



***14th Meeting of UNCEEA
24-25 June, 2019
2019 Forum of Experts on SEEA
26-27 June, 2019
NY, USA***

EU Sustainable Finance Strategy Beyond 2020

Emerging Priorities on Environmental Accounting

And the opportunity for creating synergies

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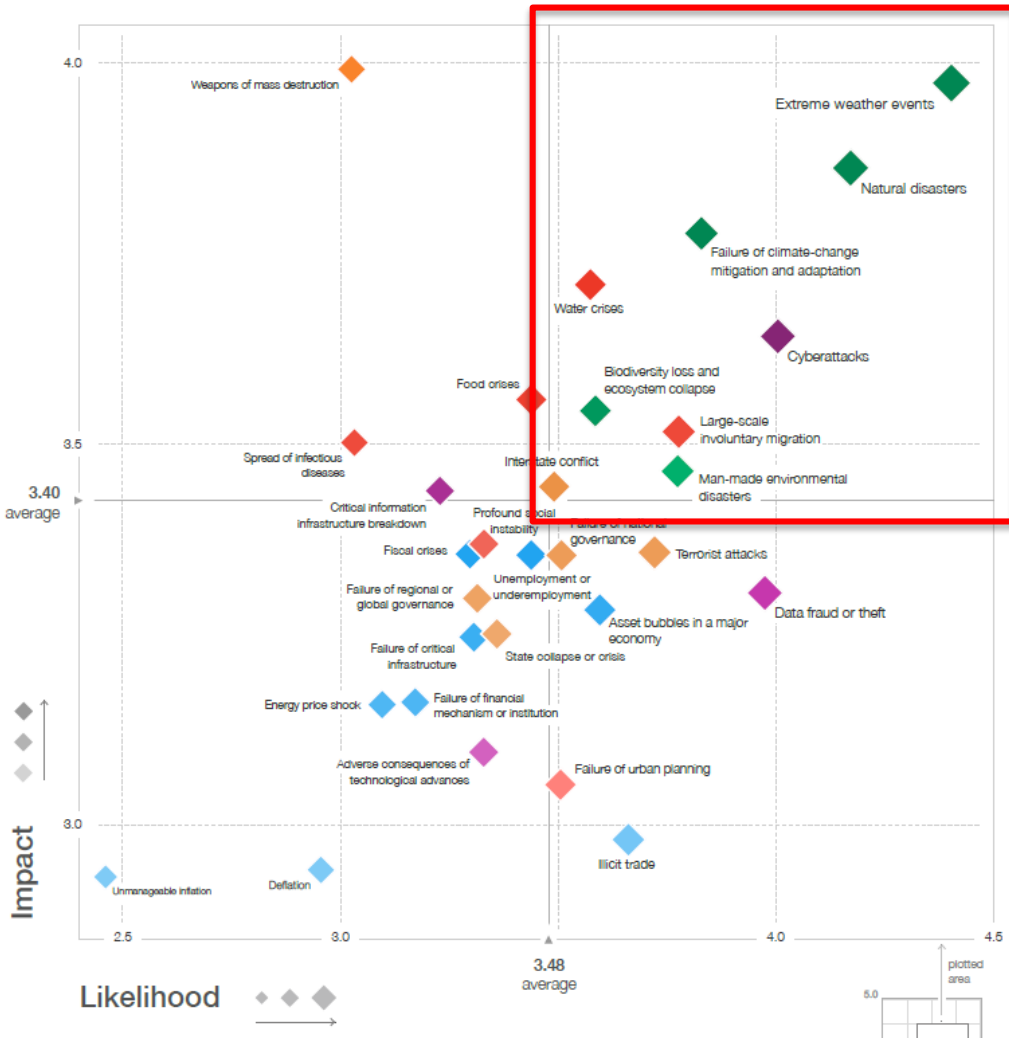
European Commission - Environment

Today's Content

- *Background*
- *Rational for (further) action on Sustainable Finance*
- *Obstacles & Strategic Response*
- *Current and future Priority Actions*
- *The environmental Accounting Priority*
- *Recommendations Possible Next Steps*

