Capacity Building Programme on Sustainable Finance Taxonomies

Introduction

Addressing the challenges of climate change requires the development of sustainable finance frameworks, in line with international best practices, with the aim of building a conducive environment for sustainable finance to (i) steer private capital flows into the investments required for a sustainable, resilient, and inclusive economic transition and (ii) to strengthen LAC financial stability. Building a conducive environment for sustainable finance requires a wide range of supervisory and regulatory actions, where policy makers, central banks, and financial supervisors and regulators are engaged as stakeholders. This capacity building course presents sustainable finance taxonomies as one of the key policy tools to redirect investments into economic activities that support the transition towards sustainable, resilient, and inclusive economies.

Distributed in five online sessions led by international experts in the field of sustainable finance, the course will address the definition of sustainable finance taxonomies, their development, implementation, interoperability, and use by central banks and supervisory authorities. The sessions will familiarize staff at central banks and supervisors with the importance and usability of sustainable finance taxonomies, learning about the strategic importance of taxonomies in the development of sustainable finance policy frameworks of utmost importance to address climate-related financial risks. The course is organized in the context of the Climate Financial Risk Center and is jointly organized between CEMLA, ASBA, and UNEP FI with the financial support of Euroclima in December 2022.

Speakers:

Valeria Dagnino, Sustainability Manager, Climate Bonds Initiative
Andrés Felipe Sánchez, Head of LAC, Climate Bonds Initiative
María Paz Gutiérrez, Oficina de Finanzas Verdes, Finance Ministry, Chile
Mariana Escobar, Economist, IFC World Bank

Key dates

Video-recorded session	Session 1. Introductory lecture – An overview of sustainable finance taxonomies
Thursday, February 1, 2024	Session 2 – Governance for sustainable finance taxonomy development
Thursday, February 15, 2024	Session 3 – Implementation of sustainable finance taxonomies
Thursday, February 29, 2024	Session 4 – The importance of usability, practicability, reporting, and data quality and verification

Thursday, March 14, 2024	Session 5 – Interoperability and LAC Common Framework
Thursday, March 21, 2024	Session 6 – A look into the future: Recent trends for the sustainable finance market

Agenda

Day 1, Video-recorded Session

(60 min)	**Session 1. Introductory lecture – An overview of sustainable finance taxonomies**
	This introductory lecture presents sustainable finance taxonomies as one of the key policy tools to redirect investments into economic activities/assets/projects that support the transition towards sustainable, resilient, and inclusive economies. This session provides an overview of the current landscape of sustainable finance taxonomies and their strategic objectives. By the end of the lecture, participants should be able to answer the following questions: • What is a sustainable finance taxonomy? • What is a sustainable finance taxonomy for? • How taxonomies have been developed at a global and regional scale? • What are the key elements and guiding principles of sustainable finance taxonomies? (International best practices as examples) • Who are the main users of sustainable finance taxonomies? • What are the main applications of taxonomies?

Day 2. Thursday, February 1, 2024. Mexico City, Mexico (UTC-6)

Virtual session – 2.0 hours session.

08:30 -10:30	**Session 2 – Governance for sustainable finance taxonomy development (ASBA)**
(120 min)	This session focuses on governance structures and models suitable for the development, implementation, and update of sustainable finance taxonomies. Clearly establishing the roles and responsibilities of stakeholders involved in the development, implementation, and update of these policy instruments. In addition, the session sets out the main steps for the development of a national sustainable finance taxonomy. Finally, the session features a series of real-practical experiences on the development and implementation of a national taxonomy with an emphasis on the governance process of a national sustainable finance taxonomy.
	By the end of the session, participants should be able to answer the following questions: • What are the roles and responsibilities of the stakeholders involved in the development of taxonomies? • What are the main steps in the development of a taxonomy? What steps should central banks and financial regulators be involved in?

Day 3. Thursday, February 15, 2024. Mexico City, Mexico (UTC-6)

Virtual session – 2.5 hours session.

09:00 -11:30 (150 min)	**Session 3 – Implementation of sustainable finance taxonomies (ASBA)** Scaling up sustainable finance is a key element in raising private capital to support national transitions towards sustainable, resilient, and inclusive economies in LAC. Sustainable finance taxonomies are powerful instruments for sustainable finance policy frameworks. However, how should sustainable finance taxonomies be designed to encourage financial flows to sustainable investments and support these transitions in the most effective way? What are the critical elements to be considered by financial regulators and supervisors for the taxonomy implementation? This session will share key practical recommendations for central banks and financial regulators and supervisors to support taxonomy implementation in the LAC countries' markets (market preparedness for disclosure obligations and regulatory requirements). By the end of the session, participants should be able to answer the following questions: • What type of regulation is relevant to encourage taxonomy adoption? • How is a pilot for the implementation of taxonomies carried out? • What kind of tools should be developed to support the implementation and adoption of taxonomies? Why are these support instruments important? • How can the central banks and financial supervisors and regulators leverage and benefit from this tool?

