PERRIER REPORT

MAKING THE PARIS FINANCIAL CENTER
A REFERENCE FOR CLIMATE TRANSITION:
A FRAMEWORK FOR ACTION

REPORT SUMMARY

Directed by **Yves PERRIER**
President of AMUNDI
Vice-President of PARIS-EUROPLACE

Stanislas POTTIER
Senior Advisor of AMUNDI

Margaux SAUVAGET
Rapporteur for the French Treasury Department

Summary

This report provides Paris financial center operators with guidelines on how to bring their actions into line with the targets set by the Paris Agreement and forms part of the task entrusted by Minister Bruno Le Maire to Yves Perrier, the CEO of Amundi and Vice President of Paris Europlace.

A. Successful climate transition will depend on a global industrial revolution and a new political economy

A.1. General background to climate change and political commitments

The fight against climate change is today a priority shared by most countries and its success depends on the deployment of new economic and political paradigms. The major international commitments already given have now been reiterated at European and national levels. By signing the **Paris Agreement** at the UN in April 2016, 183 countries have committed to keeping average global warming well below 2°C (and if possible below 1.5°C) compared with pre-industrial levels. The target was lowered to 1.5°C at **COP 26** in November 2021, which also raised the fundamental question of how these ambitions are to be achieved and provided a number of tools for monitoring signatories' compliance with their commitments. The European Union's **European Green Deal** and European Climate Law have set a collective target of reducing EU greenhouse gas emissions by at least 55% of their 1990 levels by 2030 and of net zero emissions by 2050. The "Fit for 55" package sets out the methods that must be used to achieve Green Deal targets. The **National Low Carbon Strategy** is France's main carbon management tool, setting a series of shrinking carbon budgets for each sector.

A.2. A global industrial revolution that will require major investment

To make these commitments a reality, countries are faced with a **real industrial and technological revolution** that will transform a significant proportion of their economies over the next two to three decades. **Energy transition** is an **industrial revolution** because it does not only transform the **energy** we use but also **products and services**, **manufacturing methods** and **value chains.** At the heart of the change, **evolution of the energy mix** and the efficient use of energy raise a key challenge. In 30 years we will have to replace fossil energy, which today accounts for 80% of the world's primary energy[1] and has provided the basis for economic development over the last 150 years, with low carbon energy. The **change** also affects **almost all sectors of activity**, which will have to adapt their products, infrastructures and industrial processes. It is only by adopting a holistic approach that we can move from brown to green, particularly in sectors with the highest emissions (transport, heavy industry, construction and agriculture).

The revolution will require **major investments** in **R&D**, in the transformation of **industrial processes** and in new infrastructure. Globally, the cost will be an additional $3-$5 trillion a

[1] Source IEA

year globally until 2050[2] (6 to 8 times above current levels), most of it in the first decade. If Europe is to achieve its environmental targets, it will have to invest an additional €480 bn[3] a year. For France, meeting carbon budget targets will mean doubling[4] annual investment from 2018 levels before 2030. Industrial change will also require the significant write-off of existing assets, which will become legacy assets. This will apply not only to industry but also to the real estate sector as a result of energy efficiency requirements.

The primary aim of this industrial revolution will be to decarbonize the economy. The **geopolitical** and **social consequences** of the **revolution** also have to be **dealt with** to ensure **secure supplies, sovereignty**, the **competitivity of our economy**, the participation of emerging countries in decarbonization and the social acceptability of the transformations. We must also expect **challenges** in the form of changes in **jobs and qualifications**, the need to manage short and medium-term inflationary effects and inter-generational fairness.

A.3. A new political economy

An energy transition in line with the previously defined objectives will require a **new political economy that brings the key players into line** on the medium and long-term **policies and strategies: States** including the European Union – (particularly industrial) **corporations** –**finance** (banks, investors, asset managers).

States have a major role to play in defining **public policy** (energy, transport, housing, territorial planning) and the associated **industrial policies**. They must also set **fiscal policy**, and in particular must introduce an appropriate price signal for carbon pricing in the European Union and a border carbon adjustment mechanism.

