17 MAY - 21 MAY 2021

CEE Sustainable Finance Summit

Navigating the path to a sustainable future

Summit Report

A word from the organisers

LINDA ZEILINA
CEO, ISFC

The CEE Sustainable Finance Summit was the first conference of its kind in the Central and Eastern European region, creating a knowledge-sharing platform for experts and practitioners to discuss a variety of sustainable finance topics in front of regional audiences.

Together with eleven like-minded partners from the region (**AMO**, **Bellona Europa**, **CEE Bankwatch**, **Equilibrium Institute**, **EUROPEUM**, **Green Policy Center**, **Hnutí DUHA**, **Instrat**, **Mesa10**, **RoSIF**, and **Wise Europa**), we organised 16 panels to explore sustainability in areas such as banking, investing, EU policy, energy and many more. We hosted 74 high-level expert speakers and were joined by nearly 1000 attendees from a variety of sectors including finance, government, policymaking, research and academia. All in all, we spent an impressive 21 hours on Zoom, discussing some of the most pressing issues in sustainable finance today.

In this report, we provide a summary of main figures about the summit along with key insights and highlights from each panel discussion.

If you missed any of the discussions, you can now access all recordings on the Summit's Facebook page.

Thank you again for your support. The summit simply would not have been possible without your participation. We are already looking forward to organising next year's, hopefully in-person!

Thank you and see you next year.

Linda Zeilina

Stay in touch!

Our summit in numbers

See some of the stats from the first **CEE Sustainable Finance Summit**.

5 day event

16 insightful panel discussions

7 sustainable finance themes

11 organisations involved

74 expert speakers

847 participants

21 hours on Zoom

Keynote take-aways

Some figures and facts from our opening speakers

The CEE Sustainable Finance Summit was launched with opening remarks by two keynote speakers, **Alexander Stubb** (Director and Professor of the School of Transnational Governance at the European University Institute) and **Sagarika Chatterjee** (Director of Climate Change at UN PRI), who set the tone for the summit. Some of the key themes from their speeches are set out below.

3 MEGA TRENDS

- **Climate change**
- **Health**
- **Technology**

All three are closely interconnected.

GROWING ECONOMY

Transitioning to a low carbon economy can result in economic growth equal to **26 trillion USD.**

Main sources of GHG emissions

1. Producing things (cement, steel & plastics, 31%)
2 Plugging in (electricity, 27%)
3. Growing things (agriculture, 19%)
4. Getting around (transportation, 16%),
5. Keeping warm or cool (heating & air conditioning, 7%).

THE TIME TO ACT IS NOW

The Earth is now **1.1 °C** warmer, with the target limit at **1.5 °C**. Without serious intervention, we are on track to reach **3°C to 5°C** .

3 SOLUTIONS TO EMISSIONS

- **Zero zero emissions economic growth**
- **Legislation and targets**
- **Technology and innovation**

These combine activism, government and the private sector.

Net zero is possible

with current technology.

51 AND ZERO

51 billion tons of GHG released annually and zero is where we need to get. Naming and shaming isn't the best way to solve the climate crisis.

Emissions expected to rise in 2021

Emission reduction contributions are set nationally, but most are not ambitious enough.

Race to Zero campaign

It's a coalition of net zero initiatives including cities, business and investors. The criteria to join the coalition: **Pledge, plan, proceed** and **publish**.

MONDAY 17 MAY 2021

Capital Markets
and their role in the transition to a low carbon economy

The development of green capital markets in the CEE region is a necessary condition to ensure that green initiatives are financed. Panelists identified the main needs for this development to happen: clear regulation, effective communication and systemic approaches.

Panelists

Katarzyna Szwarc,
Ministry of Finance, Poland
Lubomír Vystavěl,
NN Investment partners
Jana Brodani,
Czech Capital Markets Association
Martin Hojsík,
Member of the EP

Watch video

Main insights

- Since capital markets are complex, it is important to keep arguments simple and easily understandable. Policymakers need to use numbers and data to back up arguments.
- It is vital to focus on outreach and communication to promote sustainable finance.
- Policies supporting the development of green capital markets should be tested in regulatory sandboxes.
- Standardised EU regulation reduces costs and creates market compatibility.
- While local modification should be limited, the specifics of the CEE region need to be taken into consideration when defining regulation.

EU Taxonomy
Dawn of a new era?

The EU Taxonomy is still a new classification, which needs to be popularised to understand the role of science evidence in navigating through the green transitions with long-term ambitious targets.

