



8 May 2023

Climate and the Financial Sector

This weekly newsletter highlights climate-related regulatory, litigation and enforcement developments relevant to the financial sector.

General

25 April 2023 [EU]: **Fit for 55: EU Council adopts revision of EU Emissions Trading System and Carbon Border Adjustment Mechanism Regulation proposals**

Following the adoption by the EU Parliament on April 18, 2022 of two elements of the Commission's 2021 "Fit for 55" regulatory package (see [here](#) for the April 24 edition of the newsletter), the EU Council decided to adopt in first reading two proposals on the future of the ETS and CBAM. Most of the provisions of the CBAM Regulation are contemplated to apply from October 1, 2023. [[link](#) – [link](#)]

27 April 2023 [EU]: **EBA and EIOPA publish a draft revised version of the taxonomy architecture**

The European Banking Authority (EBA) and the European Insurance and Occupational Pensions Authority (EIOPA) have jointly produced a draft revised version of the taxonomy reporting architecture. The revised version is primarily intended for those developing regulatory reporting solutions imposed by Taxonomy. The proposed draft includes changes to the current architecture, in particular to facilitate data exchange with competent authorities. [[link](#)]

24 April 2023 [France]: **Banque de France Governor speaks on climate risks**

The Governor of the *Banque de France* spoke at City Week in London about the role of central banks in climate macroeconomics. The Governor mentioned that supervision of climate risks is a necessity as climate is a long-term risk for any financial institution and called for the development of short-term scenarios on climate change and for better international coordination on the transition to a climate-friendly economy. [\[link\]](#)

25 April 2023 [UK]: **Greenpeace is allowed to take the British government to court**

Last year, the UK government launched a licensing round for oil and gas exploration in the North Sea. The High Court in London has granted Greenpeace permission to proceed with a full judicial review of the UK government's decision. [\[link - link\]](#)

29 April 2023 [France]: **Ministry of Economy establishes a voluntary automated processing of personal data to support companies subject to non-financial obligations**

The Ministry of the Economy has established an automated data processing system for companies subject to non-financial obligations, with the aim of (i) helping identify non-financial obligations under national and EU law and (ii) providing a tool for the transmission, declaration and publication of information enabling companies to comply with their non-financial obligations. [\[link\]](#)

3 May 2023 [EU]: **Responses to the European Commission Call for feedback**

On April 5, 2023, the European Commission (EC) issued a call for feedback on a proposed delegated regulation containing a new set of EU Taxonomy criteria for economic activities making a substantial contribution to the remaining four environmental objectives. The EC consultation closed on May 3, 2023. It received 508 responses, mainly from business organizations (39.17%), companies (29.53%), EU citizens (12.60%) and NGOs (10.04%). Notable contributions include:

1. EU Platform on Sustainable Finance (PSF): The PSF recommends, among other things, that (i) non-financial disclosures should be made against all environmental objectives to which a company is aligned, (ii) technical screening criteria (TSC) should not be included in the activity description to facilitate reporting, (iii) activities should not overlap between environmental objectives to avoid double counting, (iv) transitional measures embedded in the CSRD should apply to the Taxonomy reporting requirements, and (v) generic DNSH criteria should be developed for activities not included in the Taxonomy that neither harm nor significantly contribute to an environmental objective, so that the significant contribution tests for climate change adaptation can be applied across sectors. The

PSF also notes that not requiring financial undertakings to provide the breakdown for all business lines in entity-level reporting could help simplify the reporting ratios without undermining the incentives for non-financial undertakings to align their activities with the Taxonomy and for financial undertakings to finance non-financial undertakings in their efforts to do so. [\[link\]](#)

2. Principles for Responsible Investment (PRI): Overall, PRI welcomes the publication of the delegated regulations. However, PRI recommends that biodiversity offsets be explicitly excluded from eligible conservation activities, as recommended by the PSF. It also notes that gaps remain in the TSC proposed by the PSF, particularly for biodiversity, and stresses that further work should be undertaken as soon as possible, given the importance of these sectors for reaching global agreements. [\[link\]](#)
3. *Association Française de Gestion* (AFG): AFG's feedback focuses on the need to align the CSRD and Taxonomy application timelines to ensure consistent and orderly application. It requests that the EC provide a one-year delay in the application of eligibility disclosure for the remaining environmental objectives. Non-financial undertakings should disclose eligibility from January 2025 and alignment from January 2026. Given the reliance of financial undertakings on the reporting of their counterparts, it asks the EC to delay the alignment disclosure requirement for financial undertakings until January 2027. [\[link\]](#)
4. AFEP (French Association of Large Companies): AFEP requests the EC to grant the same delays as those mentioned by AFG above. It also recommends that the OpEx KPI should not be mandatory if such an indicator is not material and expresses concern about the generic criteria for DNSH to the objective of pollution prevention and control in relation to the use and presence of chemicals. [\[link\]](#)
5. *Fédération Bancaire Française* (FBF): Overall, the FBF welcomes the EC's delegated act projects. However, it recommends improving the coherence between the Taxonomy Regulation and the templates used in Pillar 3 ESG. It also encourages the EC to ensure that financial products can be used to finance taxonomy-aligned activities and highlights that it will be difficult for banks to check whether the underlying assets are still taxonomy-aligned if the TSC change, even if a five-year phase-in is proposed. Finally, the FBF notes a discrepancy between the grandfathering clauses foreseen in the EU Green Bond Standard Regulation and the Taxonomy Regulation. [\[link\]](#)

