

Green Finance Agenda

Investing in the future



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Vienna, 2023

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Vienna, 2023

Preface by Leonore Gewessler

We are already witnessing the devastating impact of the climate crisis. With this in mind, we as a federal government have made a concerted commitment to achieve climate neutrality by 2040. To do this, we are adapting our energy and economic system to make it sustainable. However, switching from fossil fuels to an efficient circular economy powered by renewable energy requires investment, and this needs to come from both public funds and private capital. The financial sector has a pivotal role to play in enabling us to achieve both our national climate targets and the goals set out under the Paris Agreement. After all, investing in climate protection means securing good jobs and stimulating regional growth in future-oriented industries in the push towards climate neutrality.

By implementing the Green Finance Agenda, we are creating a framework for channelling funds into climate protection. The aim of this is to get more private capital flowing into green projects and to make the financial market more resilient. We have already seen a sharp increase in the total amount of funding classed as sustainable in recent years. It is important to encourage this trend further and create more transparency. The EU Taxonomy Regulation is crucial to this: For the first time, it offers a coherent definition of environmentally sustainable economic activity and provides clarity for both financial market participants and the general public. This avoids lock-in effects and prevents greenwashing.

Thank you to everyone involved in developing the Green Finance Agenda, to the Focal Group Green Finance for their dedication, and to the many stakeholders who played an active part in this process. We need to keep pooling our strengths so that we can ensure a positive outcome for our climate over this critical decade. Let's seize the opportunities offered by a climate-neutral, environmentally friendly, and economically competitive Austria. Let's invest in our future together.



Federal Minister
Leonore Gewessler

Preface by Magnus Brunner

Climate change is not something that can be confined by national borders; it is a global issue. Amid all the crises currently going on across the world, the ecological transformation is one of the major challenges of our times. All of us – the state, the economy, and society in general – have a part to play in making sure we have an environment that is still worth living in in years to come. The federal government has already declared in its government programme that we intend to become climate neutral by 2040. To make this happen, we need to make substantial investments in transforming our systems. However, the state cannot afford to shoulder the costs of “greening” alone. We need private capital, too, to achieve our objectives. The Republic of Austria is playing a pivotal role by contributing significantly through the introduction of innovative green capital market instruments, which help to finance schemes such as expanding public transport and promoting renewable energy, as well as developing sustainable agriculture and improving water infrastructure. Although Austria already ranks very highly in terms of sustainability, the country’s green offering is designed to build on its broad pre-existing investor base while also promoting the domestic green finance market. On top of this, a clear political framework is needed to drum up private capital. Together, we can exploit the potential of the financial system to forge a successful path towards a sustainable financial future.

On a global scale, and on a European and national level, too, decision-makers are working on creating transparent frameworks and tools for green investment. It is essential to take a holistic view with regard to financing sustainable growth, acknowledging transition efforts, and boosting the resilience of the financial sector.

Austria’s Green Finance Agenda is playing an active part in promoting climate-resilient development and tackling specific action areas en route to a future-proof and environmentally sustainable financial market. With this common agenda, we are pooling our collective efforts to ensure the best possible transition to a low-carbon economy. At the same time, Austria is positioning itself internationally as a sustainable financial centre which makes a significant contribution towards achieving climate targets even on a global level and avoids so-called “greenwashing”.



Federal Minister
Magnus Brunner

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The Austrian Green Finance Agenda

How to create a climate-friendly and environmentally sustainable financial system: Austria's Green Finance Agenda paves the way for future-proof financial market policy. With this strategy, Austria is positioning itself as a sustainable financial centre on the global stage.

Setting a sustainable course

The future of the global, European, and Austrian economy needs to be in line with the Paris climate goals. However, the investment required to accomplish this exceeds the capacity of the public budget alone. The financial system therefore has a pivotal role to play in this respect. A supportive and guiding political framework is essential for ensuring a successful transition to a sustainable financial future. The Green Finance Agenda (GFA) sets out the building blocks for a climate-friendly and environmentally sustainable financial system and identifies strategic measures and action areas with potential to scale up sustainable financial instruments for climate-friendly investments. These are geared towards three key aspects: raising capital to protect the climate and fostering sustainability in Austria, incorporating climate-relevant risks into due diligence obligations and managing them accordingly, and promoting transparency and a long-term approach.

The Federal Ministry of Finance (BMF) and the Federal Ministry for Climate Action, Environment, Energy, Mobility, Innovation and Technology (BMK) have come up with some specific steps for implementing the Green Finance Agenda based on expertise in markets, science, and administration. As far as the federal budget is affected, the measures presented under the umbrella of the GFA are designed to be covered by the applicable federal funding framework. The GFA should not undermine any future budget or fiscal equalisation negotiations.

The Green Finance Agenda is built on solid foundations: Article 2.1(c) of the Paris Agreement stipulates that both private and public finance flows must be made consistent with a pathway towards low greenhouse gas emissions and climate-resilient development. It was on this basis that the BMK and the BMF launched the process for drawing up a comprehensive Green Finance Agenda for Austria.

The development of the Green Finance Agenda

The Austrian Green Finance Agenda is both a strategy and road map that outlines the path to a climate-friendly and environmentally sustainable financial system. The intention is to distinctly establish Austria as a sustainable financial centre within Europe. With this in mind, a wide range of stakeholders have been involved in the dialogue process to develop the Green Finance Agenda.

The Focal Group Green Finance has been instrumental in supporting the development of the Green Finance Agenda. This advisory committee consists of over 25 organisations, including banking and insurance institutions, state-affiliated financial institutions, scientific institutions, associations, and private sector companies.