While CO2 externality must be managed by businesses and financial institutions, it will be more effective and efficient if clear signals are given to consumers and producers. We therefore believe that a **European carbon tax** is needed, supplementing or replacing the European carbon market (ETS[5]). To make the tax acceptable, its proceeds should be used to finance public investment and to provide social support to those most disadvantaged and impacted by the transition and the resulting price increases. A **carbon adjustment mechanism at EU borders** is also essential. This must prevent carbon leakage, climate dumping and keep our economies competitive in the face of countries that retain high-carbon products and have adopted slower transition times[6] than Europe.

Businesses must design the technological and industrial solutions needed for the change. They must therefore **build CO2 externality into their strategies,** in addition to **traditional financial criteria**. Managing their CO2 footprint will become an essential part of business management, of product, service and industrial process specifications and also of capital allocation.

The **role of the financial system** (banks and investors) is to **support businesses** in their **transformation** by - as shareholders or lenders - **providing** them with the **capital** they require and influencing their strategies through the **capital cost** and through **dialogue**. To do this, th**e financial system**, like businesses, **must build in CO2 externality at a number of levels**. **Strategically**, banks must manage the CO2 in their loan portfolios just as they

[2] Source: Autonomous report, Global Banks, Climate Risk: The Green Growth Opportunity (September 2021)

[3] Source European Commission, new Sustainable Finance Strategy, 6 July 2021

[4] Source SNBC – National low carbon strategy

[5] European Union Emission Trading Scheme, set up by the European Union in 2005 within the framework of the Kyoto Protocol

[6] Especially China, the USA and India, which together generated 50% of global emissions in 2017 according to the IEA.

manage capital allocation. In their **credit and portfolio management processes**, banks and investors must include CO2 impact in their decision-making criteria, alongside their usual risk-return criteria.

The size of the investment required, its duration and the low level of value in use will force investors to rethink the return on investment criteria (15% return on equity and IRR) set in the 2000s since these now seem incompatible with the transformations required. New financial solutions must also be developed with the State to release sufficient resources.

B. A new legal framework for a new political economy

The legal framework for this new political economy is being developed but is still far from being fixed. A silo approach continues to apply and many basics need to be in place.

B.1. European taxonomy - a dictionary for sustainability

We need tools for measuring and analyzing business greenhouse gas emissions to give us a clear view of which economic activities are meeting climate targets and also to direct our strategic decisions. European taxonomy fulfils this need by providing a common benchmark based on the classification of the environmental impact of various economic activities and on sector targets. This 'dictionary' for sustainability will be a reference for monitoring the decarbonization of activities.

However, the taxonomy itself is not however understood by business or the financial sector, giving rise to different interpretations of its use. There are two interpretation approaches: a static approach which consists in directing finance towards green activities (which are currently estimated to account for less than 10% of the European economy); and a dynamic approach which consists in allocating finance to businesses whose plans to reduce their CO2 emissions are both sufficiently ambitious and credible. We believe that the latter approach should prevail. The challenge is to transform activities with the highest emission levels that, by definition, are not yet green. The static approach would simply accentuate the bubble effect we now find in some sectors (renewable energies in particular).

B.2. Non-financial reporting

Climate externality must be reflected in non-financial reporting. If **carbon emission is treated as a rare resource** that is reported in the same way as cashflow, then the importance of climate for businesses will automatically increase. Many businesses have already risen to the challenge by introducing carbon accounting and internal carbon pricing. But these are individual initiatives and the different accounting methodologies have not been harmonized, making the results hard to understand and use.

The race is on towards the standardization of non-financial reporting, meaning that European (CSRD) and international (IFRS) standards will eventually produce an accounting framework that provides the information we need to analyze companies' transition plans and actions and which is also simple, easy to read, pragmatic and efficient. In addition to the consistency of the IFRS and European standards, and given the wide range of Scope 3 interpretations, non-financial reporting will have to be supplemented by individual charts of accounts designed for each industry. This also applies to financial institutions (banks and investors) whose methods for incorporating CO2 into their portfolios have yet to be defined. In each sector, non-financial company reports will provide the financial system (banks and investors) with the information it needs (information provided by companies could replace the data produced by specialized providers whose reliability is limited today to:

- measure the **CO2 in their portfolios**. At market level, this information could be consolidated by supervisors (ACPR and AMF) to provide a snapshot of the positions of market institutions; and
- to feed into credit ratings and counterparty and portfolio analyses.