4 May 2023 [EU]: ISSB seeks feedback on its priorities for the next two years

The International Sustainability Standards Board (ISSB) has published a Consultation on Agenda Priorities to seek views from stakeholders interested in sustainability-related financial reporting on (i) the strategic direction and balance of the ISSB's activities, (ii) the suitability of criteria for assessing which sustainability-related matters should be prioritized and added to the ISSB's work plan, and (iii) a proposed list of new projects that may be added to the ISSB's work plan. The suggested projects include three research projects on sustainability-related risks and opportunities related to either biodiversity, ecosystems and ecosystem services, or human capital and human rights, and one research project on integration in reporting to explore how to integrate information in financial reporting beyond the requirements related to related

information in IFRS S1 and IFRS S2. The consultation is open for comments until September 1, 2023. [[link](#)]

Banking

24 April 2023 [EU]: **EBA consults on guidelines on benchmarking of diversity practices**

The European Banking Authority (EBA) has launched a consultation on the development of guidelines for benchmarking diversity practices and gender pay-gap under the CRD and IFD. The guidelines aim to increase the transparency of diversity practices and improve the quality of the data collected. Diversity and gender pay-gap policies at the management level are included in the data collection required by the guidelines. The guidelines also provide templates and instructions for the data collection, which will be conducted every three years. Initial contributions are expected by July 24, 2023. [[link](#)]

4 May 2023 [EU]: **EBA notes progress in supervisory convergence on ESG risks**

The EBA published its annual Report on convergence of supervisory practices for 2022. Of the 5 key issues identified for supervisory attention across the EU, including ESG risks, the EBA finds that the goals for most of these priorities have been met. However, the EBA notes that while environmental and climate risks are increasingly part of supervisory activities, the depth of supervisory assessments depends on how institutions have integrated ESG risks into their business strategies, risk appetite and loan origination practices, as well as their risk, governance and reporting frameworks. [[link](#)]

Insurance

24 April 2023 [EU]: **EIOPA and ECB publish a joint discussion paper on climate catastrophe insurance**

The European Insurance and Occupational Pensions Authority (EIOPA) and the European Central Bank (ECB) published a joint discussion paper on options to address the uninsured portion of economic losses caused by climate-related natural disasters. The joint discussion paper is part of the EIOPA's sustainable finance agenda. The EIOPA and the ECB propose to address climate-related natural catastrophes by:

- Increasing the use of catastrophe bond markets.
- Developing public-private partnerships to share the costs that insurers may incur in the event of natural disasters.
- Identifying risk pooling opportunities that could be explored at the European level.

Comments are expected by June 15, 2023. [[link](#)]

28 April 2023 [International]: **IAIS statement on supervisors' role in natural disasters**

The International Association of Insurance Supervisors (IAIS) has published a statement highlighting the role of insurance supervisors role in managing the financial impact of natural disasters. The IAIS commits to support supervisors in their efforts to address gaps in protection against and response to natural catastrophes. The IAIS will publish a report analyzing insurance supervisors' initiatives to address these gaps by the end of 2023. [[link](#)]

Asset management

5 May 2023 [EU]: **ESMA's Executive Director's speaks on ESMA's role in the transition to a low carbon economy and low-carbon economy and greenwashing**

Natasha Cazenave's speech focuses on the work done to support the provision of high quality information to the market (i) by corporates on their environmental and social risks and how their activities affect the environment and other stakeholders, and (ii) by financial market participants on their sustainability profile and the ESG features of investment products. It also discusses what more can be done to facilitate informed investment decisions and the sound channelling of funds to support an orderly transition while avoiding greenwashing. With regard to greenwashing, until there is further clarity on possible changes to the SFDR or the introduction of labels, ESMA believes that some criteria should be required when naming funds that claim to have sustainability characteristics or goals. [[link](#)]



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