The first workshop held by the Focal Group Green Finance, along with a stakeholder event involving more than 100 participants and an online consultation, laid the foundations for the Green Finance Agenda back in 2019. In parallel with this, experts prepared three analyses examining options for Austrian green bonds, potential for green finance instruments, and certain relevant laws. In further operational workshops, the Focal Group Green Finance came up with specific content, while a hybrid stakeholder event and an additional online consultation were organised in 2021 as the development of the Green Finance Agenda progressed. More Focal Group Green Finance workshops followed in 2022 and 2023, featuring stimulating presentations and discussions about the effectiveness and requirements for implementing the GFA and current challenges.

As well as providing an overview of relevant frameworks and the financing for meeting sustainable objectives (Section 1), the Green Finance Agenda looks at specific action areas for making Austria a sustainable financial centre. These action areas are geared towards three key aspects:

- Raising capital to protect the climate and make Austria sustainable (Section 2)
- Managing climate-relevant risks accordingly (Section 3)
- Promoting transparency, a long-term approach, and effective impact in the capital market (Section 4)

1 Financing sustainable objectives

At the Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC) in December 2015, 195 signatories signed up to the Paris Agreement. Article 2.1(c) of the Paris Agreement sets out the following target:

Making financial flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.

The Action Plan on Financing Sustainable Growth¹ published by the European Commission in March 2018 is aimed at promoting sustainable growth and minimising adverse impacts on the environment and climate. This action plan included a legislative package consisting of a taxonomy regulation, a disclosure regulation, and a benchmark regulation. All three of these regulations are already applicable to a large extent, with the Taxonomy Regulation on classifying sustainable investments forming the core of this framework.

On 11 December 2019, the European Commission announced the launch of the European Green Deal.² This Green Deal sets out the growth strategy for the European Union and is designed to guide the EU towards building a fair, prosperous, and climate-neutral society with a modern, resource-efficient, and competitive economy.

In the summer of 2021, the ambitions outlined in the Action Plan on Financing Sustainable Growth were further reinforced and consolidated with the introduction of the EC's new sustainable finance strategy³. This strategy covers a number of important projects for furthering sustainable finance within the European Union with the primary aim of steering private financial flows into relevant economic activities. At the same time, and with the same objective in mind, a legislative proposal for a European green bond standard (EUGBS) was presented, sketching out how green bonds would be issued and how the bond proceeds would be invested in line with the Taxonomy Regulation. The delegated act on Article 8 of the Taxonomy Regulation, which was unveiled in conjunction with the legislative proposal, adds further disclosure obligations geared towards the Taxonomy Regulation to the existing reporting obligations for financial institutions

1 European Commission (2018) Commission Communication. Financing Sustainable Growth. eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52018DC0097

2 European Commission (2019) Commission Strategy. The European Green Deal. commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal_en

3 European Commission (2021) Commission Publication. "Strategy for financing the transition to a sustainable economy". ec.europa.eu/info/publications/210706-sustainable-finance-strategy_en

and non-financial undertakings. These are intended to be brought in gradually starting from 1 January 2022.

According to Regulation (EU) 2018/1999 of the European Parliament and of the Council on the Governance of the Energy Union and Climate Action⁴, all Member States are required to create national energy and climate plans (NECPs).⁵ Reducing greenhouse gas emissions is at the heart of Austria's NECP. The NECP is currently being updated to take into account factors such as the ambitious national and European climate targets (Government Programme 2020–2024; “Fit for 55”, REPowerEU) and to re-evaluate individual targets and measures in light of this. This update has been in progress since autumn 2022 and is being undertaken by a cross-ministry committee led by the BMK.

To support the recovery process in the wake of the COVID-19 crisis and to revamp structural adaptations with regard to future-oriented fields in the EU Member States, Member States that want to receive funds from the Recovery and Resilience Facility (RRF) are required to draw up national recovery and resilience plans (RRPs) in accordance with Article 18 of Regulation (EU) 2021/241. Austria's Recovery and Resilience Plan for 2020–2026⁶ fulfils the requirements of the Regulation and follows the guidelines issued by the European Commission. As a reform project under the Austrian RRP, the Austrian Green Finance Agenda pinpoints a number of measures for stimulating growth and innovation in favour of climate-friendly investments and for systematically redirecting capital flows to achieve climate targets.

The GFA includes key steps for adopting a more impact-oriented approach for state interventions on the markets. Wherever possible, the expected and actual impact of GFA measures should be recorded by means of regular evaluations.⁷ Key measures under the Green Finance Agenda are currently being linked to the Green Spending Review cycle, which is also an integral part of Austria's Recovery and Resilience Plan. These include Green Spending Reviews, for example on the potential for synergies in the subsidy landscape of the federal provinces and on the implementation of the EU Taxonomy at national level. They also take into account the requirements of Article 2.1(c) of the Paris Agreement regarding public authorities' holdings.

4 Regulation (EU) 2018/1999 of the European Parliament and of the Council on the Governance of the Energy Union and Climate Action.

eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.L_.2018.328.01.0001.01.ENG

5 Federal Ministry for Climate Action, Environment, Energy, Mobility, Innovation and Technology (2019) Integrated National Energy and Climate Plan for Austria.

