

## Summary of discussions - Workshop 1

Please find some additional background to the problem areas and additional topics raised below

### **SME initiative: What could a common commitment, to help mobilise green finance for SMEs look like?**

- Participants emphasised that while there is a need to mobilise green capital towards SMEs, these SMEs cannot be overburdened with reporting/data requirements – and that their focus is staying afloat. SMEs need assistance, tools and knowledge on how to access sustainable finance
- A central challenge was the limited amount of resources in these companies, to cut through the forthcoming ESG-regulatory requirements, including alignment with any green taxonomy.
- For Norway and UK, SMEs constitute the majority of the business population (98% in the UK and 99% in Norway ), thus a significant business segment that cannot afford to lag in the green transition
- Small- and medium sized businesses constitute a large part of (regional) banks' lending. They also do not necessarily have easy access to finance through the bond market (but instead rely on other instruments), which has experienced exceptionally high levels of development through the popularity of green bonds.
- Opportunities for an initiative could focus on easing the burden for SMEs for reporting and data, taxonomy alignment, and providing access to technical assistance facilities to help SMEs navigate the climate landscape (including overview of types of financing that are available from different types of organisations and at different stages for development) and set targets
- Another opportunity could be aimed to increase SMEs access to green finance by helping them increase their ESG/climate attractiveness to investors and banks, innovation finance, bond markets, etc. E.g. how can SMEs access Sustainability linked loans or bonds.
- Participants in the workshop provided the EUs definition of SMEs as:
  - a medium-sized business has fewer than 250 employees and either a turnover of up to €50 million or a balance sheet total of up to €43 million
  - a small business has fewer than 50 employees and either a turnover of up to €10 million or a balance sheet total of up to €10 million
  - a micro-business has fewer than ten employees and either a turnover of up to €2 million or a balance sheet total of up to €2 million

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### **Nature-based green finance – How can we increase knowledge about biodiversity and nature, and mobilise capital to nature based solutions that help mitigate and adapt to climate change.**

- Participants raised the challenge of a knowledge gap on biodiversity and nature within the financial sector, and as part of the tools that are used in green finance
- We cannot reach our climate ambitions without factoring in our use of nature and our planetary boundaries, including considering the increase of nature-based solutions, payment for ecosystem services, maintaining biodiversity and conservation of critical marine and terrestrial environments
- With a growing focus on biodiversity, financial institutions and companies require careful planning to remain adequately informed on the associated risks and opportunities and emerging knowledge.
- We are seeing the start of relevant initiatives and collaborations addressing nature, e.g. the Science Based Target Network that consider both climate and nature and provides guidance on how to identify, measure and set targets on address nature-related risks and opportunities and Task-force on Nature-related Financial disclosures (TNFD)
- Opportunities could include enhancing competence, knowledge and common approach to consider nature related risk and opportunities – to provide robust green assessments and reduce net environmental impact.
- Participants suggested that considerations might include how we can we develop tools and data to foresee net env effects of investments, or the quantification of biotic impacts so that such environmental impacts can be evaluated alongside climate impact

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### **Green finance to capture life cycle impacts – How can we increase knowledge and information on life cycle impacts, and ensure this is integrated into green financing solutions.**

- Participants raised that there is little information and knowledge of life cycle impacts – green financing is not truly green if it does not consider the entire value chain of impacts
- Financial institutions lack knowledge of life cycle impacts and considering raw materials extraction/replacement/reduction of materials in supply chain/reuse of materials and closing loops/end of life in their assessments
- In our societies we face a challenge of a huge and growing material consumption
- A transition to a circular economy poses both risks and opportunities, and increased knowledge and information on life cycle components and impacts will assist FIs in their assessments
- This issue is now being addressed by working for more circular economies, in Norway the National Strategy on Circular Economy is expected this spring, whilst the UK published their Circular Economy Package policy statement in June 2020.
- The EU takes a first attempt at increasing circular economy by having this as one of their 6 environmental objectives in the EU green deal and by posing requirements on circular economy in the EU taxonomy
- Opportunities are within increasing knowledge and competence on life cycle impacts, and circular economy
- A second opportunity lie in increasing knowledge of the opportunities in the circular economy and target investments in those solutions
- A third opportunity lie in mobilising green capital through green procurement practices

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### **Other topics**

**From the workshop, good points were also made that address common challenges and opportunities in order to mobilise sustainable finance:**

- There are challenges in clear ownership on ESG and is often marginalized in organizations.
- There is a need to include ESG in credit processes (such as loan applications, grant funding and in underwriting both small and large ticket deals).
- Need for more knowledge of what are current international best practices for public support of private, green financing. And a need to define the type of capital that needs to be mobilized from private sector.
- Need for clear country policy objectives
- Participants notes that both UK / Norway Gov'ts to provide cornerstone investments to funds only targeting sub GBP1 million / 9% IRR sustainable investment.