Rapid Rising Natural Capital Risks Jeopardize Wealth & Wellbeing

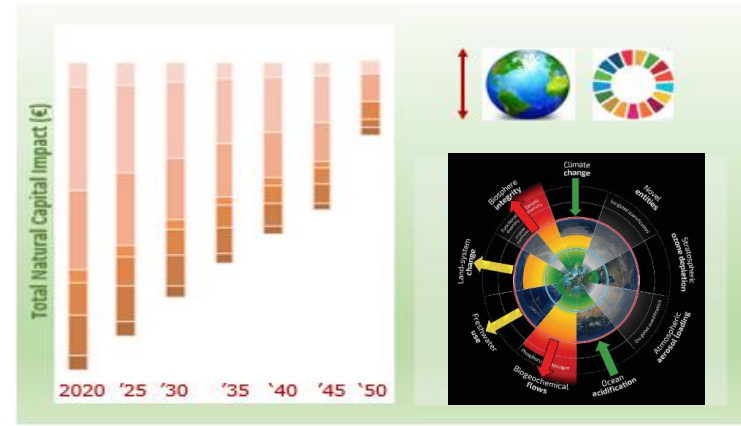
Requires swapping 'thematic prioritization' for 'total risk management'



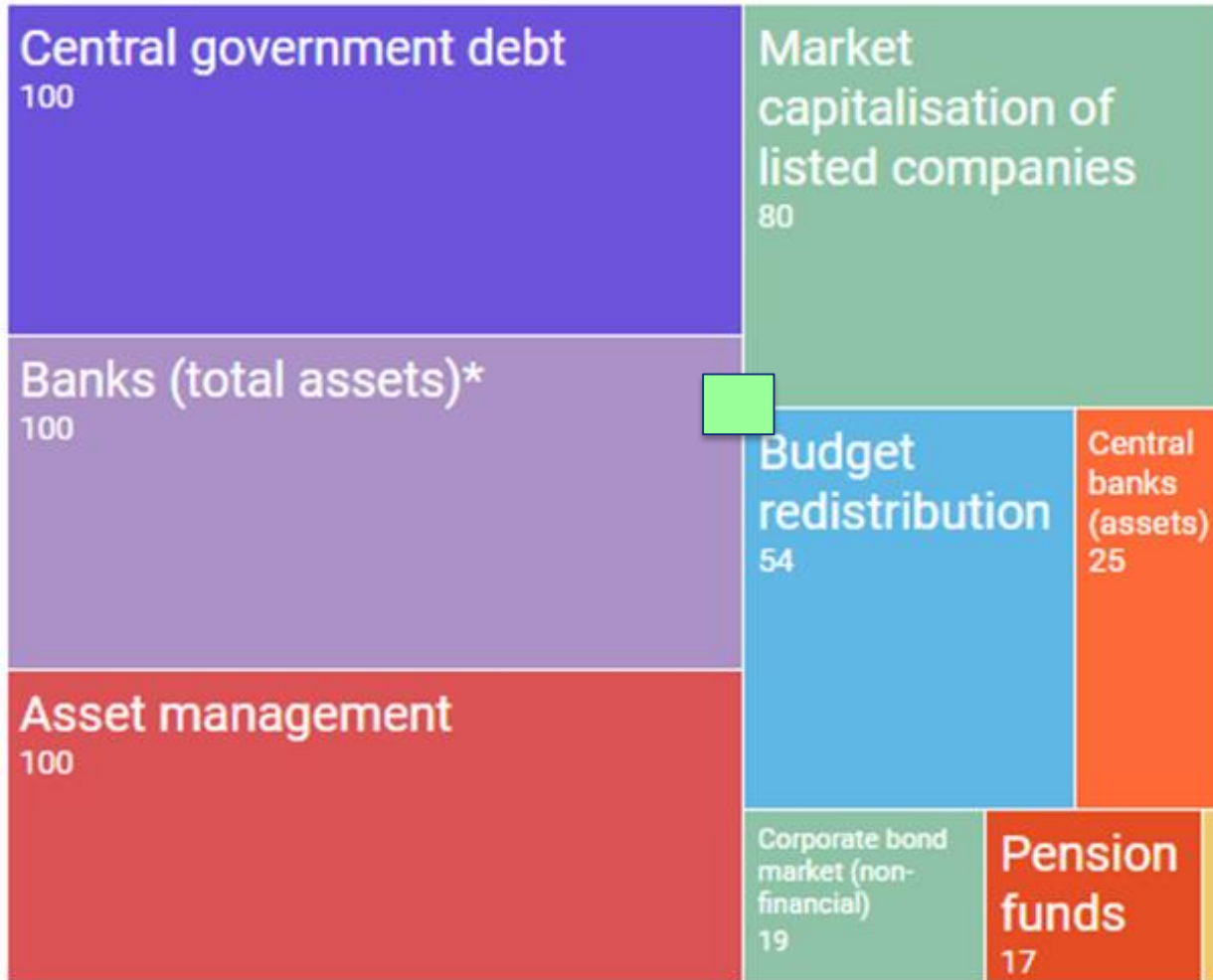
- Top 10 risks in terms of Likelihood
- 1 Extreme weather events
 - 2 Natural disasters
 - 3 Cyberattacks
 - 4 Data fraud or theft
 - 5 Failure of climate-change mitigation and adaptation
 - 6 Large-scale involuntary migration
 - 7 Man-made environmental disasters
 - 8 Terrorist attacks
 - 9 Illicit trade
 - 10 Asset bubbles in a major economy

