Prague / 16 - 20 MAY 2022

CEE Sustainable Finance Summit

Navigating the path to a sustainable future

SUMMIT REPORT

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The opinions and positions expressed in this Summit report reflect and summarise the views, thoughts, and opinions shared by the Summit's speakers and focus group participants. These opinions are not representative of the positions or opinions of the Summit organisers or partners.

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A word from the organisers

LINDA ZEILINA
Founder & CEO,
International Sustainable
Finance Centre (ISFC)

The year 2022 was heralded as the year the global economy would start its post-COVID19 recovery. Instead, governments have had to deal with a war in Ukraine, a subsequent humanitarian and food crises, and rising inflation. This has given rise to fears that the focus on tackling these urgent challenges will result in less willingness and capacity to engage with the climate and sustainable finance agendas.

The International Sustainable Finance Centre (ISFC) first developed the concept for the CEE Sustainable Finance Summit in 2020. We believed that by partnering with like-minded organisations we could create a special space for debates between different regions and sectors. The aim was twofold: to ignite and inform the policy and practitioner discussions about sustainability in finance and business, and to build connections between people working on sustainability-related topics, or those interested in learning more about them.

After the success of our first year's five-day event in 2021, which saw high attendee and viewer numbers online, we decided to host a hybrid event in 2022. This year's ambitious agenda was a mixture of public and closed-door sessions, with a diverse set of stakeholders to debate the different dimensions of sustainability-related challenges and solutions.

At this year's summit, we saw much greater levels of interest in sustainability-related topics, from sustainable investing, to ESG reporting and decarbonisation strategies. Even smaller companies and market actors are increasingly aware of the changing consumer, investor, and regulatory expectations. The energy price rise has generated an additional momentum for energy efficiency efforts and seen new financial instruments for transition financing. But we also noticed gaps in local expertise and understanding, which will need to be plugged by education, training, and capacity building.

This year, we launched the Czech Sustainable Investment Forum, or the CzechSIF, aimed at to improving and accelerating sustainable investing best practices in Czechia. We are excited to have exceptional initial partners for the CzechSIF, and we look forward to some exciting work ahead of us!

We're grateful to all our partners who supported this year's Summit, especially the European Investment Bank (EIB) and Deloitte, as well as the US Embassy, the UK Embassy in Prague, KPMG, ING, Redside Fund Management, Mazars, and the International Visegrad Fund. Our partners are blazing the sustainability trail across the region, and we would like to congratulate them on their great work!

The pace of change in sustainable finance is accelerating. Now is the time for CEE region's stakeholders to get up to speed with the latest developments. We hope that through the Summit and the CzechSIF we can offer access to useful insights into what may be coming next. This will make navigating the path to a sustainable future much easier, cheaper, and less disruptive.

We look forward to the next CEE Sustainable Finance Summit in 2023!

ISFC INTERNATIONAL SUSTAINABLE FINANCE CENTRE

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Our Summit in numbers

5

The **CEE Sustainable Finance Summit** lasted **5** days with a focus on **5** different topics linked to Sustainability in the CEE region - Finance, Energy, Business, Banking and Innovation.

27

We held **27** sessions (**1** keynote and **16** live panel discussions, **10** focus groups).

83

We welcomed **83** panellists representing the private and public sector, academia, international institutions, banks, start-ups, and civil society, representing **18** countries.

250+

We hosted **250+** in-person participants coming from **11** countries.

600+

The **27** sessions received **600+** in-person visits in total.

3000+

The online streamed and recorded sessions saw **3 000+** views and counting.

30 000+

We had **30K+** visits on the ceesummit.org webpage and **680K+** impressions overall on our social media accounts in May 2022.

Keynote takeaways

ALEXANDER STUBB
Director, School of Transnational Governance, European University Institute

IAN BREMMER
Founder, Eruasia Group

The CEE Sustainable Finance Summit started on May 16th with a specially arranged conversation between **Ian Bremmer**, President of Eurasia Group, and **Professor Alexander Stubb**, Director of School of Transnational Governance at the European University Institute. As two of the foremost experts and thinkers on global security, they set the stage for our discussions on sustainable finance by putting our agenda in the broader context of the ongoing war in Ukraine. **Here are the key takeaways from their conversation:**

Watch the recorded session

Global Divisions: A fragmented world order makes it hard to respond to global crises such as pandemics or climate change.

Changing relations: The West will decouple relations with Russia but not with China. China's vested economic interests lie in the West, not in Russia. While China does not want to undermine its geopolitical scope by acting on Taiwan, China and Russia are not a real strategic alliance.

Greater Unity: An upside of the war in Ukraine is that NATO is no longer ‘brain-dead’. The West stands closer together with Finland and Sweden joining NATO, and Ukraine is still cohesive. The downside is that Russia is becoming isolated which has already led to increased geopolitical instability, undermining our ability to combat the global crisis.

