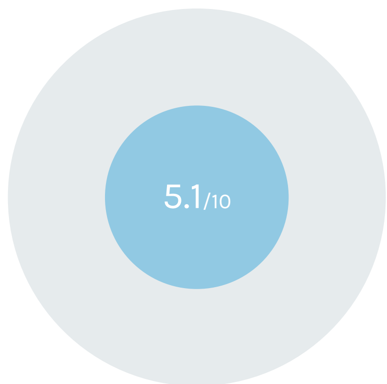
RESULTS AND SCORES

Spain

Although awareness for green finance in Spain is rising, the political framing is timid and progress beyond the translation of EU regulations is slow. In theory, Spanish action on green finance and green financial market regulation should be much stronger according to the country's climate action plans. The political deadlock of the Spanish government has hindered progress in the past years. This is reflected in the 3fP-Tracker dimensions, as Spain remains the least advanced of the assessed countries.

However, quite some progress has been achieved particularly thanks to the introduction of the Sustainable Finance Disclosure Regulation (SFDR) and the EU Taxonomy Regulation. National regulation related to the implementation of the Law on Climate Change and Energy Transition, the preparation of a strategic Agenda for Sustainable Finance and further issuances of sovereign green bonds will most likely advance the green finance agenda in the coming years.

TRANSPARENCY & DISCLOSURE



Transparency on climate-related risks and opportunities in the Spanish regulatory environment for financial markets could still be further developed. Currently, EU Directives and Regulations are the key driver to change the status quo. In particular the SFDR will lead to increased transparency on climate-related aspects amongst financial products and services in Spain. Moreover, the (non-binding) Guidance on the reporting of climate risks as issued by the European Commission might further improve transparency on climate-related aspects not only in the financial industry but throughout the Spanish economy.

Although climate change is never explicitly mentioned, climate-related reporting and disclosure on strategy are partially covered in both the Spanish Corporate Governance Code and the Spanish Corporate Act – Law 11/2018 (Ley sobre información no financiera y diversidad). The disclosure of metrics and targets to assess climate-related risk and the company's contribution to climate change is mandatory for those defined as 'public interest entities'.

The transposition of the Shareholder Rights Directive II (EU Directive 2017/828) into Spanish regulation (still pending) will reinforce long-termism in the economy. Institutional investors and asset managers will have to publish a Shareholder Engagement Policy compliant with transparency requirements on ESG factors. Adoption of a long-term vision is also fostered with executive remuneration partly linked to the medium-term success of a company.

SUPERVISION, RISK MANAGEMENT AND SYSTEM STABILITY

4.1/10

The supervisory environment in Spain could be further developed. Awareness on climate-related risks is rising with several public institutions offering conferences, seminars and publications on this topic.

Further progress on risk management is expected since the draft Law on Climate Change and Energy Transition, includes mandatory risk assessment on climate change every two years for the Bank of Spain, the National Securities Market Commission (CNMV) and the General Directorate of Insurance and Pension Funds. Frameworks for risk management for banks, insurance companies, pension funds and asset managers do not explicitly mention climate change or climate change related risks. However, insurance companies have to disclose environmental information in the abbreviated report as stipulated in the Royal Decree 1060/2015.

ENABLING ENVIRONMENT

4.9/10

The enabling environment for green finance in Spain has room for improvements. Although having ambitious targets for decarbonisation, Spain is working on a clear transition pathway with a long-awaited Climate Change and Energy Transition Law that is still pending.

The 3fP-Tracker shows that public incentives for green finance are driven by national, regional and local entities. At the national level, only the Institute for Energy Diversification and Savings provides subsidies for wind and solar energy, energy efficiency improvements and SMEs with green projects. Spanish public institutions are also solid participants of the green bond market with the public sector emitting green bonds since 2017. A green bond scheme to finance the ecological transition of the country is under review in the ministry of Economy and the Spanish Treasury. However, Spain could benefit from climate-related disclosure and the integration of ESG criteria into the portfolio management of its public institution (Seguridad Social, Bank of Spain, etc.).

Note for interpreting this evaluation:
given current state of methodology development, data availabilities and market experiences, the ideal total score (10) might not be realistically achievable in some categories today, best practices today score significantly lower.