

Follow the money to EU candidates' energy efficiency: The role of EU central banks' sustainable finance policies in motivating environmental performance in EU candidate states

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Abstract

This paper analyses the role of European Union (EU) central banks in improving the environmental performance of the built environment in EU candidate countries, using Albania's and Macedonia's EU ascension progression as case studies. The European Central Bank (ECB) and the European Investment Bank (EIB), whose funding is crucial to candidate countries' infrastructure development, have aligned their lending criteria with EU sustainable finance rules. These rules include the Sustainable Finance Disclosure Regulation (SFDR) and the EU Taxonomy for sustainable activities. Additionally, EU candidate countries must begin adopting EU law, including environmental and sustainable finance policies, to prepare for EU ascension. This means that building and infrastructure development projects must demonstrate adherence to EU resource and energy efficiency mandates, and comply with lenders' environmental impact assessment requirements, to secure financing. For EU candidates in the enlargement zone, EU central bank sustainable finance requirements will be strong motivators for developing an energy and resource efficient built environment.

Keywords: ESG, EU enlargement, EU Taxonomy, SFDR, Sustainable Finance