Europe's Green Deal in post-Ukraine war Europe: what now? (Panel discussion)

Julia Patorska, Deloitte
Vazil Hudak, ISFC Advisory Board Member
Ivan Miklos, MESA10
Attila Steiner, Ministry for Innovation and Technology, Hungary
Tomas Provaznik, Evermore Capital Management
Dirk Buschle, Energy Community

The war in Ukraine created shockwaves across the EU, especially in the CEE region where memories of Soviet oppression are still strong. The new security situation calls into question the EU's Green Deal, Fit for 55 package, and most importantly, its Sustainable Finance Agenda. We need to rethink Europe's dependence on Russian gas and the economic interlinkages with Russian businesses.

- A victory by Ukraine is the only viable solution. Any compromise would bring economic and political instability. Thus, it is in the EU's best interest to help Ukraine in any possible way.
- While the EU has made significant commitments regarding independence from Russian oil and gas, moderate import cuts have had little impact on Russia's ability to finance its war on Ukraine, as prices have skyrocketed.
- CEE governments should change their narrative to frame the European Green Deal as an enabler rather than a burden, which could increase uptake among regional firms.
- To become independent from Russian fossil fuels, CEE needs to pair short-term diversification and renewable acceleration with programmes on renovation and energy performance to become more energy-efficient and to lower energy demand.
- Europe should focus on its capital markets, which are notoriously underdeveloped with a mere 20% of equity financing. New, innovative types of financing such as mezzanine financing are needed to support small projects and entrepreneurs in this region.

Watch the recorded session

Changing the status quo: women in finance (Focus group)

In the financial sector, women leaders are still a minority. This creates risks around groupthink, dominant cultures, and biases. Improving cognitive diversity can yield concrete benefits for risk mitigation and shifts in mindsets and priorities. More and more financial institutions and businesses are seeking female leaders and employees, yet progress with increasing the numbers of women CEOs or senior leaders is slow, especially across the CEE region.

- ESG trends bring welcome pressure on companies to prioritise gender diversity in management positions. For pledges to materialise, market participants should demand targets, performance measurement, and accountability.
- The inequitable position of women in labour markets is underpinned by structural issues, such as childcare, maternity leave or performance KPIs. Decision-makers need to study these roadblocks and design policies to address them.
- Companies need to create a safe environment for women to come back to work after maternity leave, for example by adjusting KPIs and providing options for childcare.
- As well as companies, governments can play a big role. Policymakers should draw inspiration from Sweden and Finland where both parents can choose to go on maternity leave.
- The key to greater systemic gender equality is broader social change. Education, religion, and culture shape perceptions about women's role in society. This puts civil society in the driving seat, as they can amplify pressure on corporates and governments and to amplify the positive examples and help with educational efforts.

Sustainable Finance in Europe with Martin Spolc (Discussion)

Martin Spolc, DG FISMA, European Commission
Linda Zeilina, International Sustainable Finance Centre

The EU Sustainable Finance Agenda is the Commission's master plan to enable the financial sector to finance the green transition. At its core is the EU Taxonomy, which granularly defines activities that positively contribute to six environmental objectives. A social Taxonomy may follow.

- The EU Sustainable Finance Agenda sets out transparency requirements for the financial and business sector, but does not mandate the application of its tools. Nevertheless, firms now increasingly turn to the Taxonomy and Green Bonds Standard voluntarily.
- The Taxonomy is neither niche in the market nor does it require companies to be green today. Rather, it takes a gradual approach of incentivising firms to green their economic activities whilst tightening requirements over time.
- The EU Commission's task is primarily to make the Taxonomy work for the private sector, applying a pragmatic approach. While there are currently few taxonomy-aligned projects, the tool may encourage more in the future.
- The focus for the Commission is now on implementation and coherence, with the aim of ensuring usability of the Taxonomy and to address the many practical questions.
- We must flip the mindset, especially in CEE: The taxonomy is not a threat, but rather an opportunity, assisting firms to transition towards net-zero.

Watch the recorded session

Future of sustainability standards: alignment and convergence, or multiplication and divergence? (Panel discussion)

Eila Kreivi, European Investment Bank
Ingmar Jeurgens, Climate & Company
Maud Gaudry, Mazars
Nadia Humphreys, Bloomberg

The EU Sustainable Finance Agenda has pioneered the development of new standards for financial reporting and instruments. The US has been slower; these principles only gained momentum after the last elections. However, the politicisation of the EU taxonomy has taken the wind out of the sails when it comes to standard-setting.

- The EU Commission's proposal for the Corporate Sustainability Reporting Directive (CSRD is a fundamental step toward further harmonisation of the European sustainability regulations. Its intention is to create a new, clear language of what needs to be reported and the how this should happen.
- There needs to be a simplified version of the regulation for small and medium-sized companies (SMEs). At the same time, there needs to be at least some form of standardised disclosure and reporting due to investor demand for a greater supply chain transparency.
- Financial materiality and impact materiality should not be viewed independently. Rather, they complement each other.
- The focus needs to be on the implementation of the regulation. It is important to test the readiness of the users of these tools to see how effectively they can be used.
- It is crucial for public authorities to raise awareness and educate people about what is at stake, especially in regions where sustainability lacks priority. It should not be seen as yet another regulatory burden, but as a way to help businesses cope with long-term challenges.

