INSURERS’ GREEN INVESTMENTS

To meet the EU’s climate targets and help speed up society’s transition to a net-zero economy, investments in sustainable activities are needed. As long-term investors with an overall balance sheet of around €8 trillion, insurers in the European Economic Area (EEA) can play a significant role in putting our economies on a more sustainable track.

Based on the EU Taxonomy of sustainable activities and using the NACE classification framework, EIOPA analyzed how much of EEA insurers’ investments can be considered environmentally sustainable at present.

As detailed asset-level data is required for this analysis, EIOPA chose to focus on insurers’ direct investments in corporate bonds and equities, which together account for around 29% of their total investments.

BREAKDOWN OF EEA INSURERS’ TOTAL INVESTMENTS BY ASSET CLASS

The analysis shows that 2.6% of insurers’ direct corporate bond and equity investments are aligned with the Taxonomy while another 15.5% are eligible. When excluding securities issued by financial firms, the share of Taxonomy-aligned investments rises to 5.7% with another 34.1% being eligible (see the diagram below).

TAXONOMY ALIGNMENT OF EEA INSURERS’ CORPORATE BOND AND EQUITY HOLDINGS*

*Due to the assumed zero alignment/eligibility under the current methodology (cf. Alessi, Lucia and Battiston, Stefano (2022). Two sides of the same coin. Green Taxonomy Alignment versus transition risk in financial portfolios), the diagram excludes investments in financial firms (NACE sector code K). The data presented concerns EEA-issued securities only.

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