

## Green and Sustainable Finance Conference

*Finance for a Sustainable Future*

*20 January 2023*

Ladies and gentleman,

It is my great pleasure and honor to speak at this important and timely conference program on Green and Sustainable finance. Talking about the green economy has been far from boring, in the past few years, period with constant changes and challenges forcing policymakers and market participants to remain alert and active. Today, this conference is an excellent opportunity to highlight the importance of transitioning to a climate-neutral economy with zero greenhouse gas emissions.

Allow me to begin with a brief overview of the **European Green Deal**, Europe's new growth strategy. The European Green Deal aims to transform the EU into a fair and prosperous society with a modern, resource-efficient, and competitive economy where there will be no net emissions of greenhouse gases by 2050 and where economic growth is decoupled from fossil fuel resources. The Strategy has four principal objectives: to make the transition smarter, swifter, and more systemic, and to step up international action on adaptation to climate change.

Undisputedly, the COVID-19 pandemic has dealt a body blow to every structure we can think of and led to an amendment to all climate goals planned for 2020. However, the European Green Deal is our lifeline from the COVID-19 pandemic and

crisis recovery. One-third of the €1.8 trillion investments from the **NextGenerationEU Recovery Plan** and the EU's seven-year budget will finance the European Green Deal resulting in a cleaner environment, more affordable energy, more intelligent transport, new jobs, and an overall better quality of life. On the flip side, Russia's invasion of Ukraine added urgency to Europe's green power transition and accelerated the need to break its dependence on Russian oil and gas.

To achieve this goal, a common language and a clear definition of what is 'sustainable' is needed. For this purpose, the **EU taxonomy** for sustainable activities has been established, a classification system to clarify which investments are environmentally sustainable in the context of the European Green Deal. The taxonomy aims to prevent greenwashing and to help investors make greener choices. EU taxonomy is undoubtedly the first step to fulfilling citizens' sustainability expectations.

The development of the EU taxonomy relies on extensive input from experts across the economy and civil society. It establishes six environmental objectives: climate change mitigation, climate change adaptation, the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control and the protection and restoration of biodiversity and ecosystems.

Under the Taxonomy Regulation, the European Commission had to develop the actual list of environmentally sustainable activities by defining technical screening

criteria for each environmental objective through delegated acts. A first delegated act on sustainable activities for climate change adaptation and mitigation objectives has been implemented and applicable since January 2022. A second delegated act for the remaining objectives will be published in 2023.

Green finance covers a wide range of financial products and services, divided into investment, banking, and insurance products. The predominant financial instruments in green finance are debt and equity. New financial instruments, such as green bonds, have been established to meet the growing demand, along with new financial institutions, such as green banks and green funds. Renewable energy investments, sustainable infrastructure finance, and green bonds remain areas of most interest within green financing activities.

The issuance of **green bonds** requires the evaluation of eligible projects by an external consultant who will certify that the projects meet the specifications. At the same time, establishing appropriate monitoring mechanisms is also needed. Green bonds have gained momentum during the last few years. It is estimated that green bonds worth around \$1 trillion will be issued by 2023.

In this evolving environment, **Cyprus** cannot be an exception. Cyprus is expected to join the club of countries that issue green bonds, with the first issuance of green loans in early 2023. This issuance will mark the readiness of Cyprus to enter this new era.

Furthermore, a potential Sustainable Bond program from the Republic of Cyprus could also influence other issuers, such as Corporates or Financial institutions, to issue their Green/Social/ Sustainable Bonds. It will be an opportunity for them to demonstrate how their Sustainable Bond program will support the broader transition to a more sustainable economy.

To summarize, Sustainable Bonds are a great tool to provide additional transparency to investors and other market stakeholders on the Republic of Cyprus' sustainability strategy through tangible evidence of projects.

While green bonds remain the most mature instruments, many innovative financial solutions are also rapidly developing.

The **European Investment Bank** is one of the world's main financiers of climate action and environmental sustainability. As the EU's climate bank, EIB supports the European Green Deal, with which the EU aims to make the European economy sustainable and inclusive. Through a broad spectrum of financial products and advisory services, EIB works with partners to help deliver long-term green investment needs. In November 2019, the EIB Board of Directors, with the EIB Group Climate Bank Roadmap 2021-2025, decided to increase the climate and environment commitment level for the EIB Group. The roadmap outlines the goals for climate finance that supports the European Green Deal and helps make Europe carbon-neutral by 2050. In 2021, the share of EIB investments that went to climate action and environmental sustainability projects rose to €27.8 billion, or 43% of the total financing.

In this setting described so far, the Cyprus government has the resources, tools, appetite, and conviction to pursue growth by differentiating the country's production model by investing in high-value sectors, such as green energy. Moreover, the new production model is well represented with investments and reforms in the recently published Vision 2035 long-term Strategy and Cyprus' Resilience and Recovery Plan.

The **Resilience and Recovery Plan** is a key tool through which Cyprus will drive forward its green transition, by devoting 41% of the Plan contributes to climate objectives, therefore, complying with the Recovery and Resilience Facility Regulation. The actions identified, incorporate EC's recommendations to achieve the energy and climate targets in 2030 and beyond. These actions are primarily included in the following components: **climate neutrality, energy efficiency and renewable energy penetration, sustainable transport, smart and sustainable water management, new growth model and diversification of the economy and enhanced research and innovation.**

More specifically, the Plan is expected to contribute €100 million to the EuroAsia Interconnector project, connecting Cyprus to the EU electricity grid and boosting renewable energy production. In addition, the Plan's green investments include several support schemes worth €89 million to promote energy efficiency and renewable energy sources and fight energy poverty. The Plan also includes €87 million of investments to promote sustainable and green mobility, encourage the shift from private cars to public transport and promote the use of electric vehicles. Moreover, several reforms are included that will introduce green taxation, transform the electricity market and facilitate the use of electric cars.

Furthermore, with a budget of €101 million, the Just Transition Fund will help Cyprus with its energy transition towards the 2030 and 2050 targets and over €387 million from the European Regional and Development Fund will go to the green transition via investments in energy efficiency, renewables, and reducing carbon emissions. An additional, €38.3 million from the European Maritime Fisheries and Aquaculture Fund will promote sustainable fisheries and the restoration and conservation of aquatic biological resources, sustainable aquaculture, and the development of local coastal fisheries communities and the implementation of international ocean governance.

Ladies and gentlemen,

As the atmosphere is warming up and the climate changes with each passing year, one million of the eight million species on the planet are at risk of being lost, and forests and oceans are being polluted and destroyed. There is no choice but to transform.

In Cyprus, the adverse impacts of climate change are already being felt, among others, in agriculture, water resources, and the state of forests, while the projections for the climate conditions that are expected to prevail in the future foresee a sizeable economic impact on society as a whole. This change and the design of an effective adaptation policy to climate change mitigate the inevitable negative consequences of climate change.

The road ahead is complex and challenging both regionally and internationally. Nevertheless, developing a low-carbon and sustainable economic model is a fundamental goal for the planet's future.

We are determined to continue along the same path!