Watch the recorded session

Capital markets in CEE: leveraging the power of finance (Panel discussion)

Sean Kidney, Climate Bonds Initiative
Theodor Cojoianu, University of Edinburgh, RoSIF
Martin Kominek, Smokestack
Helena Horska, Raiffeisenbank
Martin Spolc, DG FISMA, European Commission
Razvan Butucaru, Mazars

Capital markets in the CEE region are relatively under-developed and lack the scale often desired by large institutional investors. That said, new sustainability-linked financial instruments are on the rise, as is sustainable investing. In the last few years, green bond issuance has grown significantly, and there is rising interest in transition finance from different CEE stakeholders.

- An EU capital markets union would offer SMEs a diverse array of opportunities to fund innovations that could contribute to environmental objectives.
- Standardisation in the EU is intended to ensure a minimum degree of integrity and transparency whilst addressing company and investor concerns about regulatory burdens and comparability. The Green Bonds Standard is insofar an exception, as it is designed as a gold standard to deliver true impact.
- With a rapidly growing market of $1.8 trillion green bonds are often over-subscribed by multiples. CEE banks, countries and even bigger municipalities should take advantage of such a powerful tool to finance projects in energy, transport, property, and industry.
- Panellists agreed that more representation of women on company boards is both necessary and advantageous, as this would bring more diverse perspectives and enhanced cooperation.
- Private equity and venture capital firms can engage with start-ups in CEE to set up the data infrastructure and reporting processes necessary to comply with tools such as Sustainable Finance Disclosures Regulation (SFDR). This would facilitate innovators to scale-up through green financing right from the start.

Watch the recorded session

EU funding instruments: how to ensure the financing and investment is in line with sustainability priorities (Focus group)

National development banks need to create a space for discussion about how best to ensure sustainability integration. A frequent criticism of EU funding is the complexity around process. It is important to note that often an additional issue is the lack of familiarity with and expertise in EU funding mechanisms and instruments, in the CEE region particularly.

- Sufficient practical support through both governments and private incubators is crucial to safeguard entrepreneurial freedom and ensure SMEs are not left behind. Consultations and regular feedback from impacted actors with decision-makers are important to ensure effective solutions.
- The EU should offer funding schemes to all market participants equally to ensure healthy competition and efficient distribution, rather than focusing disproportionately on regulatory balance.
- Instead of constant innovation of financial instruments that blend EU funds with commercial finance, governments and financial institutions should focus on simple and burden-free support that is truly accessible. This means simplifying the processes, ensuring that information is timely and easily digestible, and that there is support for questions and clarifications.
- In some countries, funds are handled across several ministries, which makes the system overly fragmented. To lower barriers, an inter-ministerial commission (similar to centralisation under the Slovak Ministry of Finance) could facilitate easy application processes and comparable set-ups of funding schemes.

Financing energy transition in CEE – what is missing for a successful transition?
(Panel discussion)

Balazs Felsmann, Regional Centre for Energy Policy Research
Julian Popov, Building Performance Institute Europe
Fady Al-Kheir, Energon holding
Martin Dratva, Redside Funds
Suzana Carp, European Climate, Policy Specialist

With the Russian war on Ukraine and the EU's commitment to phase out Russian gas by 2027, energy transition has become a pressing topic for the CEE region. Energy independence is no longer only important for economic competitiveness, but also as a critical element of national security.

- CEE Governments should actively enable the energy transition through targeted and strategic set-up of public funds, shifting away from a transactional, opportunistic approach.
- Profitability of green projects is becoming a key driver. On the winning side will be those firms that act quickly and strategically in aggregating bankable projects in spaces like energy efficiency or renewable deployment.
- The argument for gas serving as a transitional fuel to enable coal phase-outs is not supported by data. Countries should instead pivot directly to renewable energy.
- Beyond financing of green projects, it takes proper education on both sustainability and financial literacy to sensitise both consumers and investors.
- As global demand and competition within different sectors spikes, Europe should work towards autonomy in battery production, softening dependencies on Asia for critical components.

Watch the recorded session

Building resilient energy supplies: choices between nuclear, gas and hydrogen
(Focus group)

The use of nuclear or hydrogen-powered energy will be key topic of discussion in the near future, if Europe is to reduce its dependency on gas from Russia. The war in Ukraine has also raised questions about the use of Russian nuclear technology in Europe and the sourcing of uranium from Russia. Prominent debates about the use of hydrogen have further shown the complexities of a speedy transition.

- Low-carbon solutions, such as hydrogen or new nuclear sources, are extremely costly, carry high economic risk, and take a long time to build. Policymakers should support them only where necessary.
- Environmental impact and economic profit are becoming increasingly interlinked. CEE countries that have largely focused on nuclear rather than renewable energy, should apply a long-term lens and pivot to renewables to avoid competitive disadvantages.
- The energy debate needs to also account for the demand side, with a focus on energy efficiency. Energy supply solutions should be paired with communication campaigns urging energy saving.
- The debate about the future energy mix lacks a base on evidence and data in the Czech Republic, particularly related to solar panel deployment. Data collection is essential for energy investments.
- As long as low-carbon energy remains scarce, produced energy should be used in the most cost- and energy-effective way, by prioritising decentralised energy systems and avoiding losses due to long-distance transportation.