Panelists

Martin Spolc,
DG FISMA, EC
Sandrine Dixson-Decleve,
Club of Rome
Victor Van Hoorn,
Eurosif
Linda Zeilina,
ISFC
Linda Romanovska,
EU Platform on Sustainable Finance

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Main insights

- There is a need for more in-depth conversations concerning the implementation and use of the taxonomy to prevent greenwashing and to maintain the original aim of the taxonomy.
- There is a need to understand that (a) the taxonomy is not a transition classification but a science-based objective for moving towards climate neutrality; and (b) and to look at what 'green' truly is according to science.
- Conditions for a successful taxonomy require credibility (science-based), usability for financial & business sector, and alignment with political ambitions.
- As the EU taxonomy focuses on making finance more sustainable (green finance), there is a new reflection that financial sector should support sustainable businesses (financing green).
- EU taxonomy is the most robust tool so far: it has done a good job translating long term ambitious targets into concrete & specific actions.

The European Green Deal:
Does the CEE region stand to benefit?

The European Green Deal offers a framework and a roadmap for the EU to transform its economy towards carbon neutrality by 2050. To achieve it, the CEE countries need to contribute to this process by boosting their innovation, international and cross-sectorial cooperation, as well as openness to transformation.

Panelists

Janez Potočnik,
SYSTEMIQ
Norbert Kurilla,
Presidency of Slovakia
Barbara Botos,
Ministry of Innovation and Technology, Hungary
Georg Zachmann,
Bruegel
Agnes Kelemen,
European Climate Foundation

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Main insights

- CEE has a great potential for climate action & circular economy: EU taxonomy is fundamental in redirecting financial flows towards more sustainable solutions.
- Efficient climate policy should combine supply and demand side.
- Global use of materials has more than tripled since 1970 and can double by 2060 if current trends continue (raw material extraction).
- Environmental impacts in the value chain (extraction and processing phase) causes: 90% of global biodiversity loss and water stress, 50% of global climate change, 1/3 of air pollution health impacts.
- There is a need for systemic solutions and holistic approaches. E.g., replacing combustion cars with electric vehicles is not a solution.
- Emerging trends are based on shifting from product maximisation to providing for human needs – dematerialisation, rethinking ownership and moving from efficiency to sufficiency concepts.

TUESDAY 18 MAY 2021

SMEs and Sustainable growth
How to support SME growth in CEE?

Small and medium-sized enterprises (SMEs) are the backbone of Europe's economy. They represent 99% of all businesses in the EU. They play a fundamental role in shaping and adapting to local markets. They will need to build their resilience while decarbonising and turning green.

Panelists

Malgorzata Walczak,
PFR Ventures
Zhelyu Vladimirov,
Sofia University St. Kliment Ohridski
Valentin Ragea,
EIB

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Main insights

- In CEE, the term ‘innovation’ is misunderstood by SMEs and it is associated with creating new products or new services. Development of internal organisational culture, new ways of working and cooperating is not perceived as innovative.
- Presentation of climate action support facility for EIB partner institutions is under preparation - online resource for SMEs to e-learn, improve understanding of climate action opportunities and risks for businesses.
- There is enough finance, but SMEs often do not know about it due to little promotion.
- Sustainable business needs sustainable financing and companies need to have an opportunity to access capital at each stage of development.
- SMEs should be focused on their digital transformation - the process of digitalisation has been sped up by the pandemic.

Czech National Recovery Plan

in a comparative perspective: focusing on climate action

The panel explored both the EU-wide and the Czech national context of planning investments funded from the Recovery and Resilience Facility.

Panelists

Felix Heilmann,
E3G;
Anna Karníkova,
Hnutí DUHA;
Tomáš Jungwirth,
AMO;
Jan Svoboda,
AMO;
Šimon Batík,
CDE;

This was a closed door invite-only panel

Main insights

- Comparing recovery plans of the majority of EU member states, results of the Green Recovery Tracker assessment showed that none of the plans that were submitted so far met the 37% climate initiative goal, with the exception of Finland and Germany.
- Czech plan was proven to have met only about 20% of the goal despite the numbers presented by the government.
- Bad practice examples were highlighted during the panel, such as Estonia failing to invest in the restoration of its vulnerable forests or Slovakia labelling its highway investments green.
- By contrast, good practices were presented: Latvia has been succeeding to mobilise funds for apartment buildings renovation and Czechia is planning to invest in the electrification of railways.
- Czech recovery plan was praised for changes that are in favour of climate initiatives, however, it was criticised for questionable climate-tagging practice (e.g. in relation to gas boilers and anti-COVID business recovery measures).