- Top 10 risks in terms of Impact
- 1 Weapons of mass destruction
 - 2 Extreme weather events
 - 3 Natural disasters
 - 4 Failure of climate-change mitigation and adaptation
 - 5 Water crises
 - 6 Cyberattacks
 - 7 Food crises
 - 8 Biodiversity loss and ecosystem collapse
 - 9 Large-scale involuntary migration
 - 10 Spread of infectious diseases

cf. Global Risk Reports, Planetary Boundaries, Agenda 2030 and SDGs, Paris, ...



Green Finance Essential for Delivering the Environmental Agenda *But Reality in Mobilizing Markets (Very) Far from Policy Goals and Rhetoric*



Financial Markets

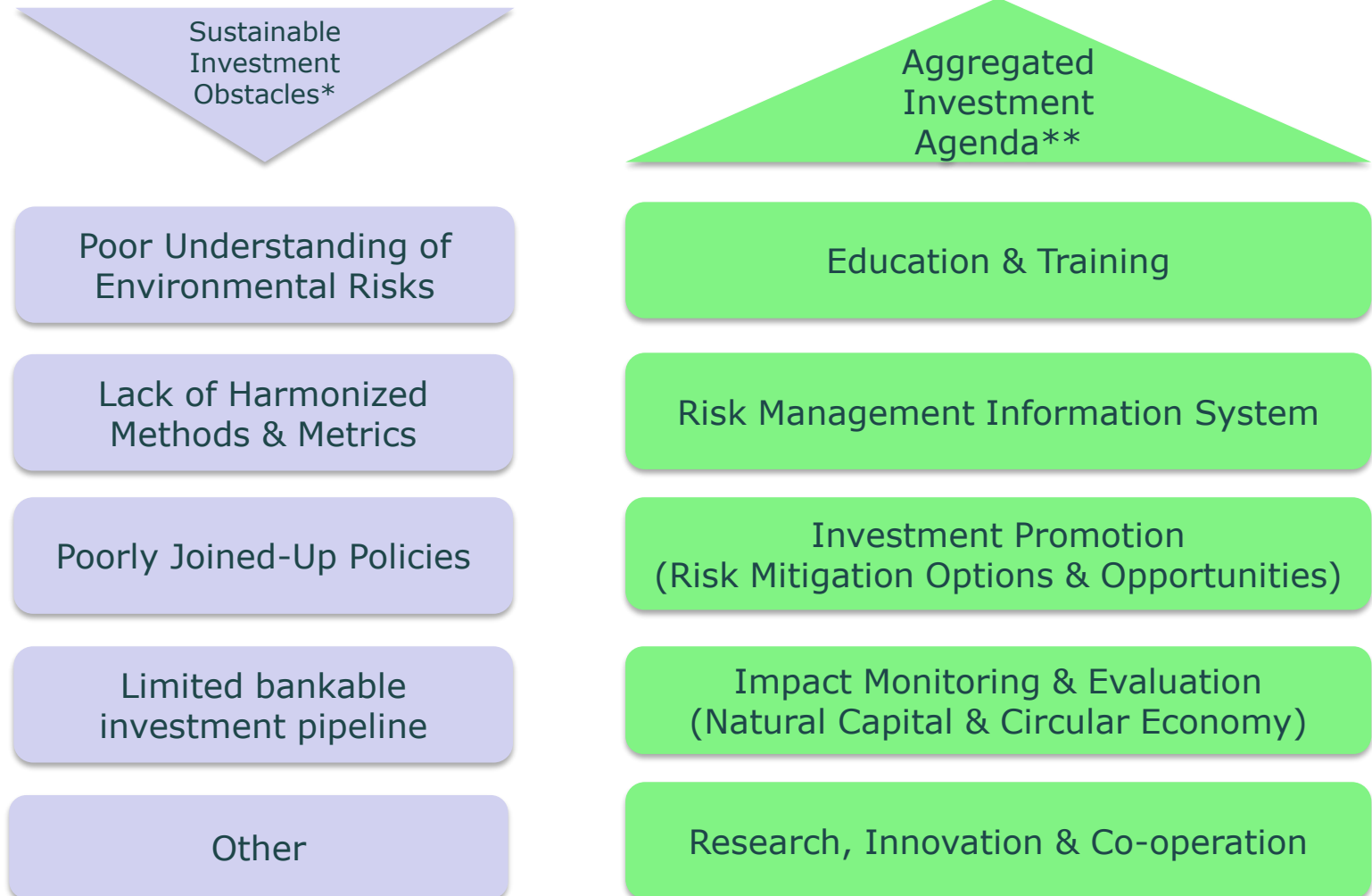
(ESG ~2%)