Energy efficiency in real estate: how can we decarbonize the building sector?
(Panel discussion)

Raul Garcia Rodriguez, Deloitte
Petra Hajna, CPI Property Group
Tomasz Gasinski, Deloitte
Madeline Schneider, Guidehouse, PCAF Secretariat
Lukas Kovanda, Trinity Bank
Peter Sweatman, Climate Strategy & Partners
Petr Lebeda, Glopolis

Improving energy efficiency in residential and public sector buildings presents a considerable challenge in CEE. However, progress in this area has the potential to considerably lower both the region's carbon footprint and demand for energy at times of spiking energy prices.

- The current crisis of inflation and energy insecurity makes an ever-stronger case for CEE countries to pivot to building renovations, as investments into real assets such as building insulation projects could protect family savings from reductions in value.
- A dedicated EU Renovation Loan, proposed by Peter Sweatman, would benefit home owners by increasing property value, providing energy savings, and improving quality of life. For governments, it could constitute a low-cost, easily distributable alternative to direct grants.
- Soon, artificial intelligence and machine learning may broadly allow financial institutions to use relatively adequate proxy data on energy consumption of buildings, serving as a novel means to identify the low-hanging fruits of building renovation.
- Financial institutions currently lack available data and clear guidance on the means and pace of decarbonising their building portfolios.
- For firms to successfully decarbonise, it is crucial to (a) set science-based targets including steppingstones along the net-zero pathway, and (b) incorporate sustainability into all business processes.

Watch the recorded session

Energy efficiency in buildings (Focus group)

Buildings form a large part of a country's overall emissions, which means that scaling and speeding up building retrofitting and renovation are key challenges to tackle in efforts to lower emissions and energy use.

- Driven by ambitious targets, governments should encourage energy efficiency enhancements of buildings by offering well-tailored technical support and financial incentives to curb emissions.
- Recent energy price surges boost potential energy savings. Policymakers should grasp this opportunity to encourage investments in energy efficiency which can hedge against rising energy prices.
- Property owners of rented homes often lack incentives to invest in energy efficiency, as operational costs are covered by tenants. Policymakers should thus provide effective solutions to stimulate long-term green investments.
- Decision-makers should turn to more tailored financial instruments, such as mezzanine financing, that make energy efficiency investments profitable and attract private investors.
- Financial institutions and policymakers need the right evidence to inform their decisions. AI and the Internet of Things hold the potential to close this data gap, improving outcomes by multiples.

Financing renewable energy revolution and new technologies: will renewable energy save us? (Panel discussion)

Petr Rokusek, Nano Energies
Jakub Skavron, Climate & Sustainable Leaders Czech Republic
Andrea Ferjencikova, EIB
Palma Szolnoki, BME Zero Carbon Hub

With the outbreak of the war in Ukraine, discussion about the need to scale up renewable energy solutions has been gathered pace. What are the opportunities and challenges as we seek to improve the financing of renewable energy sources (RES) in the CEE region?

- Diversification of the energy mix and grid stabilisation remain key challenges. Addressing these can create a more secure, sustainable, democratic, and affordable energy system.
- A successful energy transition requires a simultaneous focus on (a) accelerating the deployment of renewables, (b) expanding transmission and distribution of electricity, and (c) accumulation.
- As long-term investments in new fossil fuel and nuclear energy projects could not possibly alleviate energy supply issues in the near-to-medium future, the focus must lie on diversification in the short-term, and the immediate expansion of renewables and grids.
- The European Investment Bank aims to provide advice and predominantly anti-cyclical and long-term funding, in line with EU priorities like green energy and innovation. It is designed to crowd in, not out, the private sector by catalysing new risky solutions (such as Northvolt).
- CEE innovators should think outside the box, more deeply exploit the potential of the EU Single Market and make use of regulatory sandboxes to foster innovation across the region.

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Business in a post-Covid era of uncertainty: what regulation, financial conditions, and policies can support or damage business growth? (Panel discussion)

Adam Jacobs-Dean, AIMA
Constance Kann, EIB
Pavla Breckova, AMSP CZ
Lubomir Vystavel, NN Investment Partners B.V.
Miroslav Lukes, Czech Fintech Association
Cyril Klepek, Cyrkl
Hugo Greenhalgh, Thomson Reuters Foundation

European businesses are facing an array of challenges, from Western consumer demand for more sustainable products and behaviour, to complex new reporting requirements and geopolitical shifts. CEE policymakers, businesses and financiers alike must work together to address the many challenges, shifting their mindset on ESG from risk to opportunity.