6 Federal Ministry of Finance (2021) Austrian Recovery and Resilience Plan 2020–2026.

7 In relation to this, please refer to, for example, Green Spending Review Module 3 on implementing the EU Taxonomy at national level, which is due to be finalised by the fourth quarter of 2024. More information (in German) can be found at bmf.gv.at/themen/klimapolitik/green_Budgeting/green_spending_reviews_des_bmf.html

Enhancing the impact orientation of the Green Finance Agenda in this way is also in line with the recommendations of Green Spending Review Module 1 on the subsidy and incentive landscape with regard to climate and energy policies at the federal level, which was published on 30 September 2022.⁸

The costs of inaction

In Austria, the implications and costs of global warming have already manifested in a noticeable manner. The average temperature, for example, has risen by almost 2°C since 1880. The costs arising from weather- and climate-related damage are currently averaging at EUR 2 billion per year and these losses are expected to reach at least EUR 2.5 to 5.2 billion by 2030. Without any measures to counteract this, the annual damage costs could even go up to between EUR 4.3 and 10.8 billion by 2050. These figures are conservative estimates; they only take into account the chains of climate effects that have developed as a result of events in Austria and for which evaluation models are already available. Moreover, failure to take action through climate policy could lead to significantly higher costs in the medium and long term. A delayed or counterproductive climate policy response or a failure to put any measures in place to protect the climate and adapt to climate change would trigger a considerable drop in value creation. In Austria, these “costs of inaction” came to around EUR 15 billion in total in 2020.⁹ These are mainly the result of value declines relating to fossil fuel imports (EUR 8 billion), funding schemes with a damaging effect on the environment (EUR 4 billion), weather- and climate-related damage (EUR 2 billion), and adaptation to climate change (EUR 1 billion).¹⁰

Austria fully subscribes to the international and European climate targets and to an active climate and energy policy aimed at achieving climate neutrality by 2040. The implementation of the Austrian Green Finance Agenda has a significant role to play in this.

8 See also bmf.gv.at/dam/jcr:932718e0-485a-4332-a503-c54364bb1873/Spending%20Review%20Modul%201%20-%20Klima-%20und%20Energie.pdf (in German)

9 Steininger, K.W.; Bednar-Friedl, B.; Knittel, N.; Kirchengast, G.; Nabernegg, S.; Williges, K.; Mestel, R.; Hutter, H.-P. & Kenner, L. (2020): Klimapolitik in Österreich: Innovationschance Coronakrise und die Kosten des Nicht-Handelns [Climate policy in Austria: The opportunity for innovation presented by the coronavirus crisis and the costs of inaction], Wegener Center Research Briefs 1–2020, Wegener Center Verlag, University of Graz, Austria, June 2020. doi.org/10.25364/23.2020.1

10 BMK (2020) Ministry of Climate Action: “Nicht-Handeln im Kampf gegen Klimakrise kostet Österreich 15 Milliarden Euro jährlich” [Failure to act in the fight against the climate crisis costing Austria EUR 15 billion per year]. Press release dated 25 June 2020. ots.at/presseaussendung/OTS_20200625_OTSO152/klimaschutzministerium-nicht-handeln-im-kampf-gegen-klimakrise-kostet-oesterreich-15-milliarden-euro-jaehrlich

2 Raising capital

Potential for the private sector in Austria needs to be identified and utilised. Raising private capital efficiently and cost-effectively, while avoiding market distortions and ensuring the stability of the financial market, is crucial to this. Private capital can be used to help take advantage of opportunities and shape the future in a way that can secure sustainable growth in Austria. The public sector cannot shoulder these investments alone, so funds need to be obtained from the private sector, too. The current investment environment still does not offer a sufficient guarantee that there would be enough private capital to support the investments in Austria required according to the NECP. These investments will not only reduce the threat of damage caused by climate change; they could also improve air quality, create new jobs, enhance quality of life, and provide opportunities for the economy.

Action areas and implementation steps

Along with findings from analyses, the recommendations from the stakeholder process, and the measures set out in the NECP, the Austrian Government Programme 2020–2024 in particular has been a key factor in developing the action areas presented below. The information provided here outlines any activities already set in motion, as well as describing what each action area involves and offering a brief response to the following questions:

- How should the action be implemented?
- When is the implementation planned for?
- Who or what institution(s) is/are responsible?

Issuing government green bonds

In May 2022, the Republic of Austria issued its first government green bond with an issue volume of EUR 4 billion and a coupon of 1.876% p.a.. The framework for these green bonds was designed in line with the currently applicable criteria of the Taxonomy Regulation. The first green loans were granted in October 2022, with a volume of EUR 100 million. In the same month, the first green Austrian Treasury Bill with an issue volume of EUR 1 billion was introduced.. These green instruments proved to be highly oversubscribed, indicating that there is certainly demand for them. In 2023, green commercial papers started being issued, too, as part of a green funding drive by the Austrian Treasury (OeBFA). Another green bond was issued in April 2023, this time with an issue volume of EUR 3 billion. The overall volume of new green financing will come to roughly EUR 5.3 billion in 2023.

Having a government green bond scheme helps to ensure transparency with regard to pricing and improving reporting on green investments. An allocation report will be drawn up and this, along with an impact assessment, will provide useful information – even after the bonds have been issued – on which environmental targets have been achieved with the help of issuing green bonds.

- Following up the issuances of green bonds
- Bonds to be issued in 2023 and in subsequent years
- BMF, OeBFA, and BMK

Expanding the catalogue of reliable investments and enshrining sustainability in the Federal Act on Corporate Staff and Self-Employment Provision (BMSVG)

The aim is to break down barriers and make use of existing scope for flexibility in the investment regulations. To identify factors that could potentially hinder Taxonomy-aligned investments, existing legal restrictions on investment need to be examined and evaluated. Amending the Federal Act on Corporate Staff and Self-Employment Provision (Betriebliches Mitarbeiter- und Selbständigen-Vorsorgegesetz; BMSVG) could help to ease these restrictions. In addition, sustainability needs to be explicitly incorporated into the BMSVG as an investment criterion.

- Incorporating sustainability into the BMSVG
- Review before the end of 2023
- Legislative proposal with involvement of social partners; resolution by the federal legislators

Utilising scope for action for prospectus requirement

Investments/securities with a total value of more than EUR 2 million are currently subject to a prospectus requirement. However, the EU legal framework allows the national legislator to set a much higher threshold of EUR 8 million. Making use of this scope to raise the limit would make it possible to avoid the requirement to publish a prospectus. This would favour Taxonomy-aligned activities (taking the need to protect consumers and investors into consideration) and thus help to channel capital flows into sustainable activities. The proposal made by the European Commission on 7 December 2022 for an “EU Listing Act”¹¹ also needs to be taken into account. This is intended to facilitate access to the capital market for small and medium-sized enterprises.