Methodologies must be **harmonized** as they are very disparate at present. Financial institutions must also adapt their IT systems to manage this data, like financial data, at the industrial level.

B.3. Analysis and assessment tools

Once we have non-financial reporting, we will also need **consistent and transparent analysis that will enable rating to cut the cost of capital** and **finance**. The financial accounting and analysis methods we use today are based on standards and rules set at the start of the 1980s as the market economy began to develop. Following the example of financial analysis, the challenge today is to build, based on clear principles, rules and standards for non-financial analysis. It is essential to **harmonize the approaches of the financial players**, the **ecosystem that contributes to market discipline** (especially rating agencies such as Moody's, S&P etc.) and the providers of the climate indexes used in passive asset management (MSCI, Russel etc.) to ensure that they are able to exercise effective influence. Although we already have some standards that can be used to direct investment (green bonds, TCFD, SBTi, PACTA, ACT etc.), these are multiple, unfixed and in competition with each other. All the players we have met agree that analysis standards must be harmonized before they can be credible and fulfil their role in capital allocation.

The same range of approaches applies to **savings product labels** (French ISR, EU Ecolabel, classification under articles 8 and 9 of the EU SFDR etc.). These labels are an advance but do not have clear markers for assessing CO2 impact and understanding how different savings solutions relate to climate transition challenges. We therefore believe that ESG labels, which provide a view of how businesses serve all their stakeholders and not just their shareholders, should be distinct from climate impact labels in the strictest sense.

C. Action taken by the Paris financial center

C.1. Action taken by the financial institutions in Paris

Financial operators in Paris have **taken the lead** in responding to the challenges presented by climate change. All Paris banks, institutional investors, asset managers, insurers, syndicates, rating agencies and regulators have developed strategies for reducing and offsetting emissions and have given clear commitments. To accompany the transition and place the climate challenge at the heart of corporate strategies, new measurement, reporting tools and governance methods have been introduced. **French financial institutions have an international reputation** for their commitment and many have engaged in international coalitions in their own sectors.

However, the proliferation of different initiatives has come up against the plethora of analysis methodologies and tools we have mentioned above and also against erratic data quality, leading to uneven rating. Resolute individual action cannot make up for the insufficiency of the collective.

C.2. Where does Paris stand in comparison with other financial centers?

Other financial centers have smartened up and are now shortening Paris's lead on climate matters. Net zero strategies are already the norm for global financial institutions in international sector (Net Zero Banking Alliance, Net Zero Asset Owners Alliance, Net Zero Asset Managers Initiative, Net Zero Insurance Alliance) and financial center agreements. Publications on sector targets have seen the light in London, Singapore and New-York in the last two years, translating into policies that restrict and/or exclude certain fossil energies. Finally, while Paris tops the European charts in terms of the value of loan and green bond issues, all the other financial centers have set themselves ambitious targets.

C.3. Organization of the Paris financial center

Initiatives have been introduced to support financial operators in their transition to sustainability involving research and innovation bodies, such as Institut Louis Bachelier (ILB), Finance for Tomorrow, Observatoire de la finance durable and Institut de l'économie pour le climat (I4CE), and also partnerships with universities. Certification systems are actively growing, including the two leading French green finance labels, Greenfin (€20 bn AuM) and ISR (€688 bn AuM). However, no key projects in CO2 accounting, analysis standards or finance policies have begun yet. Finally, coordination within the financial sector and between the financial sector and business remains weak.

Given this situation, current methods for supporting green finance would benefit from greater cooperation, or even integration, based on the model of the federations set up in other European financial centers, such as London's Green Finance Institute (GFI) and Frankfurt's Green and Sustainable Finance Cluster Germany. If Paris is to become a real center for sustainable finance innovation and competitivity, all the players (financial system, business and public authorities) need to work together to create a common roadmap. Direction will need to be at the highest level over the next 2-3 years and to be coordinated with the direction of changes in public policy and industrial strategy.