- To stay competitive, CEE needs more visionary thinking and clear priority setting when it comes to the rapidly growing digital economy and the green transition across sectors.
- Contrary to the U.S., Europe is highly dependent on bank-based finance which contributes to a structural gap between demand and availability of credit. Innovation financing in CEE is mostly provided through venture capital rather than from capital markets of banks.
- Sustainable Investing is not only about investing in already green assets, but more importantly, about promoting meaningful change within high emission sectors. The war in Ukraine has sparked a debate about ESG investing, especially when it comes to human rights issues in non-democratic countries. It has also raised ethical questions for investors about investing in weapon production companies and fossil energy sources.
- The EU and member states should work to finally realise free movement of people (to counter shortages of skilled workers) and capital (to accelerate innovation and green financing).
- Authorities should strike a better balance for bureaucratic requirements, shifting in part towards principle-based governance (similar to what is practiced in the United Kingdom) and clearly communicating its purposes.

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Zooming in on S and G indicators in business models in CEE: Measurement and data management (Focus group)

In the CEE region the integration of Environmental Social and Governance factors has been predominantly associated with ‘E’. The ‘S’ & ‘G’ still tend to be perceived as challenging, and as an extra step for alignment - one seen as mainly for a small group of highly specialised impact or thematic investors.

- So far, S & G indicators are mostly used for PR or to mitigate risk. However, S has a great potential to empower workers, hike productivity, and thus enhance a company’s value.
- Climate change and inequality are the two main issues that will shape both indicators over the coming years. However, corporates also need to beware of rapid shifts in materiality, such as those we’ve seen as a result of the COVID pandemic or the Russian invasion on Ukraine.
- With the increasing importance of ESG in risk and crisis management, non-financial information should be analysed alongside the financial information, not in a siloed way.
- The importance of the governance factor is often overlooked. Most strategic decisions are made ‘top-down’, which is why companies can only achieve their social and environmental goals provided they have good governance.
- Social issues can and need to be viewed from several perspectives, including from an employee, supply chain, and customer perspective. It is important that companies consider the interests of all stakeholders when making decisions.

Business and non-financial reporting (Panel discussion)

Robert Adamczyk, EBRD
Maria Ibisz, Deloitte
Petr Koblic, Prague Stock Exchange
Filip Gregor, Frank Bold, EFRAG
Michael Zimonyi, IFRS Foundation
Vesselina Haralampieva, EBRD

While most reporting requirements currently apply to large enterprises (500+ employees), this is expected to change imminently. As a result of the pressure on larger companies to report on their suppliers, CEE companies will also be required to report scope 1, 2 and even 3 emissions. The new expectations and requirements have led to a proliferation of companies and consulting businesses catering to the growing demand for assistance with reporting.

- Companies now need to master the jump from CSR reporting to holistically integrated ESG and climate reporting. They should shift towards more strategic gathering and usage of data, and leverage taxonomy indicators for the whole investment process.
- Early movers on climate transition planning and reporting stand to benefit on capital markets. CEE businesses need to set targets and start identifying and addressing both risks and impacts across the entire value chain.
- To foster comparability and coherence, regulators (EFRAG) must set a mandatory, auditable minimum benchmark of reporting on scope 1 & 2 emissions, whereas more flexibility can be granted to scope 3 emission approaches.
- To counter smaller firms' fears around potentially burdensome non-financial reporting, regulators should ensure (a) a level playing field to avoid any disincentives for firms to go public, and (b) proportionality in the extent of requirements based on the size of companies.
- Standard-setters such as the IFRS Foundation are working to meet investors' demands by adding granularity, comparability, and transparency to ESG, shifting the focus from high-level reporting to concrete target setting and data that is more useful for investment decision-making. These efforts have the potential to have a greater impact on changing company business models due to the pressures from the financial sector.

Watch the recorded session

Industry decarbonisation in the EU - Local context and needs (Focus group)

The CEE region faces a particular set of challenges: its energy mix still has coal and a lot of gas, while government support for decarbonisation has been more limited than in countries like Sweden, the UK, or France. Meanwhile, the trajectory of policy and finance is clear: carbon intensive sectors are seen as riskier, and the pressures to decarbonise are rising.

- The CEE region should pay more attention to carbon capture and storage (CCS) solutions. They pose an important mosaic piece for carbon reductions, with special potential for cement, hydrogen, and direct carbon capture from air.
- Policy-makers should focus on creating incentives for industry decarbonisation. A phase-out of free allowances alongside with protective measures such as Carbon Border Adjustment Mechanism (CBAM) could present an efficient way to create competitive decarbonised industry.
- Further, a focus on thorough materials standardization and unification is needed. Policy-makers should accurately determine which sorts of materials can be used for specific purposes. This would help foster the circular economy.
- European financial support funds for industries have to incorporate not only capital expenditure (CapEx), but also operating expenses (OpEx) costs to enable economically sustainable decarbonisation.
- Green public procurement, smart positioning alongside supply chains (e.g. a pivot to battery production), and innovation elements as part of industry decarbonisation policies, can altogether create new, sustainable and well-paying jobs in the CEE region.

