Paris-Aligned Benchmark" - and defines new transparency requirements.
- Finally, ensuring the proper integration of the sustainability criteria in the relations of the financial industry with their customers. ESMA has recently finalized its technical advices to the Commission on the desirable amendments of Level 2 regulation of MIF, UCIT and AIFM. Among other topics, they address issues such as how to define ESG client preferences and which changes are needed in the suitability test.

Obviously the regulatory framework is not yet completed and some issues remain to be covered; let me mention some of them:

- The framework defining what can be considered an environmentally sustainable activity needs to be finalized; this taxonomy is necessary in order to measure in a fairly and comparable manner the efforts made in investing into sustainable activities.
- The possible regulation and oversight of third parties certificatory firms and non-financial rating agencies should be investigated as their role becomes more and more important in the market. Mainly financed by issuers, they deserve specific regulatory frameworks similar to the frameworks for audit firms and credit rating agencies, in order to ensure the seriousness and transparency of their methodologies and the proper management of conflicts of interests.
- Finally, a proper look at non-financial standard setters would be necessary, with a view to endorsing the standards by a European authority where necessary.

We should do all that, having in mind the efficiency of public action. It means:

- First, no overlapping responsibilities between national and European authorities and no overlapping between national authorities themselves – which means in France having a clear institutional setting and collaboration between the French Prudential Authority, the ACPR, and the AMF.

- Second, avoiding over-burdening market participants with unnecessary requirements, and being watchful of the proportionality principle.
- And third, monitoring and, if possible, avoiding unintended consequences such as cutting some crucial economic sectors for which the transition is more challenging than others, from their financing.

As everyone understands, the sustainable finance journey is a long one, which needs the firm dedication of many stakeholders. I know that Credit Agricole and SEB share this vision; you can count on us, financial market authorities, to help along and be up to our responsibilities.

## Mots clés

FINANCE DURABLE

[1] In 2016, the European Union represented 9.6% of global CO2 emissions (emissions generated on EU soil), behind China (29.2%) and the United States (14.0 %). In terms of CO2 emissions per population, the United States rank first (15,5 t CO2 / inhabitant), with EU averaging 6.7 t CO2 / inhabitant. CO2 emissions represent over 72% of total greenhouse gases associated with human activities. Commissariat général au développement durable/I4CE, Key Climate Figures - France, Europe and World, Nov. 2018.

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ACTUALITÉ

EUROPE & INTERNATIONAL

02 juin 2022

L'AMF renouvelle son appel à la mise en place d'une réglementation des fournisseurs de données, notations et services ESG



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