- Releasing sustainable activities with a value of up to EUR 8 million from the prospectus requirement
- Review before the end of 2023
- BMF, BMK, BMJ

Breaking down further barriers to sustainable investment

To exploit the full potential of sustainable investments, all potential obstacles need to be systematically identified in a collaborative process involving both the public and private sectors – for example, through stakeholder events and other dialogue formats. As a consequence, they need to be thoroughly examined by the relevant institutions as a basis for coming up with possible solutions for overcoming them.

- Systematically identifying and evaluating obstacles
- To be incorporated into the implementation of the GFA on an ongoing basis
- BMF and BMK in collaboration with relevant stakeholders

Continuing the dialogue with Austrian stakeholders

In the interests of creating the opportunity to share experiences across institutional boundaries, the BMK together with the BMF launched the Focal Group Green Finance. In addition to a high-level kick-off event presided over by the respective Federal Ministers, the group has held seven operational workshops since spring 2023. Further forums for exchange and dialogue have also been set up, with a stakeholder event and an online consultation held in both 2019 and 2021. On top of all this, the BMK also sends out regular updates to over 1,000 stakeholders across Austria, providing information on national and European developments, consultations, and relevant events.¹²

11 Proposal for a Regulation of the European Parliament and of the Council amending Regulations (EU) 2017/1129, (EU) 596/2014 and (EU) 600/2014 to make public capital markets in the Union more attractive for companies and to facilitate access to capital for small and medium-sized enterprises – COM/2022/762

12 To subscribe to the newsletter, go to: crm.bmk.gv.at/Anmelden (in German)

This dialogue will be continued in the future. The Focal Group Green Finance is set to continue meeting regularly in response to industry requests. Furthermore, the foundations are being laid for other exchange formats to ensure a broad dialogue. In addition to webinars dealing with technical questions, various tools are being used to connect stakeholders with the aim of encouraging networking between a wide variety of actors from the fields of administration, science, the real economy and financial sector, and climate protection.

- Maintaining a continuous dialogue using existing formats
- Ongoing
- BMF, BMK

Boosting green project financing

The Austrian Green Investment Pioneers programme (klimaaktiv) and the green finance funding programme (Climate and Energy Fund) are being implemented using innovative approaches. “The Green 100” trade fair in May 2023 gave capital seekers the chance to network with investors¹³, providing a platform for raising substantial amounts of private capital. Sustainable energy investment forums are also being established in Austria with a view to finding new solutions for securing private capital.

The need to build the right kind of bridge between the project level and the financing level is particularly important in the case of Austria. To achieve this, dialogue opportunities, workshop programmes, and networking schemes need to be further strengthened. The findings, process models, blueprints, and other information gained from these need to be made available to all stakeholders to achieve the desired scaling effects. The acceptance of models by end users, such as investors, is a key success factor in this regard.

- Accelerate projects geared towards building an optimal bridge
- Ongoing
- BMK, BMF, klimaaktiv, Climate and Energy Fund

13 thegreen100.at

Expanding the range of green forms of investment for the public

To generate more capital for climate protection from private sources, it is worth identifying opportunities for maximising public participation. Citizens, as small-scale investors or consumers, and small and medium-sized enterprises (SMEs) are crucial to enabling the green transformation. One of the aims of the EU's capital market union and the EU sustainable finance framework is to offer more financing opportunities to SMEs and encourage greater participation from small investors in the capital markets. The task of improving the public's understanding of finance is already included under the "transparency and long-term approach" pillar of the GFA and is being put into practice at national level as part of the "green financial literacy" action area (see Section 3). National schemes need to continuously be evaluated and implemented in line with findings from European projects.

- Evaluating and implementing the most suitable concepts
- Ongoing
- BMF, BMK, financial industry

Bolstering green projects at municipal and provincial level

Meeting Austria's climate and energy targets in a cost-effective way also requires effective measures at the level of the provinces and municipalities. With this in mind, the development of climate-friendly infrastructure at municipal and provincial level is to be channelled through existing federal/provincial agreements in the future.

- Working out potential options
- 2023, especially Green Spending Review Module 2 as part of the RRP on identifying potential for synergies in the subsidy landscape of the federal provinces¹⁴ (Q2/2023)
- BMF, BMK, federal states, municipalities

¹⁴ See also bmf.gv.at/themen/klimapolitik/green_budgeting/green-spending-reviews-des-bmf (in German)

Using existing federal instruments to bolster green finance and raise private capital

In addition to a green finance funding programme (Climate and Energy Fund), an Austrian Green Investment Pioneers programme (klimaaktiv) has been launched, clearly signalling the public sector's intention to step up green finance.

The federal government plans to continue using its existing instruments and initiatives to maximise the efficiency of the green finance measures put in place and provide them with the best possible support.

- Building on the existing range of instruments
- Ongoing
- BMK, BMF

Green Finance Alliance

The BMK is responsible for the Green Finance Alliance. It is being implemented under the specialist guidance of the Environment Agency Austria and developed further with the support of an international expert Advisory Council. After an extensive preparation phase, the Green Finance Alliance was launched with nine members in May 2022 and called for further membership applications between October 2022 and February 2023. The Green Finance Alliance is designed as a long-term, future-oriented initiative.

Under the Green Finance Alliance, participating financial companies commit to gradually aligning their portfolios with the climate targets of the Paris Agreement and expanding green activities within their core business. The aim is to establish an alliance of pioneers to help transition the Austrian financial sector towards a business model that is compatible with the Paris Agreement. Climate performance or the implementation of defined criteria within individual companies is reviewed on an annual basis.