D. Action plan and recommendations for the Paris financial center

D.1. Paris financial center aims and ambitions

We currently have an incomplete and unfixed legal framework. Yet we need to move forward and start putting our internal transition management tools into use. At the same time we need to be involved in the completion of European (directed by EFRAG) and international (directed by IFRS and its new ISSB) standards and in the work by alliances (under the GFANZ umbrella) on carbon accounting, analysis, company and financial product rating, the management and governance of carbon externality by companies and financial institutions, the standardization of transition-focused savings products, the formalization of commitments concerning the fossil energy sector and financial innovation in support of carbon transition. The following recommendations apply to the entire financial sector and to all its players, product and asset types, including private equity.

Paris financial center must collectively set itself a target of becoming the **leading European financial center** for climate-related action, of being recognized as such by its **European and English-speaking partners**, and of being a member of the key working groups, alliances and international organizations in this area, through its own operators or collectively. **Paris** can also become a **key center for Asia** (China, South Korea, Japan, India etc.) with which we could share our work and methods.

D.2. Projects:

CO2 accounting

Climate transition must be based on the management of tight carbon budgets by companies and financial institutions, based on the current measurement of emissions, carbon targets for 2025, 2030 and 2050 and annual reporting.

Companies must account for their Scope 1, 2 and 3 carbon emissions and report these to the financial players, which will then integrate them into their loan and investment portfolio profiles. The supervisory authorities (AMF for asset managers and ACPR for banks and insurers) must then consolidate these reports.

The reporting framework will be European, particularly CSRD, taxonomy, supplemented by the work currently being undertaken by EFRAG, and will take account of ISSB recommendations. All information reported by companies and financial institutions may be audited.

A CO2 accounting project therefore needs to be created in Paris with four objectives:

1) Contribute to completion of the standard, relying on the work done by EFRAG and ISSB, which will be submitted for consultation by the end of the first half of 2022 with a view to adoption by the end of the year. We believe that the climate module resulting from the work done by EFRAG and ISSB proposals on climate alone should converge as much as possible;
2) Decide how companies should implement taxonomy and carbon reporting:
   - Interpretation of taxonomy and methods of use for each sector;
   - Decision on Scope 3 measurement conventions for each sector.

The working group should comprise ANC/EFRAG, within the context of the existing ANC working group, alongside professional business associations (MEDEF, Afep, France Industrie etc.) and financial associations (FBF, AFG, France Assureurs);

3) Decide how taxonomy should be used and CO2 included in the loan/investment portfolios of banks and investors and adjust IT systems accordingly. The working group should be made up of professional financial players and associations;
4) Decide how companies and financial institutions should send CO2 data to the Bank of France, AMF and ACPR. Supervisors must be responsible for the consolidation and quality of reported data. A separate project will be needed to cover carbon reporting by supervisors.

Analysis methodologies

Standards for the analysis and rating of companies' past, present and forecast carbon performance is vital to the financial system - both investors and lenders. Only robust and shared standards can ensure the efficient allocation of resources at fair capital cost.

Interviews have revealed a wide range of analysis and rating methods. All the actors involved, especially investors (asset owners and asset managers, including the international alliances to which they belong), rating agencies and index providers believe that standardization is essential, as it was for financial analysis in the 1980s, to give credibility to climate rating and make it work.

The aim is to create collective analysis methods and ratios that will allow the assessment and then rating of companies' decarbonization strategies and implementation year after year. The strategies must include targets and scenarios in keeping with the challenges, a transition program with milestones, appropriate dedicated financial resources - particularly in the case of investments in new decarbonization technologies, and suitable governance methods.

Four working groups will be needed to develop a common body of methodologies for analyzing and rating companies' carbon performance, based on shared sector targets, for creating climate indexes and to engage shareholders. The four groups must of course share their analyses with the big international coalitions to which the financial institutions operating in Paris belong.

