

Sustainable finance: less and less green

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Sustainability in general, and the impact of climate change in particular, are becoming increasingly important from the perspective of financial regulation and supervision. Especially since Mark Carney's speech in 2015 about the tragedy on the horizon: when climate change starts to become a significant risk for stability, it may be too late to reverse it.

The final objective is that climate risks are integrated into the system in an economic and financial sense: that all actors progressively work into their business, strategies and corporate governance models the risks and opportunities of environmental, social and governance variables with a long-term perspective. Monitoring, regulation and incentives are key to breaking the tragedy of the horizon.

It is necessary to move forward firmly in the short and medium term. The parties involved must be coordinated at a global, European, national and local level. It is worth highlighting the commitment that, in an increasing way, all those interested parties have reaffirmed: international organisations, regulators, supervisors, public authorities and the private sector.

Two recent events are worth mentioning: the European Commission Action Plan (PACE) of 8 March to finance sustainable growth, and the inaugural meeting of the Network of Central Banks and Supervisors for an Economy that is More Respectful of the Environment (NGFS in English) of 24 January.

PACE, within the Capital Markets Union, reflects the EU's leadership and its long-term vision to achieve a financial system, which is more respectful of the environment, more stable and efficient (for better price formation) with positive effects for the economy (economic growth and job creation).

The NGFS is made up of 8 institutions: Bank of England, Bank of France, Central Bank of Germany, Central Bank of the Netherlands, Swedish Supervisory Authority, Bank of Mexico, Monetary Authority of Singapore and People's Bank of China. With a supervisory and macro-financial approach, its purpose is to establish a governance framework, share experiences and identify best practices in relation to environmental risks and related to climate change. It is the first initiative of this type.

In Spain, a Bill on Climate Change and Energy Transition is expected during this first quarter.

Sustainable finance, still in its infancy, is becoming less green. It is no longer a minnow in the big sea (of the financial system), but rather a more and more necessary condition for stable economic growth over the long term.

"What we do in life has its echo in eternity," reads the Latin proverb that was made famous by a movie.

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