(E < 2%)

Cf JP Morgan 2018

Sustainable Investment Growth Obstacles & Strategic Response

A Framework for Moving from « 2% » Today To « 100% » By 2050



* See HLEG, UNEP-World Bank, PR-CFA, ... (2018)

** Focusing today on "green" investments; to extended to social.

The Sustainable Finance Strategy Beyond 2020

Maintaining Momentum, Strengthening, Extending, Accelerating

Investment Agenda

Education & Training

Climate

Air, Water, Land, Biodiversity

Circular Economy

Social

Risk Management Information System

Climate and Environmental Risks

Social Risks

Financial Risk

Risk Management Information System

Taxonomy (Climate + No Harm + **Nat Cap**)

Environmental Accounting (E-GAAP)

Non-Financial Reporting & Investors' Disclosure

Investment Promotion

Investment Needs Analysis

Financial Product and Service Standards

Portfolio Development

Impact Monitoring & Evaluation

Market surveillance platform

Environmental impact surveillance

Social impact surveillance

Research, Innovation & Co- operation

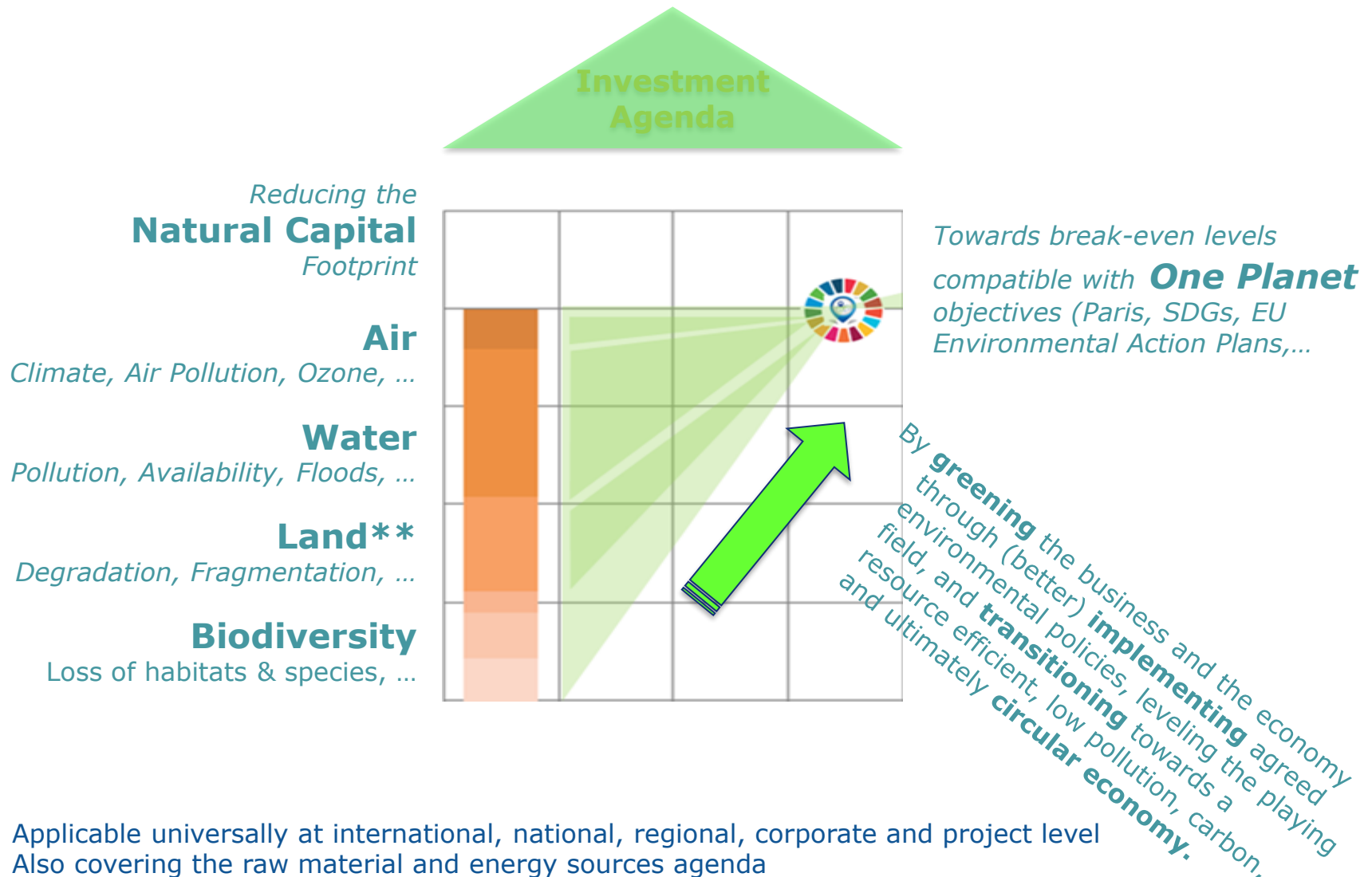
Research

Innovation

Co-operation













The Aggretated Green Impact Investment Agenda*

Combining Forces to reduce (not shift) risks towards « break-even »



The Environmental Accounting Priority (Corporate and Project)

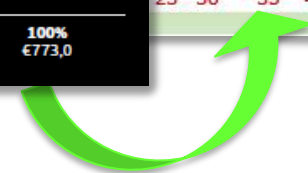
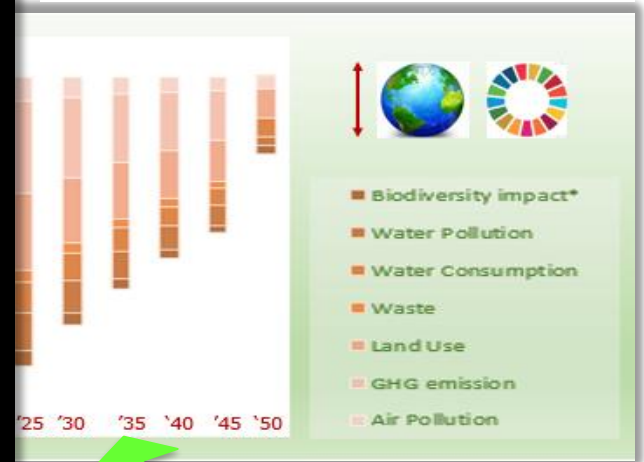
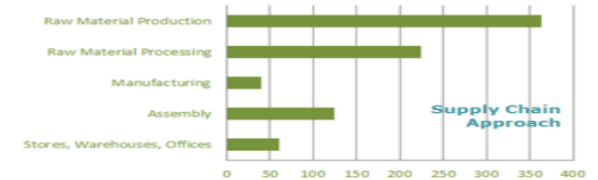
Enabling Total Impact Measurement and Management