Challenges and opportunities for industry decarbonisation in CEE
(Panel discussion)

Barbara Botos, Ministry of Innovation and Technology, Hungary
Christian Egenhofer, European University Institute
Adam Jarosz, ORLEN Unipetrol
Rafael Cayuela, Dow Chemicals
Petr Jonak, Czech Confederation of Industry
Dora Csernus, Equilibrium Institute

CEE countries are amongst the most industrialised countries in the EU, with hard to abate sectors such as cement, steel, chemical and automotive. With the war on Ukraine continuing, questions have been raised about whether the EU's Green Deal priorities might need to change – mainly to ensure that Europe does not lose its steel and cement producers, which could well be required for the transition to a low carbon growth.

- There are 3 D's for a successful green transition: (a) decarbonisation to avoid de-industrialisation and bolster industries' resilience, (b) digital innovation to lower energy usage, and (c) decentralisation of energy to increase its security and price stability.
- CEE countries should more widely adopt green public procurement and make it a strategic priority. Appropriately ambitious green frameworks could equip them with the necessary competitive edge to attract new investments from firms facing pressure to go green.
- Panellists disagreed on whether the CEE region faces more challenges in decarbonising than Western Europe. While CEE is part of the EU Single Market, including comparable regulatory framework and access to financial resources, it is structurally and culturally different from Western Europe. The less advanced progress with decarbonisation conversations and efforts could even deliver a 'late mover' advantage to the CEE region, as it could avoid policy mistakes made by other countries or regions.
- With the help of supporting policies, heavy-emitting industries should directly aim to produce their products carbon-neutrally, as partial emission reductions will not meet customer demands.
- Working towards autonomy in battery and solar panel production in Europe could decrease strategic dependencies and thus safeguard the success of the green transition.

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Banking and the climate Zeitgeist: implementation of sustainability in practice and the race to net zero (Panel discussion)

Heather Buchanan, Bankers for NetZero
Eva Bucova, ING Bank
Erik Berglof, Asian Infrastructure Investment Bank
Sasja Beslik, NextGen ESG
Krisztina S. Nagy, Deloitte
Daniel Bouzas, UNEP FI

Over the last decade, banks have seen great changes to regulation and expectations, with compliance requirements growing exponentially. New pressures to improve reporting on climate risk and to comply with the EU taxonomy (amongst other regulations) adds additional burden to banks. Simultaneously, policy and societal pressures to address environmental sustainability will remain.

- Companies with constrained access to capital typically struggle to decarbonise, which means that poorly developed capital markets in the CEE region constitute one of the main obstacles to accelerating the transition.
- Instead of using a lack of data availability and verifiability as an excuse, the debate should focus on how regulators and financial institutions can help companies shift their business models quickly and effectively, which in turn should set realistic targets to deliver results.
- While subsidiaries of big multinational banks have an advantage through their institutional knowledge, regional banks have proven surprisingly nimble in dealing with growing sustainability demands.
- Even if initially exempted from the EU sustainable finance regulation, all firms should start working on data gathering and reporting as soon as possible. As firms begin calculating their scope 3 emissions across the whole supply chain, smaller firms will soon be affected by demands for information and disclosure.
- As well as the challenges posed by underdeveloped capital markets, CEE also faces a cultural credit data gap which banks can counter by setting forward-looking GDPR policies.

Watch the recorded session

Transition finance instruments: green bonds and sustainability-linked bonds (Focus group)

The rise of green and sustainability-linked bond issuance has been exponential, with increasing interest from European industry. At the same time, there have been accusations of greenwashing and suggestions that impact has been limited, as the effect of different bond issuance is yet to be seen.

- Despite the economic turmoil, the global green bond market and overall demand for green debt products are booming. The CEE region should turn to green and sustainability-linked bonds to finance green infrastructure projects.
- Due to the excessive cost of issuance, the green bonds market is currently quite inaccessible to many CEE actors. Policymakers and financial institutions should especially focus on supporting the smaller actors.
- As investors increasingly question the integrity of bonds declared as green, issuers should directly subscribe to ambitious impact standards, such as the EU Green Bonds Standard.
- Public and private financial institutions should create a green financing ecosystem in which both green bonds and green loans can thrive. Currently, bond investments lag behind due to, for example, refinancing risks.
- Fiscal and monetary policy can ignite greater bond issuance through tax reliefs or purchasing guarantees.

Climate stress testing: a decade of improved methodologies and new approaches
(Panel discussion)

Jakob Thomae, 2° Investing Initiative Deutschland
Ulrich Volz, SOAS University of London
Stepan Pekarek, Deloitte
Roman Vasil, National Bank of Slovakia
Reka Hamori, Hungarian Banking Association

The Bank of England, the European Central Bank (ECB) and the Network for Greening the Financial System (NGFS) have played a key role in promoting the sustainability agenda for central banks. However, challenges related to climate stress testing methodologies, data availability, and quality of testing remain, while climate stress testing is set to become a prominent tool for assessing bank performance.

