

Guernsey expands its sustainable finance product suite and aligns with EU Taxonomy

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The fortnight-long 2022 United Nations Climate Change Conference, more commonly referred to as COP27, in Sharm el-Sheik comes to a close at the end of this week and has rightly ensured that the issue of climate change remains very much at the top of the news agenda.

"We are on a highway to climate hell with our foot on the accelerator," United Nations (UN) Secretary General Antonio Guterres said in a stark warning at the opening of the summit.

It is now accepted that the finance industry globally has a huge role to play in mitigating climate change through meeting the UN's Sustainable Development Goals, including limiting global temperatures rising about 1.5 degrees Celsius and achieving net-zero carbon emissions to meet key climate goals by 2050.

As a leading international finance centre and green finance hub, Guernsey can play a role disproportionate to its size in supporting the transition, with potential benefits such as growth of Guernsey's green investment sector from £4.5bn to £56bn by 2040, according to a report from We Are Guernsey, the promotional agency for the island's finance industry, which identifies a [roadmap for a transition to net-zero](#).

World-leading

The Guernsey Financial Services Commission (GFSC), the island's regulator, launched the Guernsey Green Fund, a world-first regulated green fund product, in 2018.

By providing a trusted and transparent product that contributes to the internationally-agreed objectives of COP21 and the EU Taxonomy Directive (see below), the Guernsey Green Fund will increase investors' access to green investments. By investing in a Guernsey Green Fund, Investors can be assured that that their investments have a positive environmental impact on the planet which are being monitored against internationally-recognised criteria.

Resonance British Wide Energy Income II, launched with assistance from Ogier, was one of the first funds to achieve this kitemark and since then the net asset value of Guernsey Green Funds has steadily risen, surpassing £5 billion at the end of Q2 2022 according to the latest figures from the GFSC.

Adapting

The Guernsey Green Fund rules were updated in 2022, expanding the category to include two new Taxonomies and tie the Fund in with the EU's Sustainable Finance Disclosure Regulation (SFDR), making it more saleable to people looking to raise money in Europe. The updates provide assurance to investors and those thinking of making green investments that accredited funds are investing in projects that comply with internationally-recognised criteria for green investments.

Schedule 2 of the Guernsey Green Fund Rules contains a list of green criteria endorsed by the GFSC that can be adopted by a Guernsey Green Fund. It must comply with one of the criteria listed, which must be clearly communicated to the GFSC and within the Scheme's prospectus. It is the up to Fund's governing body what criteria are most relevant to its Scheme.

The first set of standards added to the list was the Common Principles for Climate Mitigation Finance Tracking, Version 2. These standards offer a flexible framework for entities to adopt and provide a comprehensive understanding of what encompasses climate change mitigation. As the Principles are activity based, they do not measure the management of funds and therefore leave it to the respective parties to operate the funds as they see fit. This was supplemented in September 2022 by Version 3.

At the same time, a further set of standards, the European Taxonomy for Sustainable Activities, was also added. This is technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change adaptation to determine whether the economic activity causes no significant harm to any of the other environmental objectives.

The addition of this set of standards has added benefits of clearly adopting an internationally-recognised definition of sustainable investment as well as expanding the scope of the Guernsey Green Fund Rules to more clearly include climate change adaptation-related investment strategies.

Branching out

The GFSC added to its suite of sustainable finance products in September 2022 with the launch of the Natural Capital Fund. This regime creates a regulatory designation for funds to help channel investment into biodiversity and natural capital projects that make a positive contribution and/or significantly reduce harm to the natural world. The intention is to provide environmentally-conscious investors with assurance that their capital is deployed in efforts to promote the

protection and recovery of the Earth's natural environment.

This latest structure is an addition to the Guernsey Green Fund, rather than part of it, in order to address each of the "twin crises" - the degradation of nature and the climate crisis - respectively as overlapping, distinct problems, and also address a funding gap in the natural capital space.

The GFSC has also published new anti-greenwashing guidance.

Ogier's commitment to Net Zero

In October 2021, Ogier made a formal commitment to the Science-based Targets initiative (SBTi) - the global body enabling businesses to set emissions reduction targets in line with climate science. We committed to targets that will be tracked within the SBTi framework, regarded as the gold standard in the market. Following the submission of our commitment letter, we have now set targets using SBTi's science-based approach. Once these are validated, our status with SBTi will change from "committed" to "targets set" and we will publish, annually, details of our progress to achieving these targets.

Ogier is also an active member of the Net Zero Lawyers Alliance.

How can Ogier help?

The point of change is here. Incorporating environmental, social and governance (ESG) considerations into doing business has never been more important, which is why we invest in our talent to ensure we approach SI and ESG with a solid basis of understanding. With a particular focus on areas related to Sustainable Investing (SI), Ogier offers a powerful platform by pairing legal and regulatory services with technical and practical advice on the implementation and delivery of SI and ESG mandates.

About Ogier

Ogier is a professional services firm with the knowledge and expertise to handle the most demanding and complex transactions and provide expert, efficient and cost-effective services to all our clients. We regularly win awards for the quality of our client service, our work and our people.

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