

The Federal Government's new Sustainable Finance Advisory Council - On the way to becoming a leading sustainable finance location

By Kristina Jeromin*

On 10 June 2022, the constituent meeting of the Sustainable Finance Advisory Council of the Federal Government took place at the Federal Ministry of Finance. This important body was thus appointed for another legislative period. And that is good, because the challenges in the context of establishing sustainable financial structures are great and their handling is urgent.

The new advisory board comprises 34 voting members and 19 permanent observers. The lead ministries are still the Federal Ministry of Finance (BMF) and the Ministry for the Environment, Nature Conservation, Nuclear Safety and Consumer Protection (BMUV). Silke Stremlau (Hannoversche Kassen) and Christian Heller (Value Balancing Alliance) were proposed by the ministries as chair and vice-chair respectively and confirmed by the advisory board members. The first meeting, chaired by State Secretaries Dr Florian Toncar (Federal Ministry of Finance) and Stefan Tidow (Federal Ministry for the Environment, Nature Conservation and Nuclear Safety), focused on formal questions, getting to know the new members of the advisory board and observers, and exchanging expectations and perspectives on the role and scope of the advisory board. Since the federal government followed the successful recipe of the last Sustainable Finance Advisory Council and decided on a diverse composition, a wide range of topic-related expertise and different attitudes were already visible here. This is both the strength and the potential Achilles' heel of the committee. The following three guiding principles could help to make the work of the committee a success:

A holistic approach

In order to fully utilise the potential of the financial system for the social-ecological transformation of the economy and thus ensure competitiveness and employment security in the long term, a holistic approach is needed that addresses all actors in the financial system and their respective areas of responsibility. It is important to focus on individual business areas and mandates as well as to consider possible systemic linkages and cross-cutting issues. The challenge will be to noticeably advance the concretisation and implementation in the respective daily business without losing sight of the big picture. Furthermore, it must be ensured that the concretisation at the implementation level consistently pays into the overarching goals.

A high level of ambition

What seems solid and sufficient today will be outdated tomorrow and will no longer be able to compete the day after tomorrow. This is the case with many things, including sustainable finance and especially in highly transformative times like the current ones. In order to develop Germany into a leading location for sustainable finance, we therefore need not only the aforementioned breadth and depth of content in answering the question "What actually constitutes a financial system that is sustainable and promotes the future?" It also needs a forward-looking principle and the insight that steps that seem enormously challenging in the short term will pay off in the medium to long term. And that is ultimately what it is all about when we talk about a "leading location". It is precisely in these uncertain and complex situations that we need the courage to act innovatively and in a pioneering way - while remaining prudent and taking everyone with us.

Looking beyond the horizon

As important and right as national efforts are in building and financing resilient value chains, they will remain ineffective if they are not embedded in developments at the European and international level. From the climate crisis to the COVID 19 pandemic to the grave consequences of Russia's war of aggression on Ukraine, the interconnectedness of our humanitarian and environmental responsibilities with our economic sustainability could not be more apparent - and it is global. In order to define the role of the financial system in this complex environment and to help ensure that it can be fulfilled, viable networks and alliances are needed. Because when it comes to moving from talk to action, advisory bodies alone are not enough. But they can set targeted impulses in the direction of business, science, civil society and politics and promote and mandate concrete initiatives and accompany the changes with far-sightedness.

So there is a lot to do. The good news is that the Sustainable Finance Advisory Council is not starting from scratch. The 31 recommendations of the previous Advisory Council and the 26 measures subsequently formulated by the federal government at the time form a good foundation for moving forward and setting up a leading sustainable finance strategy along the three guiding principles called for. It remains to be seen to what extent the work of the new advisory council will be aligned with this. The substantive agenda will be fleshed out in the coming weeks and months and hopefully quickly lead to noteworthy results. For despite all the joy about the appointment of the second Sustainable Finance Advisory Board, one thing is clear: the tasks it has to deal with will not tolerate any further delay.

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