

“Sustainable finance challenges – the role of the insurance sector”

Artigo de opinião da Senhora Presidente da ASF, Dra. Margarida Corrêa de Aguiar, publicado na EUROFI – Magazine¹, em abril de 2020

The issue of sustainability in general – and of climate change in particular – has risen to the top of the political agenda in recent years.

It is widely acknowledged that transitioning to a more sustainable economic model and achieving the objectives of carbon neutrality will require full commitment from all economic agents. The financial sector will, in particular, have a pivotal role in a successful transition considering the financing needs required largely surpass the capability of public spending. Within the Union, the announcement of the European Commission’s Action Plan for Financing Sustainable Growth, in March 2018, was a determinant stepping stone for mainstreaming ‘sustainable finance’.

As the discussions deepened on how to materialize the actions foreseen in the Action Plan, the introduction of ‘green supporting’ and/or ‘brown penalizing’ factors in prudential regimes of the financial sector has rapidly gained momentum as a catalyst to reorient capital flows towards sustainable investments, activities and projects. The insurance and pension funds sectors, in particular, due to their notorious role as a major institutional investors with a long-term profile, are considered as natural candidates for this task, and, for the former, the upcoming review of the Solvency II Directive – which establishes the Union’s harmonized insurance prudential regime – provides an appealing opportunity to do so.

ASF – the Portuguese Insurance and Pensions Funds Supervisory Authority – has always advocated that the prudential regime, and particularly the capital requirement’ calibration, should be corroborated by empiric evidence as a precondition to maintain the regime risk-based and ensure adequate levels of consumer protection, while safeguarding financial stability. Such evidence should, however, not be available in the short-term due to the scarcity of available and

¹ Esta revista semestral inclui contribuições de um grande número de decisores e responsáveis do setor público e privado sobre os recentes desenvolvimentos regulatórios e os principais desenvolvimentos macroeconómicos e as tendências de vários setores da economia que afetam o setor financeiro da União Europeia.

reliable data with the relevant level of granularity to perform adequate calibrations. In this regard, other initiatives under the Commission's Action Plan will be crucial to close that gap, such as the development of a unified EU classification system (taxonomy) and of sustainability benchmarks, as well as the enhancement of non-financial disclosure requirements.

Moreover, it should be highlighted that an eventual introduction of green supporting' and/or 'brown penalizing' factors in prudential regimes, should not be seen as a sufficient condition for mobilizing substantial funds to sustainable activities, as a multitude of other criteria are factored in when making investment decisions.

In that sense, other actions could prove a more efficient vehicle towards that end. For example, mandating supranational bodies to set up 'green banks', back-up the issuance of 'green bonds', and to attribute 'green labels' to financial products could act in a more effective and also more swift manner to build relevant capacity considering the long period of time it will be necessary to mobilize and consolidate 'green' activities and projects, while preventing abrupt disruption to businesses or assets.

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