Supporting sustainable innovation

Innovation gives opportunities to build a just, inclusive and sustainable world. More than ever, we need to experiment, prototype, inspire to widen our horizons and change mindsets, both individually and collectively.

Panelists

Anna Brussa,
EIT Climate-KIC
Diana Rusu,
European University Institute
Vlad Gliga,
Rub Hub; The Climate Vertical
Michal Košina,
European Investment Fund

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Main insights

- Elements of a resilient innovation ecosystem: a momentum – the right time and the right people to start innovating; value system based on openness, curiosity and constant learning; better understanding of innovative approaches, practices and actions; finding enablers of innovation; togetherness and co-shared agency.
- An emerging need to focus holistically on any transformation with a systemic innovation leading towards the system change.
- Grants are not enough to build an ecosystem of innovation. We need to create a resilient system within which we use money smartly – it helps to grow.
- Constant development is a key, and it means that we should embed prototyping and experimenting into our daily routine on every level.
- Ecosystem builders and founders should focus on local innovations addressing global challenges. It is a win-win situation for everyone – local innovators join the global circulation of ideas and give a new perspective to the most burning questions and problems.

WEDNESDAY 19 MAY 2021

Sustainability in Banking

Banks take an active role in promoting the green agenda and educating their customers. They are by far the most important providers of funding in continental Europe, including CEE, especially for SMEs, for which access to the capital markets is still limited.

Panelists

Slavka Eley,
European Banking Authority
Elena Kohútiková,
VÚB Bank
Eva Bučová,
ING Bank
Maciej Tarnawski,
Santander Bank

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Main insights

- The private sector and EU member states will need to put together €2-3 trillion investments over the next 10 years to meet the raised target in emission reduction.
- Main challenges for the banking sector: data (lack of publicly available non-financial corporate data; lack of systematically collected data by financial institutions; need of translating environmental data into financial indicators), integrated approaches (integration between the corporate social responsibility, business processes, risk management functions), risk measurement (risk indicators and methods, scenario analysis and stress testing).
- Ideas to achieve required additional investments are based on a common framework, resolving asymmetric information, transparency, information on climate scenarios for clients, clear and stable regulatory framework.
- New regulations might be challenging, due to cost and limited access to external advice, especially to SME sector. Therefore, banks also needs to educate clients.

Development Banks
and Sustainable Impact Growth

Developmental banks aim to maximise not only commercial, but also social and environmental returns. For Europe, as the leader in green transition, development banks should contribute to scaling up the climate ambition regionally.

Panelists

Eila Kreivi,
EIB
Ivan Lesay,
Slovak Investment Holding
Martin Potůček,
ČMRZB Investments
Piotr Dmuchowski,
HSBC Poland

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Main insights

- The CEE should be aligned with EU agenda to become carbon neutral. The region needs innovation and a knowledge-based framework, and a new growth model that fosters this home-grown innovation, digitalisation, strengthens the skill base and social inclusion.
- There is a demand to define what constitutes sustainable activities. In this context, the Taxonomy plays a key role, especially as EIB will be prioritising sustainable financing with at least half of the overall lending going towards sustainability.
- There are some problematic areas, for example, the competition for the grants and repayable financial instruments (Czech Republic, Poland). However, there is a positive shift and new legislation allows to have both types of financing in one operation.
- There is an emerging need for blended financial instruments to combine not only various public instruments, but also to focus on private investments.

Central banking mandates
and climate change Zeitgeist

Central banks are the core of financial risk management. In the years to come, they should coordinate with commercial banks and economic policy to ensure resilience of financial systems.

Panelists

Sylvie Goulard,
Banque de France
Marek Mora,
The Czech National Bank
Olaf Sleijpen,
National Bank of the Netherlands
Michal Horváth
The National Bank of Slovakia
Łukasz Hardt
The National Bank of Poland
Csaba Kandrács
The Central Bank of Hungary

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Main insights

- Physical risk, transition risk and liability risk are the three risks that shape a context in which climate change is in the mandate of central banks to step up.
- Central banks have a clear mandate, although different banks take different approaches:
  1. 100% government responsibility and no role for central banks.
  2. Climate change has an impact on the financial system, threatening financial stability, which implies that central banks have both the possibility and the duty to take the necessary steps within a classical toolset.
  3. Central banks have a pro-active role and need to scrutinise their toolkits, find new tools and use them to fight climate change to avoid risks to financial stability.
- Central banks can also lead the initiative of sustainability disclosures, deepening the markets for green instruments and setting norms.

