

28 June 2017

Sustainable transition demands active interplay from government, business and the financial sector

At the end of 2015, the global community agreed in Paris to limit global warming to well below two degrees Celsius. This is essential for passing on a viable and habitable planet to future generations. The Paris accord urges all of us to act. Also our respective financial institutions endorse this course and wish to make a significant contribution. After all, the transition to a sustainable economy requires large private investments that need to be funded. We are convinced that we, as financial sector, can still implement additional steps, and that we can only do so successfully in true cooperation with both government, business and civic organisations.

Klaas Knot of the Dutch Central Bank (DNB) made the following comment during the presentation of DNB's 2016 annual report: 'Perhaps the most urgent and universal challenge is to make our economy climate neutral. That requires, among other things, a long-term vision, for example, enshrined in climate legislation, that stipulates how the transition should happen for the different sectors. Key to a successful transition is more effective pricing of CO₂ emissions. In addition, the energy transition in the Dutch economy also offers opportunities. Credible and transparent policies certainly help.' As financial sector, we share and fully support this vision.

Now that the climate goals have been agreed with global support, we all share the responsibility to make it work and realise them. It is regrettable that the US government no longer endorses the climate accord, but it is no reason to give up. We realise that sitting on our hands is not an option and ultimately makes things worse. Besides, this change also offers great opportunities for new prosperity. Particularly for a country like the Netherlands, that cannot boast a wealth in natural resources, and therefore has to rely on ideas and innovation. The transition to a climate neutral, circular and robust economy inspires many into action. New ideas and innovations are bubbling to the surface everywhere. Business organisations, too, earlier this year advocated a new, action-focused approach to ensure that the corporate sector can get moving with innovative solutions for the climate problem. Great strides have to be made in the decades ahead, both globally and in the Netherlands.

Banks and pension funds (and their administrators) have already done quite a lot. Climate impact is a key consideration in our credit and investment decisions and we are transparent about our own activities and their impact on climate. Pension funds particularly actively use their influence as shareholders to encourage businesses to make choices that support the energy transition. We support pioneers and try to resolve bottlenecks in the financing of sustainable projects. We increasingly finance green investments, e.g. through innovative green bonds, facilitating projects in the field of water management, energy efficiency, sustainable property and (infrastructure for) renewable energy. Currently, we are working hard with the Dutch financial sector on establishing a shared method for mapping the indirect climate impact of our core activities, such as mortgages, business credits and investments. Together with DNB, we are stimulating international debate on this issue. The Dutch financial sector is leading internationally on this topic. With a proper understanding of impact, financial institutions can phase out their services to the most polluting economic activities and contribute with a greater focus to the economy of the future.

We want to achieve a lot in the years ahead. When government offers a clear and widely-supported future perspective and opts for effective public-private partnerships, together we can make the sustainable transition a reality. By sketching the outlines of a climate-neutral and circular economy towards 2050, taking international accords as the basis. Consider, for instance, concrete and interim objectives for CO₂ emissions, growth in renewable energy and energy conservation, where possible enshrined in law. That offers clear parameters for sectors such as agriculture, energy, industry, mobility and construction. Consistent application of the principle 'the polluter pays', a higher CO₂ price and ending all (indirect) subsidies on fossil fuels ensures that the market adopts renewable energy. Encouraging frontrunners accelerates this transition.

This all requires a structurally different setup of the funding of our economy and society. The structure of the government's budget and regulations applying to the financial sector do not currently encourage

the sort of largescale long-term investments required for the transition to a robust, circular and climate-neutral economy. There is room for improvement in the way banks and pension funds fund this transition. We must seek new ways and structures. The funding of social and civic innovation also demands attention where government is retreating. The financial sector has already taken the first steps here (e.g. social bonds), and invites the government to shape these changes together with us and the corporate sector.

We will increase our efforts in the years ahead. This applies, for example, to the funding of renewable energy. But also to making the real estate and housing sector more sustainable. Besides our contribution to the goal to provide all office buildings in the Netherlands with at least a C energy label by 2023, as required by law, we also want to actively support homeowners to take steps towards energy efficiency for their own properties. And we stimulate economic sectors, such as dairy farming, glasshouse horticulture and the (chemical) industry to make the transition to a more sustainable future.

These ambitions thrive best when government, business and the financial sector join hands. It would be great if we are in mutual agreement. In partnership with institutions such as NLII and the (planned) Invest-NL, it helps create an innovative and robust financing landscape. We look forward to a rewarding and fertile collaboration with a new cabinet.

Peter Blom, Triodos Bank

Else Bos, PGGM

Kees van Dijkhuizen, ABN AMRO Bank NV

Wiebe Draijer, Rabobank

Carel van Eykelenburg, BNG Bank

Karl Guha, Van Lanschot Kempen

Ralph Hamers, ING

René van de Kieft, MN

Gerard van Olphen, APG Groep

Maurice Oostendorp, de Volksbank NV

Jurgen Rigterink, FMO

Menno Snel, Nederlandse Waterschapsbank NV

Paulus de Wilt, NIBC Bank