

Regulatory News Alert

Green finance: the EU accelerates adoption of EU Climate Transition and Paris-aligned Benchmarks

9 April 2019

Context and objectives

In 2015, the European Union (EU) concluded the **Paris Climate Agreement**, setting, among others, the objective to make finance flows consistent with a pathway towards low greenhouse gas emission and climate-resilient development.

Recognizing the limited window to achieve such transformation towards sustainability in the financial sector, the **EU has now taken accelerated measures to introduce new rules on low-carbon benchmarks**. This regulation should only apply to so-called “EU Climate Transition” and “Paris-aligned” benchmarks, introduced with the aim to channel capital flows towards sustainable investments by incentivizing companies to measure the environmental costs of their business and the profits derived from using environmental service.

These new rules form an integral part of the EU Action Plan on Financing Sustainable Growth, presented by the European Commission (EC) in May 2018, and **amend Regulation (EU) 2016/1011 – the “Benchmarks Regulation” (BMR)** – to include the above-mentioned benchmarks in the regulatory scope as well as to establish minimum standards and a common methodology across the EU.

Key features of the new benchmark rules

Critical changes to the BMR introduced by the proposal include:

- The establishment of **EU Climate Transition and EU Paris-aligned Benchmarks**, underpinned by a methodology linked to commitments regarding carbon emission of the Paris Climate Agreement
- The development of **minimum standards** for EU Climate Transition and EU Paris-aligned Benchmarks and the restriction of the use of those labels to administrators that comply with the defined minimum standards
- The obligation for all **benchmark administrators** (except for administrators of interest and currency rate benchmarks) **to disclose** whether or not their



benchmarks pursue environmental, social and governance (ESG) objectives and the degree of compliance

- The requirement for administrators of EU Climate Transition and EU Paris-aligned Benchmarks to **publish their calculation methodology**, which should be science-based decarbonization trajectories.

Where we stand today

On 26 March 2019, the European Parliament (EP) **adopted** the proposed amendment to the BMR **in its first reading**. Prior to this vote, a number of informal contacts had taken place between the Council, EC and EP, ensuring that the proposed regulation reflects all views and serves already as a compromise.

The purpose of this procedure was to avoid the need for a second reading and conciliation, thus accelerating the adoption of the new rules. Consequently, **the Council should be in a position to directly approve the position of the EP** and the act would be adopted in the wording corresponding to the EP's position.

How can Deloitte help?

Deloitte's advisory specialists and dedicated services will help you design and implement your business strategy in light of the future evolution of the regulatory framework and market trends.

Deloitte can also help you with its RegWatch Kaleidoscope service to stay ahead of the regulatory curve to better manage and plan upcoming regulations.

Your contacts

Pascal Martino

Partner – Banking Leader

Tel : +352 45145 2119

pamartino@deloitte.lu

Benoit Sauvage

Director – RegWatch, Strategy &
Consulting

Tel : +352 45145 2220

bsauvage@deloitte.lu

Marijana Vuksic

Manager – Regulatory & Consulting

Tel : +352 45145 2311

mvuksic@deloitte.lu

Simon Ramos

Partner – IM Advisory & Consulting Leader

Tel : +352 45145 2702

siramos@deloitte.lu

Deloitte Luxembourg

560, rue de Neudorf

L-2220 Luxembourg

Tel: +352 451 451

Fax: +352 451 452 401

www.deloitte.lu

Deloitte is a multidisciplinary service organisation which is subject to certain regulatory and professional restrictions on the types of services we can provide to our clients, particularly where an audit relationship exists, as independence issues and other conflicts of interest may arise. Any services we commit to deliver to you will comply fully with applicable restrictions.

Due to the constant changes and amendments to Luxembourg legislation, Deloitte cannot assume any liability for the content of this leaflet. It shall only serve as general information and shall not replace the need to consult your Deloitte advisor.

About Deloitte Touche Tohmatsu Limited:

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/lu/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Deloitte provides audit, tax, consulting and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte brings world-class capabilities and deep local expertise to help clients succeed wherever they operate. Deloitte has in the region of 200,000 professionals, all committed to becoming the standard of excellence.

© 2019 Deloitte General Services

Designed and produced by MarCom at Deloitte Luxembourg