1) One investor working group working on analysis standards, made up of investment professionals (managers, analysts), rating agencies such as Moody's and S&P and fund and financial product raters such as Morningstar.
2) One similar working group made up of banks and rating agencies to standardize credit analysis. The group could use current FBF work on method convergence.
3) One working group made up of asset managers and climate index providers, such as MSCI, defining standards for the climate indexes used in passive asset management.
4) One investor group working specifically on commitment policies to produce a formal and automatic say on climate requirement, the monitoring and sharing of best practice and commitment coalitions. The requirements for filing climate resolutions at shareholder meetings must be clarified with the public authorities and made more flexible.

Carbon externality governance and management

Work must be done on the governance and management of carbon externality by financial institutions. Like company governance of decarbonization strategies, this is a key condition for efficient, quality implementation of climate transition as a whole. The project should involve all the federations (AFG, FBF and France Assureurs) and the financial institutions that belong to them and should have 4 pillars:

1) Governance: boards and executive committees must be involved in carbon strategy approval, the associated tradeoffs and implementation monitoring.
2) Carbon externality management:
    - CO_2 must form part of the investment and lending process. Investment policies must be based on green investment, green/brown transformation investments, disinvestment in brown if transformation is impossible.
    - Comprehensive introduction of carbon budgets per activity and per counterparty.
    - Introduction of capital costing per activity and based on counterparty carbon intensity. There has already been significant introduction of a green weighting factor to fund allocation, with no change to capital cost where possible.
3) Remuneration must take account of the financial institution's carbon performance (including Scope 3):
    - Remuneration of executives and senior executives
    - Remuneration of professional staff (managers and bankers in particular).

The changes could be supported by the prudential and monetary authorities: a green weighting factor could eventually be included by the ECB and supervisors, based on fixed carbon accounting. It could potentially be combined with a brown penalizing factor and, if possible, it would have no impact on general equity requirements.

Training

The rollout of climate actions by business and financial institutions will require an enormous amount of training in all sectors and over the long term. The financial sector will have to train accountants, analysts, managers and account managers. For financial institutions, like all other businesses, general board training will be required.

In the banking sector, the FBF banking training center will have to be involved, as will the SFAF for asset management. International training bodies will have to be brought in. A climate module could be developed together with IFA for boards.

Training will also have to be provided for financial product distribution networks it will be crucial to raise personal and customer awareness.

Financial products and labels

Interviews and analysis of actions in Paris have revealed a plethora of approaches, concepts and positions that make differentiation between products and the giving of advice to customers even more difficult.

A separate climate transition label is needed to stand alongside the French ISR label (a general ESG label). To do so, a climate transition label working group should be created, made up of asset managers, the AMF and the French Treasury, to outline a separate climate label for carbon transition that has a clear scoring system for assessing investments in carbon transition and not just in assets that are already treated as green. The new label should be promoted throughout Europe.

Adjustment of Paris's approach to fossil energy

In addition to existing coal and alternative oil and gas commitments, we now have the question of oil and gas financing in general.

Oil and gas are the subject of questions and debates because although the latest IEA simulations of the countdown show that current oil and gas production must not be increased if we are to fulfil our carbon neutral commitments by 2050, no analysis has yet demonstrated that this is feasible or how low carbon energy can replace fossil energy.

A working group is needed, made up of banks, investors, energy companies, ADEME, Observatoire de la finance durable, HCC and the energy, economy and finance ministries to produce benchmark scenarios for 2025, 2030 and 2050. Financial institutions will then be able to develop transparent and comparable scenarios for their abandonment of fossil energy[7].

Financial innovation

Energy transition success will require significant investments, mainly in the next 10-15 years, offering uncertain returns. The question of financing remains open and will need innovative solutions to:

- Combine public and private financing for the reallocation of long-term household saving. Such solutions could be based on full or partial government guarantees to meet savers' need for security;
- Create special types of soft finance, as some banks have already done at the personal banking level for home energy efficiency improvements;

[7] They could use the Global Coal Exit List, which covers all companies along the world's entire thermal coal value chain and is published by Urgewald and 30 other NGOs, and the Global Oil and Gas List, which covers most oil and gas companies worldwide and is published by Urgewald.

