

Low carbon benchmarks and positive carbon impact benchmarks

2018/0180(COD) - 24/05/2018 - Legislative proposal

PURPOSE: to amend Regulation (EU) 2016/1011 on low carbon benchmarks and positive carbon impact benchmarks.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: sustainability and the transition to a low-carbon and climate resilient, more resource-efficient and circular economy are key in ensuring long-term competitiveness of the Union economy.

In March 2018, the Commission published its [action plan](#) 'Financing Sustainable Growth', setting up an ambitious and comprehensive strategy on sustainable finance. One of the objectives of that action plan is to reorient capital flows towards sustainable investment to achieve sustainable and inclusive growth.

In line with the Paris Climate Agreement and the 2030 UN Sustainable Development Agenda, this proposal is part of a broader Commission initiative to facilitate investment in sustainable projects and assets across the European Union.

[Regulation \(EU\) 2016/1011](#) of the European Parliament and of the Council establishes uniform rules for benchmarks in the Union and caters for different types of benchmark.

By introducing new categories of low carbon or positive carbon impact benchmarks, this proposal aims to help investors compare the carbon footprint of investments.

The proposal is being presented in parallel with a [proposal](#) to bring institutional investors to integrate environmental, social and governance (ESG) criteria into their internal processes and to inform their clients.

IMPACT ASSESSMENT: the preferred approach provides for the adoption of a new framework establishing minimum standards for the harmonisation of the methodology to be applied to the low carbon or positive carbon impact benchmarks.

The use of EU harmonised standards for transparent methodologies would result in the development of benchmarks which would be better suited to measuring the performance of a portfolio or financial product that either follows a low-carbon or the 2⁰C objective investment strategy, respectively.

In terms of environmental impacts, it will relatively quickly redirect financing into assets and projects with sustainable goals that have a positive impact in terms of greenhouse gas emissions and contribute to the objectives of the Paris Climate Agreement.

CONTENT: Regulation (EU) 2016/1011 of the European Parliament and of the Council establishes uniform rules for benchmarks in the Union and caters for different types of benchmark.

The proposal establishes a number of minimum key elements of the methodology used to determine decarbonised benchmarks and positive carbon impact benchmarks, providing standards for the criteria and methods used to select and weight the underlying assets of the benchmark, and to calculate the carbon footprint and carbon savings associated.

These new market standards should reflect the carbon footprint of companies and provide more information to investors about the carbon footprint of an investment portfolio.

To enable market players to make well-informed choices, benchmark administrators should be required to disclose how their methodology takes into account the ESG factors for each benchmark or family of benchmarks that is promoted as pursuing ESG objectives. That information should also be disclosed in the benchmark statement.

Moreover, administrators of low-carbon and of positive carbon impact benchmarks should equally publish their methodology used for their calculation. That information should describe how the underlying assets were selected and weighted and which assets were excluded and for what reason.