THURSDAY 20 MAY 2021

Sustainable Investing
ESG and beyond

Sustainable investing has been described as "investing in the future" by allocating capital to companies that provide solutions to the world's greatest challenges. It presents an example of how finance can support shaping a sustainable and resilient future.

Panelists

Sarah Gordon,
Impact Investing Institute
Lukasz A. Olszewski,
S&P Global Ratings
Raffaella Tenconi,
WOOD & Company; ADA Economics
Ian Simm,
Impax Asset Management
Lorenzo Saa,
UN PRI
Kate Levick,
E3G

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Main insights

- Impact investment must be additive: there must be robust mechanisms for managing, measuring and reporting impact.
- There must be “global transparency standards” around environmental, social and governance (ESG) criteria for the sake of individuals, businesses and investors due to different taxonomies, activities, approaches developed, both commercial and non-commercial.
- There needs to be a co-creation of financial regulations in implementation (governmental and private sector). There is a big gap between the policy vision targets and the granular regulations that can guide investments and decisions.
- Many companies are struggling with where and how to start ESG investments – there is a demand for guides helping them to navigate through it.
- Public banks and financial institutions in different countries understand better the local context e.g. they can be mobilised to support the local ecosystem to build new markets, identify project opportunities, and work in public-private partnership approach to help build up project pipeline.

CEE SUSTAINABLE FINANCE SUMMIT

Sustainable Cities

All V4 capitals (Bratislava, Budapest, Prague and Warsaw) test different approaches to shape a green, sustainable and climate positive future of the city and its habitants.

Panelists

Justyna Glusman,
City of Warsaw
Anna Szilágyi,
Budapest Development Agency
Petra Dzurovčinová,
City of Bratislava
Vojtěch Vosecký,
City of Prague

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Main insights

- Bratislava has developed a concept of living labs where solutions emerge from data and co-creation with citizens. In this approach, citizens play a fundamental role as one of the city's goal is to involve them in decision-making processes.
- Budapest's main goal is to invest in public transport to gain more space for pedestrians and bikers. Renewed suburban and urban transportation hubs will serve also as community centres. Furthermore, the city plans to become more human- and nature-friendly thanks to revitalisation of local brownfields.
- Prague it is on its way to phase out coal dependency replacing it with renewable energy sources. Also, the city has been developing the circular economy platform aimed at connecting stakeholders to catalyse synergic opportunities; Prague experiments with green procurement to become a standard in urban management and with urban farming.
- Warsaw plans to reduce its CO_2 emissions by 40% in 2030 and become carbon neutral by 2050. This ambitious goal requires applying a holistic and evidence-based approach and investment from both public and private sources.

Sustainable Finance Opportunities
In and for **Romania**

Romania has enormous assets and potential to become a frontrunner in decarbonisation. For this reason, it is crucial to create a platform for an open discussion between all actors involved in the decarbonisation of the energy and other sectors.

Panelists

Catalina Secretenau
Sustainalytics
Tim Umberger
East Capital
Gabriel Paun
Agent Green
Suzana Carp
Bellona Europe

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Main insights

- Romania is developing a sustainable finance sector, but it still needs to improve disclosure and reporting. Companies or other actors seeking investment need to have a solid sustainability strategy, demonstrated commitment.
- Building sustainability and ESG awareness in companies is an important first step, however, it needs to be followed by action and smaller companies should follow the trend set by bigger ones.
- Deforestation is one of the biggest challenges for Romania – although Romanian forests are the biggest carbon sink in Europe. There are sustainable finance tools that can be used to protect them.
- On the EU level, Romania should embrace its contribution to EU climate policies. The country has now enough funds from European Union to decarbonise its energy sector. It needs to use this opportunity well aiming at creating a solid investment portfolio to attract further private capital.

Just Transition
key elements for transforming industry in CEE

CEE region has never gone through a fair transformation. The wellbeing and progress of local economies have been prioritised over the quality of life of its residents. Just Transition offers a new chapter and a new approach towards making the change in the region.