- Create European funds, as certain international financial institutions have already done, to finance energy transition investment in developing countries with particularly high emission levels.

D.3. Organization of the Paris Financial Center

The success of climate transition will depend on business, the financial system and the State coming into line with each other. Transition will be a long-term process that combines a carbon target with industrial and social policy and sovereignty challenges. **Co-construction** and **co-management** are essential if it is to succeed. **Two coordinating bodies** could be set up for the purpose:

1) Political: a strategic management committee to approve ambitions, priorities and decide standardization and interpretation matters. This would have to be chaired by the Finance Minister, meet once a quarter and be administered by the Treasury. Members would have to be competent persons representing business and financial institutions (banks, insurers, asset managers), the Governor of the Bank of France, the President of AMF, the President of Paris-Europlace and the chair of the operations coordination committee (see below).
2) Operations: within the framework of the policies set by the policy management committee, this committee would coordinate the various projects, represent Paris on technical European and international committees and organize a network of experts (auditors, economists, scientists etc.). The committee would have its own budget provided by the Paris center and the public authorities of around €6-8 million, similar to that of London's committee. The committee, which would report to Paris-Europlace, would have to work synergically with existing Paris bodies, including ADEME and I4CE, and with Paris Europlace bodies (Institut Louis Bachelier, Finance for Tomorrow and Observatoire de la finance durable) as this is essential to its effectiveness. The body would have to have a board made up of competent directors from the industry and financial sectors and representatives from the Ministries of Finance (Treasury, Business Department) and the Environment (Energy). The board would have to be chaired by a distinguished director.

Recommendations:
seven projects for the Paris financial center

Project 1: Introduce CO2 accounting

Recommendation no.

1 **Contribute to completion of the non-financial reporting standard**, relying on the work done by EFRAG and ISSB, promoting the convergence and the co-construction of these two sets of standards.

2 **Decide how European taxonomy should be interpreted and used** in each economic sector, working together with business, sector organizations, financial institutions and ANC/EFRAG.

3 **Decide Scope 3 measurement** standards sector by sector to ensure consistent accounting policies, working together with business, sector organizations, financial institutions and ANC/EFRAG.

4 **Decide how CO2 data should be integrated into the** loan and investment **portfolios** of banks and investors, requiring IT systems to be adjusted accordingly.

5 **Decide how** companies and financial institutions should **send CO2 data** to the Bank of France, AMF and ACPR. Supervisors must be responsible for the consolidation and quality of reported data.

Project 2: Review and consolidation of analysis methodologies

Set up four working groups to develop a common body of methodologies for analyzing and rating companies' carbon performance, based on shared sector targets. The groups must share their analyses with the big international coalitions to which the financial institutions belong.

An investor group could be created for the purpose. The requirements for filing climate resolutions at shareholder meetings must also be clarified with the public authorities and made more flexible

Recommendation no.

6 **Set analysis standards** via an investor working group made up of investment professionals (managers, analysts), rating agencies, such as Moody's and S&P, and fund and financial product raters, such as Morningstar.

7 **Standardize credit analysis** via a working group made up of banks and rating agencies. The group could use current FBF work on method convergence.

8 **Set standards for the climate indexes used in passive asset management** via a working group made up of asset managers and climate index providers, such as MSCI.

9 Formalize an automatic say on climate requirement, the monitoring and sharing of best practice and commitment coalitions.

Project 3: Promote new carbon externality governance and management practices by financial institutions

The project should involve all the federations (AFG, FBF and France Assureurs) and the financial institutions that belong to them.

Recommendation no.

10 All financial institutions: boards and executive committees must be involved in carbon strategy approval, the associated tradeoffs and implementation monitoring.

11 All financial institutions: **CO2 must form part of the investment and lending process**. Investment policies must be based on green investment, green/brown transformation investments, disinvestment in brown if transformation is impossible,

12 All financial institutions: comprehensive **introduction of carbon budgets** per activity and per counterparty.

13 All financial institutions: introduction of capital costing per activity and based on counterparty carbon intensity, with no change to capital cost where possible. There has already been significant introduction of a green weighting factor to fund allocation.

