



Finance Denmark's reply to the Strategic Foresight Report 2023

Finance Denmark fully supports the objectives set out in the Green Deal and the transition to a greener, more sustainable, and fairer EU. We acknowledge the important role the financial sector has in shifting capital flows towards more sustainable economic activities and we have actively and constructively engaged and supported the sustainable finance regulation that has been introduced in recent years.

Strengthening Europe's ability to achieve sustainability by 2050.

The sustainable finance legislation has developed rapidly over the last 5 years and adopting the different legislative building blocks one by one has created several challenges that should be dealt with horizontally. We consider it necessary to consolidate, align and assess how the rules can be improved to avoid legal challenges becoming a barrier for the financial sector to contribute effectively to the sustainable transition. In the short and medium term, the so-called usability agenda is therefore crucial. The regulatory framework needs to enable a broad transition of the economy but there is also a need to take a horizontal look at definitions and data issues related to access, quality and methodologies.

The regulatory framework on sustainable finance is comprehensive and regulatory uncertainty will exist for some time. In this process, it is essential, that the tendency we already see with national implementation and supervisory approaches creating an unlevel playing field within the EU, are addressed, and avoided.

In addition, we would caution against the trend we are seeing that the financial sector is increasingly brought into scope of legislation designed to introduce further due diligence requirements for the corporate sector. While recognizing the important role of the financial sector in the transition, we cannot apply the same logic to the corporate and financial sectors. It is crucial that the specificities and dynamics of the financial sector are addressed properly to avoid creating compliance risks for the financial sector to an extent where it becomes increasingly expensive to raise capital for the green transition. This would be counterproductive to the objectives of the green deal that we all share.

Strengthening the EU's global leadership role

Apart from ensuring the usability of existing rules, we believe that there is a need to also direct our focus towards the biodiversity agenda within sustainable finance and ensure the alignment and contribution with the European Biodiversity Strategy. Ensuring clear and agreed metrics on how to measure biodiversity footprint and transition pathways towards nature positive economic activities, will be instrumental if the financial sector is to shift capital flows away from harmful activities.

As the regulatory framework for sustainable finance matures, we also consider it important to further develop the EU taxonomy, focusing both on including more sectors and economic activities and to ensure further focus on the social dimension and a just transition. And with the sustainability agenda developing at a global level, it is increasingly important to clarify how the EU regulatory framework works with other taxonomies and reporting standards around the globe – and to ensure as much European influence on the international standards as possible.

**FINANCE
DENMARK**

Position paper

10. marts 2023

Dok. nr. FIDA-2060232074-692862-

v1