- Annual monitoring in line with the 1.5°C target
- Ongoing
- BMK, Environment Agency Austria, participating financial institutions

Establishing Taxonomy-aligned financial instruments for the Austrian market

Steering private capital towards climate- and environmentally friendly investments in line with the objectives of the Taxonomy Regulation requires green financial instruments. These link financial companies to sustainable projects, such as schemes to develop renewable energies or measures to improve energy efficiency. The Taxonomy Regulation, along with its technical screening criteria, defines the framework for classifying environmentally sustainable activities and can be used as a benchmark for green financial instruments. The federal government is supporting efforts to redirect private capital flows towards sustainable investments by adjusting existing instruments (e.g. grants, guarantees) with Taxonomy criteria in mind.

- Strengthening development and supporting market penetration
- Ongoing, especially Green Spending Review Module 3 on implementing the EU Taxonomy at national level¹⁵ (Q4/2024)
- Financial industry, BMK, and BMF

Using digitalisation to promote green finance

Digitalisation is changing existing business models. The FinTech Advisory Council set up by the BMF in 2018 is discussing the challenges being faced and potential improvements to the framework.

The Government Programme 2020–2024 plans for increasing use of digitalisation in the Austrian capital market, as well as in other areas. When it comes to monitoring and reporting in particular, fintech can use blockchain technology to help reduce the transaction costs of green investments and monitor compliance with sustainability criteria such as the Taxonomy Regulation more efficiently.¹⁶ The FinTech Advisory Council serves as an ideal forum for discussing possible options.

- Implementing sustainability as a target dimension in digital developments
- Ongoing
- BMF

15 See also bmf.gv.at/themen/klimapolitik/green_budgeting/green-spending-reviews-des-bmf (in German)

16 Kommunalkredit Public Consulting (2019): The EU's Sustainable Finance and FinTech Agenda: Breaking the Silos. kpc-consulting.at/eng/news-publications/news-detail/newseintrag/zeige/the-eus-sustainable-finance-and-fintech-agenda-breaking-the-silos

Investing public funds in an environmentally sustainable way

Austria's biggest investor in equity participations is the federal government. Government participations have the potential to set an example when it comes to implementing the long-term targets of the Paris Agreement. Investing public funds in sustainable assets is therefore something that should be stepped up further within the scope offered by company law. Possible supporting measures range from amending the ÖIAG Act 2000 to using the Paris Agreement Capital Transition Assessment (PACTA) tools to regularly review the extent to which investments are in line with climate targets.¹⁷

- Sustainability quotas for investments and federal government participations
- Ongoing, including Green Spending Review Module 4 on green transformation and public sector involvement¹⁸ (Q2/2025)
- Involvement of the public sector

Creating a green business location that is competitive and stable

A competitive and stable economic and financial system is conducive to driving forward the green transformation. The federal government is therefore championing suitable, effective, and budget-neutral measures to support this at national and European level. The idea of introducing a “green supporting factor”, i.e. lower equity requirements for loan-financed environmental projects, has been rejected for the time being at European level as it has been deemed impractical and not worth the risk. The European Banking Authority (EBA) is therefore planning to carry out evidence-based investigations and report back on this. To set some measures in motion in the meantime, the decision has been made to offer supervisory incentives to encourage banks to press ahead with their activities in a risk-appropriate and environmentally worthwhile way.

- Encouraging the creation of a green business location that is competitive and stable, including at European level
- Ongoing
- BMF

17 Paris Agreement Capital Transition Assessment (in German)
bmk.gv.at/themen/klima_umwelt/klimaschutz/green_finance/pacta

18 See also bmf.gv.at/themen/klimapolitik/green_budgeting/green-spending-reviews-des-bmf
(in German)

3 Managing risks

Aside from raising capital, it is particularly important for financial companies to manage their climate and environmental risks. Resilient financial companies are crucial to ensuring the stability of the financial system as a whole. The principle of double materiality applies here: Financial companies are required to both consider the potential impact of climate change on the recoverability of their own portfolio and be generally conscious of the impact of their investments on the progression of climate change and the achievement of environmental targets. In both cases, physical and transition risks need to be taken into account.

Although it is clear that financial companies are aware of the relevance of climate and environmental risks, the measures implemented so far are in many cases not sufficient to adequately identify and manage these kinds of risks. Below follows a list of some key action areas and implementation steps designed to encourage financial companies to pay sufficient attention to climate and environmental risks in their risk management activities.

Action areas and implementation steps

Along with findings from the specialist content analyses, the recommendations from the stakeholder process, and the measures set out in the NECP, the Austrian Government Programme 2020–2024 in particular has also been a key factor in developing the action areas presented below. The information provided here outlines activities already set in motion, as well as describing what each action area involves and offering a brief response to the following questions:

- How should the action be implemented?
- When is the implementation planned for?
- Who or what institution(s) is/are responsible?

Guide for companies in the financial sector on managing sustainability risks

On 2 July 2020, the Financial Market Authority (FMA) published a cross-sector guide on how to manage sustainability risks.¹⁹ The FMA guide is intended to help regulated entities to take sustainability risks into account in their business activities and, in particular, to prepare them for future regulatory developments.

This initiative launched by the FMA and Oesterreichische Nationalbank (OeNB) provides information, guidance, standardised methods, and key performance indicators to support companies in incorporating climate and environmental risks into their risk management systems.

- Developing methods and guidance for mitigating climate and environmental risks
- Ongoing
- FMA and OeNB with support from Environment Agency Austria

Measuring and managing the extent to which financial flows are geared towards climate compatibility

Back in 2020, the BMK, together with the BMF, invited Austrian financial companies to take part in a national PACTA analysis, as featured as a measure in the NECP. The results for Austria can be found on the BMK's website.²⁰ Another PACTA analysis is due to be carried out in 2023.

