

Low carbon benchmarks and positive carbon impact benchmarks

2018/0180(COD) - 26/03/2019 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 579 votes to 40 with 42 abstentions a legislative resolution on the proposal for a regulation of the European Parliament and of the Council amending Regulation (EU) 2016/1011 on low carbon benchmarks and positive carbon impact benchmarks.

To recap, the proposal is part of a broader initiative to redirect capital flows towards sustainable investments. It lays the foundations for a European framework that places environmental, social and governance (ESG) criteria at the heart of the financial system.

The position of the European Parliament adopted at first reading under the ordinary legislative procedure has amended the Commission proposal as follows:

Benchmark indices

The proposed regulation would introduce into Regulation (EU) 2016/1011 on reference indices the definitions of the new categories of reference indices, namely the climate transition and Paris Agreement-aligned indices.

(1) The Climate Transition Benchmark would be an index whose underlying assets would be selected, weighted or excluded such that the resulting benchmark portfolio is on a decarbonation path.

Suppliers of EU climate transition benchmarks should select, weight or exclude underlying assets issued by companies that are on a decarbonation path by 31 December 2022 at the latest, in accordance with the following requirements

- companies report measurable and time-bound targets for reducing carbon emissions;
- companies report a reduction in carbon emissions broken down to the level of the operating subsidiaries concerned;
- companies publish annual information on progress towards these objectives.

(2) The Paris-aligned Benchmark would be an index whose underlying assets are selected in such a way that the resulting carbon emission reductions in the benchmark portfolio are aligned with the Paris Climate Agreement's long-term global warming target objective.

These two benchmarks are not expected to significantly compromise other environmental, social and governance (ESG) objectives. They should also be constituted in accordance with the minimum standards laid down in delegated acts.

By 1 January 2022 at the latest, providers of significant benchmarks in the Union should endeavour to market one or more EU Climate Transition and Paris Agreement benchmarks.

Investor information

In order to inform investors of the degree of compliance with the Paris Climate Agreement, both for major equity and bond benchmarks and for the EU Climate Transition and EU Paris Agreement benchmarks, the administrator of a benchmark index should publish detailed information indicating whether and to what extent an overall degree of alignment with the objective of reducing carbon emissions or achieving the Paris Climate Agreement's long-term global warming limitation targets is ensured.

By 31 December 2021, all benchmarks or families of benchmarks, with the exception of currency and interest rate benchmarks, should, in their benchmark statement, include an explanation of how their methodology aligns with the target of carbon emission reductions or attains the long-term global warming target of the Paris Climate Agreement.

Review and report

By 31 December 2022 at the latest, the Commission would review the minimum standards for benchmarks to ensure that the selection of underlying assets is compatible with environmentally sustainable investments, as defined by an EU-wide framework.

Before 31 December 2022, the Commission should submit a report on the impact of the regulation and the feasibility of ESG benchmarks, taking into account the evolving nature of sustainability indicators and the methods used to measure them. This report would be accompanied, if necessary, by a legislative proposal.