

# The Impact of the Carbon Footprint in European Loans of NACE Sectors

Elisa Di Febo, Eliana Angelini

Department of Economics Studies, University “G. d’Annunzio” of Chieti –Pescara, Viale Pindaro,42, Italy.

## Abstract

The transition to a low-carbon economy has interested academics and policymakers recently. Our goal is to develop a preliminary analysis of the transition risk of the European financial system and individuate the importance of the environmental aspect in the loans received by various NACE sectors. The study defines two indicators that identify the transition risk the EU bears and the “carbon footprint of the loan” (CFL) that Europe presents through the loans granted to the various economic sectors. In addition, it analyzes the possible interactions that influenced the value of loans. In particular, the paper puts as the dependent variable the loans and, as independent variables, the value added by each NACE sector (VA), the carbon footprint of loans, GreenHouse Gas emissions, environmental taxes, and economic growth. The group “D. Electricity, gas, steam and air conditioning supply + E. Water supply, sewerage, waste management and remediation activities” results to be, simultaneously, the sector with the higher risk transition and CFL. Besides, the results show that the VA and CFL variables are statistically significant. The first highlights the strategic importance of having better performance and economic development, which allow for obtaining higher loans. The second variable underlines the ever-increasing importance of environmental issues and how the authorities are attentive to the provision of financing based on the polluting capacity of those “funded”. From this, we can deduce the ever-increasing importance of renewable energy for reducing greenhouse gases (European objective of climate neutrality by 2050) and reducing dependence on fossil fuels.

**Keywords:** Climate-related financial risks, Transition risks, GreenHouse Gas, Europe, Value Added