The PACTA analysis is one way of measuring the climate compatibility of financial companies' financial portfolios. This process involves using scenario analyses to examine the CO₂ intensity of the submitted portfolios at sector level. A report is then produced showing how compatible Austria's lending and investment portfolios are with a decarbonisation pathway.

- Continuing to participate in PACTA COP (Coordinated Project); relaunching the Austrian nationwide PACTA analysis and encouraging more financial institutions to take part
- 2023
- BMK and BMF together with Environment Agency Austria

¹⁹ fma.gv.at/en/fma/fma-guides/

²⁰ bmk.gv.at/green-finance/finanzen/klimavertraeglichkeit (in German)

Climate risk management initiative

- “Klimarisikomanagement für Finanzintermediäre” (“Climate risk management for financial intermediaries”) expert conference organised by OeNB and the Federal Banking and Insurance Section of the Austrian Federal Economic Chamber (WKO)²¹
- FMA guide on managing sustainability risks, which also includes an annex on good practices regarding methods, key figures, and tools (see page 23)
- Special chapter on climate risks in OeNB’s Financial Stability Report 38²²
- Special chapter on Austrian banks’ exposure to transition risks in OeNB’s Financial Stability Report 40²³
- OeNB climate stress test for the Austrian banking sector in Q3 2021²⁴
- Specific sections on insurance companies’ and pension funds’ exposure to transition risks in reports on the state of the Austrian insurance industry²⁵ and on the state of Austrian pension funds²⁶ since 2020
- FMA climate stress tests for the Austrian insurance and pension fund sector since Q4 2019
- Focus on the topics of sustainability risks and climate change risks in the FMA’s Facts and Figures, Trends and Strategies report²⁷ since 2020
- OeNB’s and the FMA’s membership in the Network for Greening the Financial System (NGFS)²⁸
- Involvement of OeNB and the FMA in shaping the approach to banking supervision at European level, review of the implementation of climate risk management in banks, and publication of a report on best practices²⁹

21 “Klimarisikomanagement für Finanzintermediäre” (“Climate risk management for financial intermediaries”) conference held by Oesterreichische Nationalbank and the Austrian Federal Economic Chamber on 11 December 2019; presentations available at: oenb.at/Termine/2019/2019-12-11-klimarisikomanagement (in German)

22 OeNB (2019) Financial Stability Report 38, chapter on “Climate change as a risk to financial stability” oenb.at/Publikationen/Finanzmarkt/Finanzmarktstabilitaetsbericht/2019/financial-stability-report-38

23 OeNB (2020) Financial Stability Report 40, chapter on “Austrian banks’ exposure to climate-related transition risk” oenb.at/dam/jcr:9ade95ea-3900-4aa4-9d64-209faaa7c0d9/04_FSR_40_Austrian_banks_exposure_to_climate-related_transition_risks.pdf

24 OeNB (2021) Financial Stability Report 42, chapter on “OeNB climate stress test” oenb.at/dam/jcr:2c2077e8-9729-441a-bb43-3b7a50ec2228/05_FSR_42_OeNB-climate-risk-stress-test.pdf

25 FMA, fma.gv.at/en/insurance/disclosure/state-of-the-austrian-insurance-industry/

26 FMA, fma.gv.at/en/pensionskassen/disclosure/the-state-of-austrian-pensionskassen/

27 fma.gv.at/en/publications/facts-and-figures-trends-and-strategies/

28 NGFS (2020) ngfs.net

29 bankingsupervision.europa.eu/ecb/pub/pdf/ssm.thematicreviewcercompendiumgoodpractices112022-b474fb8ed0.en.pdf

The development of the Green Finance Agenda has been supported by various supervisory authority activities. The supervisory authorities offer regulatory and supervisory guidance to help the financial market and those involved in it transition to a sustainable business model. Methodological support is also needed going forward to reinforce the focus on sustainability.

- Supporting sustainability as a focal area of supervision and auditing
- Ongoing
- FMA, OeNB, BMK, with methodological support from Environment Agency Austria; BMF

Generating research findings for the financial sector that are relevant to practice

The “RiskFinPorto – Analysis of Carbon Risks in Financial Markets and Austrian Portfolios” research project analysed the exposure of the Austrian financial market to CO₂ risks for the first time.³⁰ The findings from this project were presented and discussed at a roundtable event involving high-level participants.

Research and education can help highlight and build an understanding of climate-related risks in the financial market and put them in context. To generate findings that are based on international good practice and can be applied in practice, this topic needs to be prioritised within existing research funding schemes or university service agreements (e.g. research funding programmes, professorship in sustainable finance). In addition to managing the financial market’s exposure to climate risk, it is important to analyse the effect of green finance measures on the real economy. The research findings to date have provided some initial insights into how to potentially boost impact in what is still very much an emerging field of research.³¹

- Setting priorities based on requirements (biodiversity, impact, etc.)
- Ongoing
- Universities and research institutions

30 The RiskFinPorto project is funded by the Climate and Energy Fund as part of the Austrian Climate Research Programme (ACRP) and spearheaded by the Environment Agency Austria in cooperation with GreenAlpha, Vienna University of Economics and Business, Günsberg Politik- und Strategieberatung, ISS-Ethix, Sattler & Schanda Rechtsanwälte, and South Pole.