	TIER 0: STORES WAREHOUSE OFFICES	TIER 1: ASSEMBLY	TIER 2: MANUFACTURING	TIER 3: RAW MATERIAL PROCESSING	TIER 4: RAW MATERIAL PRODUCTION	TOTAL IN MILLIONS
AIR POLLUTION 						8% €64,5
GREENHOUSE GAS EMISSIONS 						35% €272,2
LAND USE 						27% €209,9
WASTE 						5% €37,0
WATER CONSUMPTION 						11% €83,2
WATER POLLUTION 						14% €106,2
TOTAL:	7% €56,0	13% €100,0	4% €33,70	26% €197,6	50% €385,7	100% €773,0

Managing Risk: Simple or Smart?

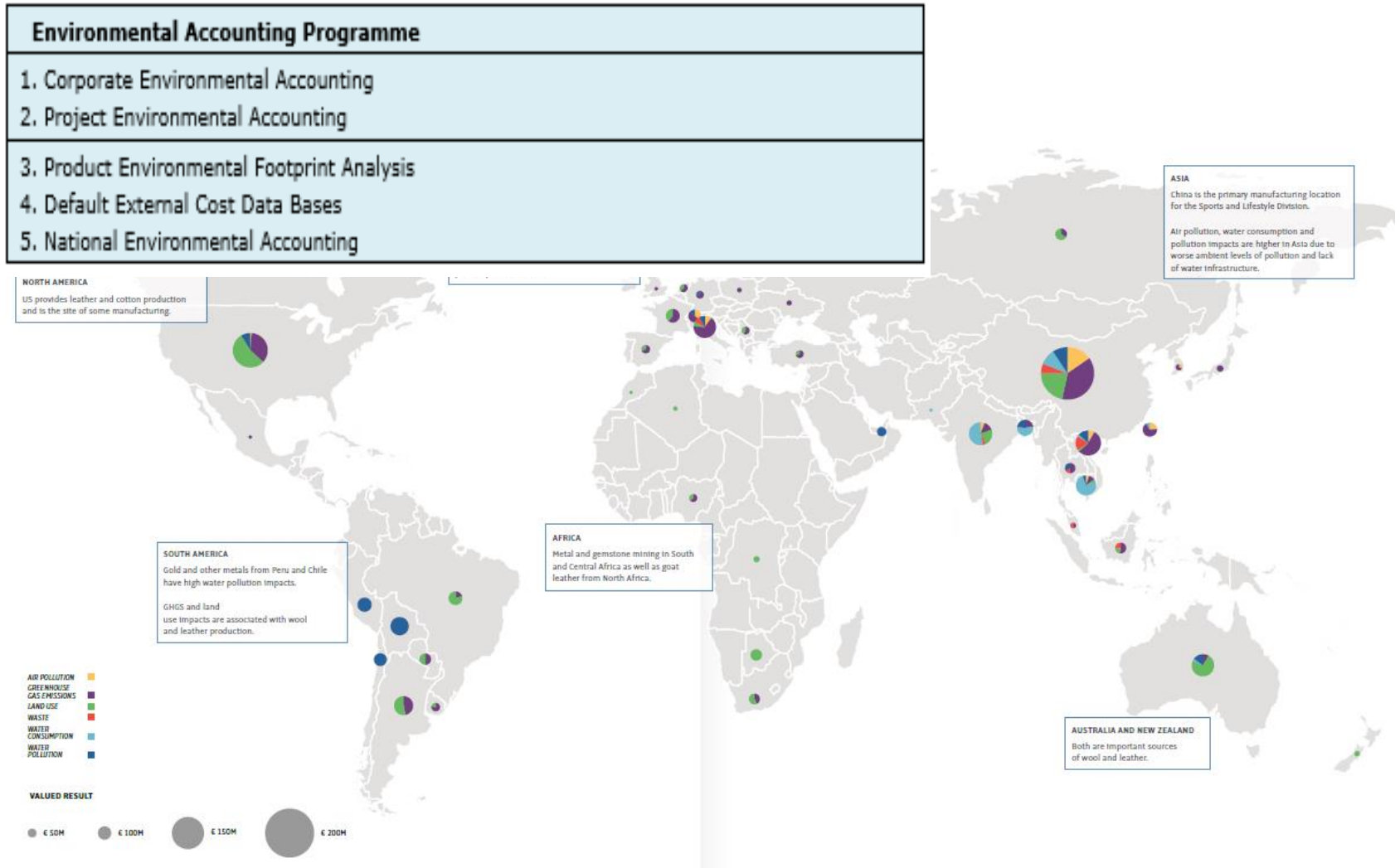


Managing Risk: Simple or Smart?