Day 4. Thursday, February 29, 2024. Mexico City, Mexico (UTC-6)

Virtual session – 2.0 hours session.

09:00 -11:00 (120 min)	**Session 4 – The importance of usability, practicability, reporting, and data quality and verification (ASBA)** Sustainable finance taxonomies have a strong technical component which might be a challenge for their implementation and adoption. Different jurisdictions such as the European Union and Colombia have developed different tools or guidance materials that aim to facilitate and enhance the usability, practicability, reporting, data gathering, and verification requested by their taxonomies. To support the usability of the taxonomies, it is important to map out a complete list of taxonomy users and applications. It is also key to understand the primary challenges that these users are faced with when applying the taxonomy to their respective cases. The session will discuss challenges relating to taxonomies implementation and solutions for addressing them. This session will have the intervention from a guest speaker from the European Investment Bank (TBC) sharing

their experience to comply with the different requests and challenges proposed by the European Union Taxonomy.

By the end of the session, participants should be able to answer the following question:

- What are the different applications or uses that can be given to the sustainable finance taxonomies?
- What are the challenges and opportunities of the implementation of the sustainable finance taxonomies for the taxonomy users?
- What are the potential solutions to these usability challenges? How have these challenges been addressed in some countries or regions?
- How can the financial regulators and supervisors contribute to solving the usability challenges?

Day 5. Thursday, March 14, 2024. Mexico City, Mexico (UTC-6)

Virtual session – 2.0 hours session.

09:00 -11:00 (120 min)	**Session 5 – Interoperability and LAC Common Framework (CEMLA)**
	Interoperability implies that taxonomies must be based on similar guiding principles, have design elements such as objectives, classification systems for sectors and activities that are comparable and are similar in approaches and methodologies used for defining eligibility, while considering local specificities. This session will begin with the introductory intervention from Fiona Stewart, Global Head of Pension from the World Bank (TBC) highlighting the importance of the interoperability and the the need to develop a Common Framework for taxonomy development in LAC based on the concept of interoperability. This will be followed by a detailed presentation on the principal aspects of the Common Framework of Sustainable Finance Taxonomies for the LAC region[1], which includes, but not limited: strategic objective, environmental objectives, the prioritisation of economic sectors, the identification of the type of economic activities, and the selection of metrics for each sector covered (Agriculture, Forestry and Livestock, Buildings, Energy, Industry, TIC, Transport, Waste, Mining, Others).
	By the end of the session, participants should be able to answer the following topics and questions:
	- The role of interoperability in the context of increasing number of sustainable finance taxonomies globally and regionally. - The opportunities and challenges that arise for central banks and financial supervisors and regulators from ensuring interoperability in sustainable finance taxonomies at the regional and global scale. - Key elements in the taxonomy development process for ensuring interoperability between these instruments. - International experiences about interoperability in sustainable finance taxonomies. - Why is it important to have a LAC Common Framework for the development of taxonomies?

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[1] This framework was launched in July 2023 aiming at serving as a reference to orient LAC countries that are in the process of or intending to develop sustainable finance taxonomies. While considering local specificities, it establishes a set of guiding principles, drawing on international best practices, that will improve comparability and ensure interoperability of sustainable finance taxonomies in the LAC region and internationally.

	• What are the most relevant aspects of the LAC Common Framework? • What does each prioritised sector of the LAC Common Framework consist of? • How to use the LAC Common Framework in a national taxonomy development process?

Day 6. Thursday, March 21, 2024. Mexico City, Mexico (UTC-6)

Virtual session – 2.0 hours session.

09:00 -11:00 (120 min)	**Session 6 – A look into the future: Recent trends for the sustainable finance market (CEMLA)** To achieve climate change mitigation and adaptation targets, it is necessary to include hard-to-abate sectors. This session aims to provide an insight into the next steps that taxonomies and the sustainable finance ecosystem will have to encounter. This session sets out a definition of transition for hard-to abate sectors and transition finance. Additionally, specifies the guidelines and frameworks for transition and how to incorporate transition in taxonomies. By the end of the session, participants should be able to answer the following questions: • What is transition and transition finance? • What are the main guidelines and frameworks available for transition? • How to implement transition in taxonomies? • Which are the hard-to-abate sectors?