- As opposed to traditional stress tests, climate stress testing requires (a) a long-term lens that accounts for transition risks, (b) a move away from binary to multiple scenarios, and (c) increasingly centralised stress tests by central banks to enhance comparability.
- Banks often view climate stress tests as a transaction cost problem. Thus, it is important (a) to roll out open-source methodologies such as Paris Agreement Capital Transition Assessment (PACTA) to decrease these costs and (b) to refocus from large listed to mid-sized firms exempted from disclosure requirements.
- Banks' portfolio alignment towards net-zero can help prevent massive macroprudential risks in the long term. Supervisors should therefore base their prudential policies on stress test results.
- To aggregate sufficient data, comprehensive mandatory disclosure is needed. Even if detailed data is lacking, it is essential to capture macro-level alignment with climate goals.
- Both bottom-up climate stress testing through financial banks and top-down stress testing through supervisors are necessary for sensible and thorough risk assessments.

Watch the recorded session

EU sustainable finance agenda: implementation of imminent regulation
(Focus group)

New EU regulations are rapidly changing the ways sustainability is integrated, how ESG investors are operating, and how new investment funds are built. However, the capacity of market actors to implement the new requirements in practice is not keeping the same pace. This context was the impetus for the founding of the Czech Sustainable Investment Forum online membership platform, created to serve as a knowledge hub focused on sustainable investing in the Czech Republic.

czechsif

- The CzechSIF, launched by ISFC, will bring together public and private actors working on sustainable finance with the ambition to create blended finance instruments for climate investments.
- As regional stakeholders struggle to apply the somewhat complex EU Sustainable Finance Agenda, CzechSIF will work to inform, 'de-mystify' and build knowledge by convening working groups and publishing guidance.
- CzechSIF will provide a central forum, integrating information and data channels to ease coordinated efforts, such as in sector-specific initiatives, helping to tackle fragmented, uncoordinated work among CEE associations and working to enhance cooperation.
- Thus far, governments have been rather ineffective in communicating input from local actors at the EU and global levels. SIF aims to bridge that gap and to represent local interests globally.
- Ultimately, CzechSIF will serve as a space to share and build enthusiasm among investors and to provide mutual support to master the challenges and grasp the opportunities of sustainable finance.

Central banks: developments and pressures in supervisory activities
(Panel discussion)

Marek Mora, Czech National Bank
Santa Purgaile, Financial and Capital Market Commission
Martin Krivanek, KPMG
Fernando Restoy, Bank for International Settlements
Linda Zeilina, International Sustainable Finance Centre

Central banks play an important systemic role in shaping a country's economy and its financial sector. Notably, physical climate-related and transition risks pose core challenges to financial stability in CEE and beyond.

- Banks and supervisors are confronted with radically shifting macroenvironments as a result of climate change. They increasingly need to deal with economic disruption due to changes in governmental policies, technology, and consumer and investor behavior.
- However, the Czech Central Bank (CNB) sees a very limited role for central banks to deal with climate change due to a lack of democratic legitimacy, knowledge and mandate.
- Monetary policies will need to respond to inflation arising from the war in Ukraine and spiking energy prices, the Green Deal, de-globalisation trends, and changing demographics.
- ESG, climate-related and especially transition risks will rapidly intensify. This requires swift coordinated action, for which supervisors prefer 'using the carrot rather than the stick' in close coordination with banks.
- Rather than changing their mandates, financial authorities should develop balanced ways to address the implications of climate change. Banks will benefit from an effective combination of guidance, rules, and requirements.

Watch the recorded session

Innovation financing: can the CEE region and Europe boost its innovation ecosystems? (Panel discussion)

Senta Cermakova, Deloitte
Michal Kosina, European Investment Fund
Markus Raunig, AustrianStartups
Marian Gazdik, G-Force
Jan Burian, IDC Europe
Andrew Gray, Tilia Impact Ventures

Innovation and research and development (R&D) are of growing importance in the EU, with more attention from governments and with more financing available from a range of actors, including the EIB. Yet the CEE region, and Europe more widely, often trail other countries' efforts to develop and scale-up innovative start-ups or technology companies.

- As start-ups are the greatest engine of economic growth, CEE should foster entrepreneurial societies and undertake policy changes to overcome the biggest roadblocks, including a lack of talent, capital, and regulatory flexibility.
- Panellists disagreed on whether the availability of funding in CEE is sufficient, as exceptional ideas can always attract investors but overall start-up funding remains scarce.
- To educate the next generation of entrepreneurs, CEE should make human capital a priority. Teaching approaches should shift from memory learning to practical skills such as pitching, financial literacy, and critical thinking.
- CEE lacks early-stage investors and has only a limited amount of regional venture capital funds. Institutional investors like the EIB lack flexibility but are moving in the right direction, whereas regulation hinders pension funds from scaling start-up funding.
- Innovation hubs like Israel or Estonia can serve as best practice examples from which CEE countries could gain policy insights and attract seasoned experts for company boards.

Watch the recorded session

Financing decarbonisation and innovative solutions in cities (Focus group)

Cities will play a crucial role in national decarbonisation efforts. However, many cities struggle with financing decarbonisation, energy efficiency, and renewable energy projects. In particular, CEE cities find it difficult to attract private investors due to lacking administrative autonomy and dependence on electoral cycles.