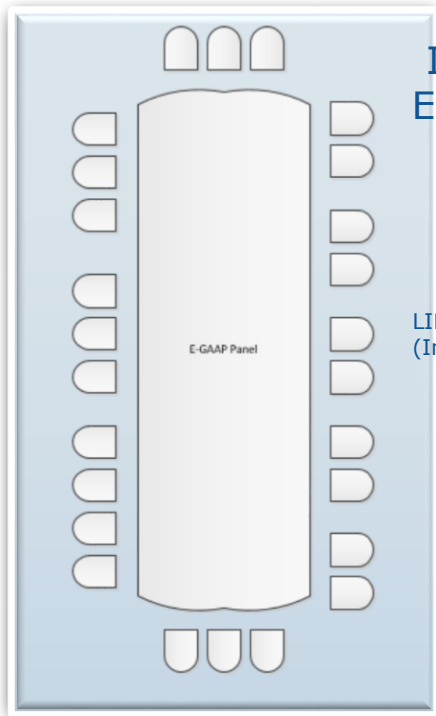
The Environmental Accounting Priority (2/3)

Generating data relevant for managing the green (business) transition



The Environmental Accounting Priority (3/3)

Towards Generally Accepted Environmental Accounting Principles



International Environmental Accounting Panel(s)
(Corporate E-GAAP)

LIFE E-GAAP Prep project
(InvestEU, EIB, ...)



Environmental Accounting Practitioners Platform(s)
(Best Practice Sharing and Promotion)

Summary

- Science has been calling for systemic or **system-based 'total risk management'** which could be usefully pursued based on the logical concept promoted by the **natural capital protocol** and the simultaneous tracking its 4 components (air, water, land, and biodiversity) as material,
- While the sequential topical approach continues to prevail (one priority at the time); **corporate frontrunners** and their sustainability service providers are leading the way on comprehensive 'total impact' **environmental management accounting systems** that directly inform sound corporate (investment) decisions (increasingly also covering human/social capital);
- Fading resistance to use **monetized accounts** and progress in the use of **life cycle assessments** is allowing companies (and other entities) to analyse and manage aggregated environmental impacts (and dependencies) **across (international) supply chains**;
- Leading practitioners have signaled interest to partner with the European Commission for the purpose of **promoting environmental accounting** across a wide range of sectors based on developing **generally accepted environmental accounting principles (E-GAAP)** and general and sector specific **practitioners platforms**; These platforms will complement existing platforms (e.g. Business and Biodiversity and the EFRAG hosted accounting laboratory with a particular thematic focus).
- As (large) corporate institutions develop enhanced insights into their environmental 'footprints' alongside their supply side, they will **need national/geographical context to complete their risk assessment and/or track their performance in terms of environmental impact and dependencies** and related performance data (e.g. to track progress in terms of transforming towards a circular economy, ect.)

Next Steps

- The forum of experts may wish to **take into account the emerging trend in corporate environmental accounting to ensure that national environmental accounts can provide answers to a new type of (operational) questions that are likely to arise in the (near) future;**
- Considering that work on environmental accounting could be stepped up in the fall of 2019 with a view to having a first E-GAAP in the course of 2020-2021, **the SEEA community may wish to anticipate this in its strategic orientation and planning;**
- Similar considerations may include that there seems to be an increasing trend towards natural capital related risks assessments at the level of a sector or an economy, hence that the need to national 'total footprint' analysis and forecasts is likely to increase;
- **A. dedicated follow-up discussion with interested parties could be held towards the end of 2019**
- ...



Thank you
Also to Johan Lammerant!

Comments and Questions
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