31 Kölbel, J., Heeb, F., Paetzold, F., and Busch, T. (2020). Can Sustainable Investing Save the World? Reviewing the Mechanisms of Investor Impact. *Organization & Environment*, 33(4), 554–574. papers.ssrn.com/sol3/papers.cfm?abstract_id=3289544 (2022), Heeb, F., Kölbel, J., Paetzold, F., and Zeisberger, S. (2021): Do Investors Care about Impact? papers.ssrn.com/sol3/papers.cfm?abstract_id=3765659 (2021)

Developing strategies and taking measures to avoid declines in value

To avoid declines in value, financial companies need to know the extent to which they are affected by climate and environmental risks and how much their assets are exposed to them. They therefore need to strategically align their portfolios with the Paris climate goals, calculate the carbon footprint (weighted carbon intensity) for all their relevant portfolios, and disclose this as recommended by the Task Force on Climate-Related Financial Disclosures (TCFD)³², and carry out an assessment of climate and environmental risks relating to investments, participations, project financing, and lending.

- Systematically measure and reduce exposure to climate and environmental risks
- Ongoing
- Financial companies

32 TCFD (2021) Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures.
assets.bbhub.io/company/sites/60/2021/07/2021-TCFD-Implementing_Guidance.pdf

4 Promoting transparency, a long-term approach, and effective impact

The financial world is showing strong indications of short-term yield enhancement. However, a long-term approach, such as investing in sustainable infrastructure, is needed to achieve the Paris climate targets. This calls for a rethink in both the financial sector and the real economy. Firmly embedding this concept of long-term thinking in financial and economic activities requires a clear political and regulatory focus, supportive frameworks, and incentives to invest in sustainably climate-friendly projects. Another key factor in this regard is the transparent disclosure of comparable and climate-relevant information specific to both companies and investments. This is the only way to ensure that capital is channelled into projects with potential to offer lasting environmental benefits and to avoid greenwashing.

Action areas and implementation steps

Along with findings from the specialist content analyses, the recommendations from the stakeholder process, and the measures set out in the integrated national energy and climate plan (NECP), the Austrian Government Programme 2020–2024 in particular has also been a key factor in developing the action areas presented below. The information provided here outlines any activities already set in motion, as well as describing what each action area involves and offering a brief response to the following questions:

- How should the action be implemented?
- When is the implementation planned for?
- Which institution(s) is/are responsible?

Creating uniform standards and criteria for green financial products and standardising ESG ratings for businesses

A number of binding and non-binding minimum standards for green financial products are currently being developed or revised at both national and European level (e.g. EU Green Bond Standard, EU Ecolabel for Financial Products, EC legislative proposal on ESG ratings, Austrian Ecolabel). The Austrian federal government is supporting the negotiations on the European level and helping to fast-track the implementation of the Taxonomy Regulation by providing information for stakeholders and taking this regulation into account in national standards, such as the 2022 aws Guarantee Guidelines.

- Supporting the development of uniform standards and labels
- Ongoing
- BMK and BMF

Standardising methods and KPIs

There is evidently a great deal of momentum surrounding efforts to standardise product-related and corporate disclosure of information on sustainability, both internationally and within the EU (e.g. EU Sustainable Finance Disclosure Regulation [SFDR]³³ and the Regulatory Technical Standards relating to this [Regulatory Technical Standards on ESG disclosure standards for financial market participants, SFDR-RTS]³⁴, revision of the EU Corporate Sustainability Reporting Directive [CSRD]³⁵, ISO 14097 framework including principles and requirements for assessing and reporting investments and financing activities related to climate change³⁶, ISO 14030 on environmental performance evaluation – green debt instruments³⁷). The national supervisory authority recommends that disclosures about sustainability risks be continuously updated in accordance with the latest scientific developments. The Austrian federal government is supporting the development of ambitious and consistent reporting standards and is actively involved in consultation processes (e.g. EFRAG's European Sustainability Reporting Standards [ESRS] on formalising CSRD requirements).

- Actively participating in developing methods and in standardisation processes, as well as analysis of regulatory standards relating to impact-relevant information
- Ongoing
- Public sector and private sector

33 eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32019R2088

34 [ec.europa.eu/transparency/documents-register/detail?ref=C\(2022\)1931&lang=en](https://ec.europa.eu/transparency/documents-register/detail?ref=C(2022)1931&lang=en)

35 eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32022L2464

36 iso.org/standard/72433.html

37 iso.org/standard/43254.html

Publishing qualitative and quantitative environmental KPIs and systematically using them to inform decision-making

To promote transparency and disclosure of climate and environmental impact, companies operating in the financial sector and the real economy are advised to calculate and disclose their CO₂e emissions based on the GHG Protocol (Scope 1, 2, and 3)³⁸ and to publish indicators of negative effects on sustainability (adverse ESG impacts) in line with the Sustainable Finance Disclosure Regulation³⁹. Moreover, decision-makers and multipliers need to be aware of the calculation methods used and the implementation of KPIs relating to climate and the environment.

Oesterreichische Kontrollbank (OeKB) has developed an ESG Data Hub that enables all companies (directly or indirectly) subject to reporting obligations in future to calculate and upload their data in a straightforward way and make it easily accessible to organisations in the financial sector.

- Improving the availability and quality of environmental and climate data
- Ongoing
- Recommendation for action for all businesses and for training providers

Standardised pricing of CO₂e emissions in investment and financing decisions

The Government Programme 2020–2024 stipulates the implementation of an eco-social tax reform: Over several stages, the federal government has set a tax reform in motion that is designed to relieve the burden on people in Austria and, at the same time, establish true-cost pricing of environmental elements within the tax system. In relation to this, a clear CO₂ price for emissions outside the EU Emissions Trading System (EU ETS) was introduced on 1 October 2022. This is steadily being increased based on a set price path and may potentially be incorporated at European level, while the EU ETS may be expanded to other sectors. The price per tonne of CO₂, which is currently a fixed price, was EUR 30 in 2022 and stands at EUR 35 in 2023. It is set to rise to EUR 45 in 2024 and EUR 55 in 2025. After that, emission allowance trading will move into a market phase (or into a European system).

