

Netherlands

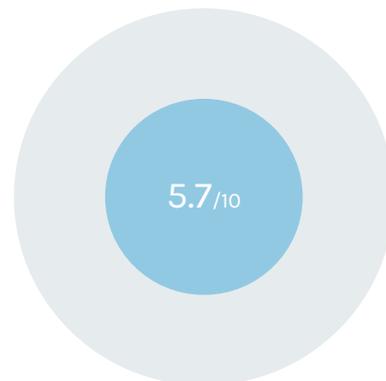


The Netherlands achieve relatively good results on all three dimensions of the 3fP-Tracker with a particular strength on the supervision, risk management & system stability and followed by the enabling environment. However, as with all jurisdictions considered, ample room for improvement exists in Dutch financial market regulation to become fully fit for Paris. Hence, the Dutch transition to a low carbon economy could receive stronger support by Dutch financial market regulation.

In the Netherlands, a rather unique interplay between public and private actors is in place. Green initiatives reinforce this interplay and allow for guidance and knowledge sharing. This interplay could be a key factor leading to the commitments by the Dutch financial sector to the Dutch Climate Commitment. Other key initiatives include the Partnership for Carbon Accounting Financials (PCAF), Dutch Corporate Governance Code, the Platform for Sustainable Finance and the iMVO-covenants initiated by the Ministry of Foreign Affairs. Empowered through such initiatives.

TRANSPARENCY & DISCLOSURE

On transparency, the Dutch efforts to greening the financial system show distinct progress, which is driven by country-specific as well as EU-level legislation. The Sustainable Finance Disclosure Regulation (SFDR) will increase transparency on Paris-relevant considerations to a large extent. The Dutch Corporate Governance Code requires (financial) institutions to engage in long-term value creation with their business activities. Under a comply-or-explain approach, this should imply a further push for financial market actors to support green and sustainable investments. PCAF has published a methodology for measuring the carbon footprint of investment and loan portfolios. The Dutch government has set up a mechanism in the regeling groenprojecten, which allows banks to establish green funds under a comprehensive catalogue of green activities. This allows for investment in greening the Dutch economy.



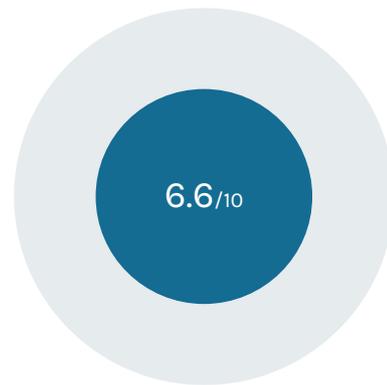
The Dutch accounting regulation could increase its focus on accounting for physical and transitional climate risks and consumers could have more transparency on climate exposure of their PRIIP or retail fund investments as the EU Ecolabel will not be in place before Q3 2021.

SUPERVISION, RISK MANAGEMENT AND SYSTEM STABILITY

The supervisory authorities in the Netherlands take on a position as catalysers for integrating climate related risks in the Dutch financial industry. De Nederlandsche Bank (DNB), the Dutch Authority for the Financial Market (AFM) and the Ministry of Finance all state their support for climate finance and outline concrete actions to accelerate its usage in their strategic plans. This is reflected in the advanced integration of climate related risks in stress testing and the supervisory review process in the Dutch supervisory system. Banks are asked to do a self-assessment on the impact of climate change on their portfolio.

In his role as president of the NGFS, Frank Elderson should translate methodological action on the level of the NGFS into practice in the Netherlands. The publication of a set of climate scenarios by the NGFS was a major milestone in 2020.

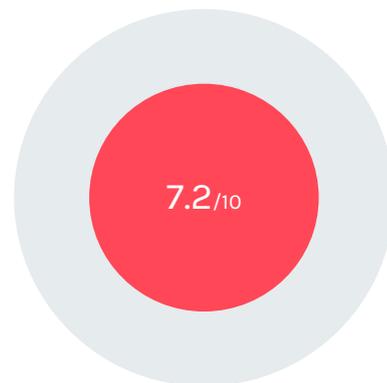
Potential next steps for a deeper integration of climate finance in the Dutch supervisory system are the structural inclusion of climate related factors in stress testing at financial institutions and an industry wide implementation of climate risks in the supervisory review.



ENABLING ENVIRONMENT

The enabling environment for a Paris-compliant financial system is robust in the Netherlands. The Dutch government offers a wide range of green financial support instruments mostly in the form of grants and tax reliefs. These instruments should primarily increase the deployment of renewable energy and energy efficiency. The DNB shows a strong commitment to greening the financial industry in the Netherlands, which it has manifested by setting up the Sustainable Finance Platform, co-initiating and chairing the international Network on Greening the Financial System (NGFS) and becoming the first central bank to sign the UN Principles on Responsible Investment (PRI). In June 2020, several PMs started an initiative to improve the sustainability of the Dutch financial sector 'Van oliedom naar gezond verstand: verduurzaming van de financiële sector'. In 2020, the Dutch government expanded the subsidy program Stimulating Sustainable Energy Production (SDE++).

The explicit commitment of the financial sector to the Paris Agreement has to materialize in the coming years. Some state-owned entities and municipalities have already developed their own climate-related criteria and divestment goals, which can grow into a nation-wide strategy. The further development of sustainable public procurement will help the Netherlands to make sure that public spending drives the Dutch Paris commitments.



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.