14 Eventual inclusion by the ECB and supervisors, based on fixed carbon accounting, of a green weighting factor, possibly combined with a brown penalizing factor, that if possible has no impact on general equity requirements.

15 All financial institutions: integration of carbon performance (including Scope 3) in the remuneration methods for:

- Executives and senior executives
- Professional staff (managers and bankers in particular).

Project 4: Stakeholder training in climate challenges

Recommendation no.

16 All financial institutions and companies: **give boards training in climate challenges**. A climate module could be developed together with IFA for boards.

17 All financial institutions: **train accountants, analysts, managers and account managers in climate challenges.** In the banking sector, the FBF banking training center will have to be involved, as will the SFAF for management. International training bodies will have to be brought in.

18 Provide training for financial product distribution networks and to raise personal and institutional customer awareness.

Project 5: Set standards for products and rating methods for labels

Recommendation no.

19 **Create a separate climate transition label** to stand alongside the French ISR label (a general ESG label). To do so, a **climate transition label** working group should be created, made up of asset managers, the AMF and the French Treasury, to outline a climate label that assesses investments in carbon transition and not just in assets that are already treated as green. The new label should be promoted throughout Europe.

Project 6: Plot the way out of fossil energy

Recommendation no.

20 **Create a benchmark scenario for the abandonment of fossil energy with 2025, 2030 and 2050 milestones** via a working group made up of banks, investors, energy companies, ADEME, Observatoire de la finance durable, HCC and the energy, economy and finance ministries.

21 All financial institutions: based on the benchmark scenario produced through recommendation 20, **decide transparent and comparable strategies to abandon fossil**

energy (GCEL[8] and GOGEL[9] lists can be used to identify and monitor fossil energy exposure). Strategy implementation to be subject to **public annual reporting**.

Project 7: Encourage financial innovation

Recommendation no.

22 Create a working group of finance professionals and public authorities to find financial solutions in the following areas:

- Combine public and private financing to **reallocate long-term household saving**. Such solutions could be based on full or partial government guarantees to meet savers' need for security.
- Create **special types** of soft **finance**, as some banks have already done at the personal banking level for home energy efficiency improvements.
- Create European funds, as certain international financial institutions have already done, to **finance energy transition investments in developing countries with particularly high emission levels.**

Center organization

The success of climate transition will depend on the alignment of companies, the financial system and the state. Transition will be a long-term process that combines a carbon target with industrial and social policy and sovereignty challenges. Co-construction and co-management are essential if it is to succeed. Two coordinating bodies could be set up for the purpose:

A political body

Recommendation no.

23 **Create a strategic management committee** to approve ambitions, priorities and decide standardization and interpretation matters. This would have to be **chaired by the Finance Minister,** administered by the Treasury, and members would have to **meet once a quarter.** Members would have to be competent persons representing **business and financial institutions** (banks, insurers, asset managers), **the Governor of the Bank of France, the President of AMF, the President of Paris-Europlace and the chair of the operations coordination committee** (see below).

[8] Global Coal Exit List: this covers all companies along the world's entire thermal coal value chain and is published by Urgewald and 30 other NGOs.

[9] Global Oil and Gas List: this covers most oil and gas companies worldwide and is published by Urgewald.

An operations body

Recommendation no.

24 Create an operations body within the framework of the policies set by the policy management committee to coordinate the various projects, represent Paris on technical European and international committees and organize a network of experts (auditors, economists, scientists etc.). The committee would have its own budget provided by the Paris financial center and the public authorities of around €6-8 million, similar to that of London's committee. The committee, which would report to Paris-Europlace, would have to work synergically with existing Paris bodies, including ADEME and I4CE, and with Paris Europlace bodies (Institut Louis Bachelier, Finance for Tomorrow and Observatoire de la finance durable) as this is essential to its effectiveness. The body would have to have a board made up of competent directors from the industry and financial sectors and representatives from the Ministries of Finance (Treasury, Business Department) and the Environment (Energy). The board would have to be chaired by a distinguished director.