The pricing of corporate greenhouse gas emissions reflects impacts on climate and the environment in monetary terms and enables these factors to be taken into account in corporate decision-making models. Under the Green Finance Agenda, research on monetising external costs, incorporating them into economic calculation models, and quantifying CO₂e emissions in the SME segment is supported and companies are

38 The GHG Protocol Corporate Accounting and Reporting Standard (Scope 1 and 2), ghgprotocol.org/corporate-standard and the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard, ghgprotocol.org/standards/scope-3-standard

39 Regulation (EU) 2019/2088 of the European Parliament and of the Council on sustainability-related disclosures in the financial services sector (Sustainable Finance Disclosure Regulation)

encouraged to include the costs of CO₂e emissions in profitability calculations based on the model provided by the European Investment Bank (EIB).⁴⁰

- Monetising CO₂e emissions in compliance with the Paris climate targets
- Ongoing
- Sectors supported by BMK and national supervisory authorities

Incorporating long-term environmental objectives into economic decision-making processes

Companies in the financial sector and the real economy, along with state-owned enterprises and state-affiliated organisations, are advised to evaluate their business (area) strategies with environmental and climate aspects in mind and to adapt their objectives and internal requirements where necessary. For financial companies, it is particularly important to implement long-term scenarios with regard to lending and risk management. Various guidelines and standards have already been developed to help with applying science-based methods. It is recommended to combine these with focusing business models on long-term sustainability. Financial companies are particularly being encouraged to align their portfolios with the 1.5°C climate target. This can be done by means of specific measures such as drawing up transition plans with short-, medium-, and long-term greenhouse gas reduction targets or analysing and disclosing short-, medium-, and long-term climate and sustainability risks. Membership in the Green Finance Alliance⁴¹ helps with this.

- Adopting a long-term approach to corporate decision-making
- Ongoing
- Recommendation for action for all public sector organisations and private enterprises

Green financial literacy

There are numerous activities aimed at promoting financial literacy with regard to sustainability in Austria. Back in 2019, the "Faktencheck Green Finance"⁴² was published as an awareness-raising scheme in collaboration with the Climate and Energy Fund. In 2020, an initial training series on green debt instruments was organised for stakeholders in the financial sector considering issuing green debt instruments. Talks have also been held at schools, with supporting information material also provided, to help establish green finance as a topic in education.

40 EIB Energy Lending Policy – Annex V; eib.org/en/publications/eib-energy-lending-policy#

41 bmk.gv.at/en/green-finance.html

42 Climate and Energy Fund (2019) Fact Check Green Finance. faktencheck-energiewende.at/faktencheck/green-finance

The publication of the “Investing responsibly for the future” module in cooperation with the Vienna Stock Exchange in September 2021, intended as a supplement to the *börse4me* learning material, was another successfully implemented measure in this area, targeted at interested private investors.⁴³ In autumn 2022, a three-part webinar series on how the Taxonomy Regulation works, complete with examples of application in practice, was held for companies in both the financial sector and the real economy.

The National Financial Literacy Strategy for Austria, which was launched in September 2021, also prioritises action to help consumers make sustainable and green financial decisions. At European level, two financial competence frameworks have been developed to promote skills in areas including sustainable finance. The EU financial competence framework for adults was set up in 2022, for example, and this provided the basis for adopting the Austrian financial competence framework.⁴⁴ In 2023, another EU financial competence framework is due to be drawn up for young people and Austria plans to apply this, too, taking into consideration its own specific requirements.

Another key aspect of the National Financial Literacy Strategy involves working with individual programmes and initiatives to raise awareness of the importance of ESG factors and warns against the effects of greenwashing⁴⁵. Furthermore, the Austrian financial education portal is scheduled to go live in 2024, providing another channel for highlighting topics related to sustainable finance.

To foster a financially sustainable and forward-thinking industry, climate and environmental aspects must be integrated into existing financial processes at all levels. Comprehensive skills and knowledge development is therefore needed on topics relevant to the environment and climate and their interrelationships with the financial sector. Efforts should be made to encourage the incorporation of green financial literacy into existing training and education programmes for a range of target groups.

- Supporting the development of skills and measures relating to green financial literacy
- Ongoing
- BMF, BMK in cooperation with relevant stakeholders

43 Information material is available to download from the BMK website.

44 bmf.gv.at/dam/jcr:b466209c-ad56-413e-bcfb-38c2c743ad54/%C3%96sterreichischer%20Kompetenzrahmen%20Finanzbildung.pdf (in German)

45 bmf.gv.at/dam/jcr:731d36d6-2be8-4845-a3d4-09fdec8d81de/Jahresarbeitsplan%20Finanzbildungsstrategie%202023.24.pdf (in German)

5 Enhancing impact and cost-effectiveness

To make sure the GFA is implemented in an impactful and cost-effective way, regular and systematic success monitoring is required.

- Development of a monitoring concept: A monitoring and evaluation concept is being developed in accordance with the RRP as the basis for systematically reviewing progress up to 31 December 2023.
- Development of indicators: In parallel with this, meaningful indicators are being developed to enable efficient success monitoring.
- Use of potential synergies with the BMF's Green Spending Review cycle: Findings on the impact of the listed GFA measures should be made available, analysed, and published on the BMF website within the scope of the BMF's Green Spending Review modules.

The first step is to set up the indicator-based monitoring and evaluation concept for implementing the GFA, as stipulated in the operational agreement between the European Commission and Austria in accordance with Regulation (EU) 2021/241 establishing the Recovery and Resilience Facility. As part of this, the reasons for fulfilling milestone requirements need to be provided and methods for monitoring the measurement of the success of green finance measures need to be clarified.

Moreover, the Green Finance Agenda itself needs to be evaluated regularly and adapted as required. The evaluations of the GFA, including the terms of reference for the review, will be carried out by the BMF in collaboration with the BMK. The first of these joint reviews must be carried out by 31 December 2026.