- Policymakers and public financial institutions should strive to make the urban investment market as predictable and favourable as possible. They can achieve this by following sustainable long-term strategies coupled with concrete policies and financial de-risking.
- Cities are places of progressive thinking, with condensed and complex socio-ecological realities. Technical assistance and financing programmes could more deeply connect supply and demand.
- To make public transport more attractive, cities should pair strong financial incentives with comprehensive communication campaigns. Practical advantages for citizens can help to raise voter support for green policies.
- EU institutions, national governments and civil society organisations can provide municipalities with the necessary information and guidance that they often lack, mainly due to financial constraints. More pro-active approach by authorities and different stakeholders would help to improve outcomes.
- Cities can benefit from a combination of strategic top-down and bottom-up decision making. This ensures that a long-term perspective guides innovative and flexible solutions. It's crucial that decision-makers ensure that bad ideas are stopped before they're scaled, to avoid wasted resources.

Changing investing & new business: the rise of climate tech (Panel discussion)

Vaclav Gregor, Soulmates Ventures
Zuzana Zamborska, BE-ID human
Hristo Valev, Urban Impact Ventures
Lenka Mynarova, Nafigate Corporation
Marian Gazdik, G-Force
Jana Vecerkova, BrikkApp

Investor demand and founder motivations drive the emergence of climate tech, whose investments globally more than tripled to over 80 billion euro in 2021. A clear focus on impact by founders and supporting policies can help the CEE region to leverage this massive opportunity.

- Founders in CEE should (a) adopt a growth mindset and (b) focus on product optimisation and the market rather than only the customer before expanding.
- Impact-oriented founders typically welcome a shift towards longer-term investment cycles, which encourages more sustainable business models.
- Democratisation and women's representation in capital markets is both socially progressive and helps to bring more diverse perspectives to the investing and in the turn start-up community.
- In response to the rise of climate tech, impact start-ups need to rigorously focus on the materiality and additionality of their impact. Aligning their business models to contribute to the achievement of SDGs and to comply with sought-after goals like a Paris Agreement-compatible pathway will improve access to capital going forward.
- Investors increasingly crave scalable technologies which can measurably help reduce global greenhouse gas emissions. To assess and compare company climate impact, however, it takes a global and standardised approach to quantify life-cycle emissions.

Watch the recorded session

Sustainable finance for building sustainable and resilient infrastructure (Focus group)

Infrastructure is a fundamental driver of our economic development and prosperity. On the one side, developing sustainable infrastructure requires significant capital resources to build and operate, costs which are climbing with climate risks and events. On the other side, infrastructure is responsible for 60 % of carbon emissions. Rethinking how infrastructure is built and operated with new design and engineering methods, we have an opportunity to create a sustainable, infrastructure-led recovery that will transform economies and create a better future.

- The greatest potential for the decarbonisation of transport infrastructure lies in the reduction of emissions in steel and cement production, and in the prioritising of brownfields over greenfields.
- Many companies and financial institutions have had to build capacities for environmental impact assessment (EIA). This can help to ensure compliance with new regulations and generate impact-related data for new reporting requirements.
- The use of high-quality long-lasting materials is crucial. Often, public bodies tend to prefer lower costs over sustainable materials of better quality. Institutions should be provided with proper guidance to prevent investments in unsustainable stranded assets.
- Infrastructure investments must not only align with the E in ESG, but also with social and governance criteria. This will be especially challenging due to energy and component supply issues, which have been exacerbated by the war in Ukraine.
- Citizens need to be adequately informed about the necessity of sustainable solutions through educational campaigns.

Sustainability and security: two sides of a coin, or concepts in tension?
(Online discussion)

Simon Zadek, Finance for Biodiversity Initiative
Shada Islam, New Horizons Project Geopolitical Strategy Advice and Analysis
Linda Zeilina, International Sustainable Finance Centre

While sustainability and security policies have been seen as two separate fields, the Russian aggression in Ukraine has made the interconnectedness between the two more obvious, whether in terms of energy security, economic competitiveness, or environmental impact.

- The European Green Deal has now become a central part of the EU's security agenda.
- What is now needed, is enhanced interdisciplinary and cross-country collaboration on climate change, natural capital, and security.
- To maintain financial stability and to avoid asset misallocations that create security risks (for example, by allocating too much capital to business models that rely on resource supplies from hostile regimes or ones with high-risk profiles), the functioning of the financial system needs to become a security issue.
- World leaders have facilitated the current energy and food crises, through their complicity in allowing the financial community to continue to invest at scale in fossil fuel extraction, and because the concepts of nature and biodiversity have not been considered through a security lens.
- To make food systems more resilient and sustainable, policymakers can learn from innovation and supporting policies in the renewables industry, which has thrived as costs have fallen. This includes scaling vertical farming or alternative proteins, among others.
- To combat the current crisis, leaders should (a) no longer support large-scale investments in carbon assets, (b) accelerate the decentralisation of global food systems by incentivising local food production, and (c) open up commodity markets.

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