Panelists

Jerzy Buzek,
Member of EP;
Andrzej Błachowicz,
Climate Strategies;
Frances Coppola,
Economist and author;
Julian Popov,
ECF
István Bart,
Climate Strategy 2050 Institute;
Barbara Kovács,
LIFE-IP North-HU-Trans project

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Main insights

- Just transition is a combination of time, money and technology. All three must be factored into the equation to understand the process.
- While the region shares some common challenges, individual countries in CEE have different advantages and disadvantages. It is important to develop location specific plans for just transition.
- It is essential to establish a system of public guarantees through Development banks and InvestEU to incentivise commercial banks to provide financing and capital to "high risk" regions.
- Quality vs. quantity of just transition investments. There is a lot of public finance available, but it is essential to focus on efficiency and impact, leveraging private capital, embedding the just transition in the region
- Long-term success is dependent on an effective carbon price, regulatory stability, financing clean production and business self-transformation.
- The issue of energy prices: sensitive issue for the CEE region; green energy might result in rising energy prices. Even the middle-class encounters problems with paying energy bills.

FRIDAY 21 MAY 2021

EU ETS:
Using the proceeds for building the prosperity

There has been a change in perspective towards ETC. Previously, the main question about the ETS was "how can we pay for decarbonisation?". Today, the main question is "How can we use the revenues?".

Panelists

Jos Delbeke,
European University Institute;
Hans Bergman,
European Commission;
Suzana Carp
Bellona Europe;
Jan Tůma,
Ministry of Environment of the Czech Republic

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Main insights

- The ETS creates a lot of revenues (direct through the auctioning of allowances or indirectly through free allowances, etc.). These revenues should be used to ensure economic transition and just transition. Their role should be to boost innovation without focusing exclusively on preventing from carbon leakage.
- Revenues from EU ETS should be used to create prosperity and help the CEE region transition towards a low-carbon economy.
- We should make sure that ETS (and the Innovation Fund) do not deepen the discrepancies between the CEE Region and the rest of the EU. We should ensure that innovation and technology are shared across Europe.
- Some of the panellists wish that the free allowance system be reformed. Others argued that the CEE region still needs free allowances but with rules on how they can be used (e.g., a rule that prevents using them to invest in highly polluting technology).

Carbon Border Adjustment Mechanism
(CBAM)

CBAM serves as prevention against carbon leakage which is still a challenge for the EU. It is based on a rule that "polluter pays" and sets the example of decoupling emissions from economic growth globally, triggers the discussion on global CO2 prices.

Panelists

Peter Vis,
European University Institute;
Mikulas Peksa,
Member of the EP
Geneviève Pons
Jacques Delors in Brussels
Tomasz Włostowski;
EU Strategies

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Main insights

- The European industries are at the maximum of performance in terms of technology, they need more investment and should not be placed in a position of lower competitiveness. EU industries need to be attractive for investments from global corporations.
- The CBAM is a continuation of the EU Emissions Trading Scheme (ETS). Policymakers should use the experience they have from ETS to deploy the CBAM. This is problematic as European industries have been safeguarding their competitiveness on global markets through free allocations of emission allowances within the EU ETS. CBAM would most probably gradually eliminate free allocations, which might cause loss of competitiveness of EU industries and their relocation abroad.
- There is consensus that the proceeds from the CBAM should be channelled to developing countries, so that the CBAM acts as inspiration and motivation for the rest of the world to decarbonise. However, EU industries also need more investment into innovation of their factories and technology to achieve EU climate targets.
- The main challenge will be how to phase out free allowances

Financing green energy transition

"The conversation about sustainable, renewable energy has never been as relevant, timely and important as it is right now". This a quote from the panel discussion pointing out the momentum of this topic.

Panelists

Cristina Badica,
RomCapital Invest;
Bart Duczynski,
Proventus;
Martin Dratva,
Redside Fund Management;
László Örlős,
Western Balkans Green Centre;
František Vašek,
Nano Energies

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Main insights

- We are at the crossroads of five significant events which bring green transition together – adoption of the green deal (the Just Transition Fund), ETS Phase 4 (innovation and modernisation funds), Recovery and Resilience Mechanism, transition from one programming period to another ERDF/CF, Invest EU initiative. These events are complemented by the change of behaviour (EU Taxonomy)).
- We need to allow merchant financing (energy sector). There is a change in credit analysis – we need to move forward from the risk committees to give more flexibility to allow financing for subsidised merchant-based projects (or their variation).
- Climate action is not just a necessity - it is rather the greatest economic opportunity. The current economic transformation reminds the digital transformation from forty years ago. New markets are created from scratch and investors are looking for new opportunities.

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