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on the basis of a decision
by the German Bundestag

Horizon 2030: Strategic Framework for Accelerating Sustainable Finance in Romania

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Authors:

- Conf.univ. dr. Laura Elly Naghi, Bucharest University of Economic Studies, Institute of Financial Studies
- Drd. Catalin Campeanu, University of Craiova, Institute of Financial Studies
- Ieronim Stefan, Institute of Financial Studies

This project is part of the European Climate Initiative (EUKI) of the Federal Ministry for the Environment, Climate Action, Nature Conservation and Nuclear Safety (BMUKN)

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This document details specific mechanisms for dynamizing the green financial market in Romania. We propose not merely theoretical concepts, but operational measures designed to align private capital with national and European climate objectives.

1. INTERNATIONAL BENCHMARKS: LESSONS FOR ROMANIA

Analysis of mature and peer markets to identify best practices adaptable to the local ecosystem.

1.1. FRANCE: The Gold standard in state labeling

Archetype: *The Strong Regulator*

- **Label ISR (Investissement Socialement Responsable)** was created in 2016.
- Unlike other markets where "green labels" are issued by private entities, the ISR Label is backed by the **French Ministry of Finance**. To obtain it, a fund must pass a rigorous audit by accredited independent bodies (like EY or Deloitte) proving their ESG methodology is robust and better than the benchmark.
- **Impact:** It became the most recognized standard in Europe. By 2023, over **1,100 funds** were labeled, representing over **€700 billion** in Assets Under Management (AuM).
- **Takeaway for Romania:**
 - Trust is the currency of the market. A label backed by a regulator carries more weight than private marketing.

1.2. UNITED KINGDOM: Combatting greenwashing via "naming Rules"

Archetype: *The anti-greenwashing hawk*

- **The SDR (Sustainability Disclosure Requirements)** – specifically the "Naming and Marketing" rules implemented by the FCA (Financial Conduct Authority) provided the solution.
- The UK realized that SFDR (EU regulation) was being used as a marketing label rather than a disclosure tool. The SDR introduced the **"70% Rule"**: a fund cannot use terms like "Green", "Sustainable", or "Impact" in its name unless at least 70% of its assets meet a strict standard of sustainability.

- **Impact:** It forced a massive "re-labeling" in the market. Asset managers had to either improve their product quality or remove the misleading "green" titles. This purified the market of fake green products.
- **Takeaway for Romania:**
 - Marketing is faster than regulation. We need strict rules on *nomenclature*.

1.3. LUXEMBOURG: The Capital Markets Hub

Archetype: *The Market Maker*

- **LGX (Luxembourg Green Exchange)** was established in 2016.
- The Luxembourg Stock Exchange created the world's first platform dedicated exclusively to green, social, and sustainable securities. To be listed on LGX, an issuer must provide full transparency (post-issuance reporting) on how the proceeds are used.
- **Impact:** LGX now displays over **1,800 sustainable bonds** worth over **€900 billion**. It became the global center for green listings.
- **Takeaway for Romania:**
 - Infrastructure drives liquidity.
 - **Proposal:** The Bucharest Stock Exchange (BVB) should create a dedicated "Green Tier" or segment.

1.4. SWEDEN: The "Nudge" & retail culture

Archetype: *The Educated Investor*

- Sweden has a high level of financial literacy, but the state also used *Choice Architecture*. The default option for the state pension system (AP7) has an aggressive ESG screening policy (blacklisting coal, nuclear weapons, etc.). Since most people do not actively choose their pension fund, the vast majority of the population is automatically invested sustainably.
- **Impact:** Sweden consistently ranks at the top of global sustainability indices, and retail investors actively demand "fossil-free" products from their banks.
- **Takeaway for Romania:**
 - Education takes time; defaults work immediately.

1.5. POLAND: The sovereign leader (regional peer)

- **World's first sovereign green bond** was issued in 2016. Poland surprised the world by being the first country (before France or Germany) to issue a Sovereign Green Bond. The funds were earmarked for renewable energy and clean transport projects.
- **Impact:** This put Poland on the map for international ESG investors. It signaled to the private sector that the government is serious, which subsequently kickstarted the corporate green bond market in Poland.

2. PROPOSALS FOR FUTURE STRATEGY

The strategy aims to balance profitability with social and environmental impact through three strategic pillars: (I) Supply Stimulation, (II) Regulatory Confidence, and (III) Demand Activation.

PILLAR I: ECONOMIC INCENTIVES & RISK MITIGATION

Objective: Reducing entry barriers and compensating for initial transition risks.

1.1. Targeted fiscal stimuli for capital markets

- Idea: Incentivizing retail investors to support local green projects.
- Implementation details:
 - For retail investors: A tax exemption on income (reducing the current 10% rate to 0%) for interest/coupons generated by Corporate Green Bonds listed on the Bucharest Stock Exchange. This would be applied for a limited period (e.g., 5 years) to "kick-start" the market.

This measure increases demand for green bonds, implicitly reducing financing costs for Romanian companies issuing these titles. It is a market stimulus rather than a subsidy, with a high economic multiplier effect.

1.2. Consultant Remuneration Structure

- Idea: Shifting from volume-based to quality-based bonus structures.
- Implementation details:
 - Conflict of interest prevention: Prohibition of differentiated commissions (higher spreads) strictly for selling green products, to avoid *mis-selling* and MiFID II violations.

- Sustainability KPI: Introduction of a mandatory KPI in annual evaluations: the consultant's bonus should be weighted by the average ESG score of their Assets Under Management (AUM).

This aligns the consultant's time horizon with that of the client. A sustainable portfolio performs better in the long term (risk-adjusted), increasing client retention.

1.3. The Role of the State: Guarantees and Blended Finance

- Idea: The State assumes the first tranche of risk to unlock private capital.
- Implementation details:
 - Co-investment funds: Creation of a "Green Fund of Funds" (via PNRR or Development Banks) where the State invests in the Junior Tranche position (assuming the first losses, e.g., up to 20%). Private investors (pension funds, banks) enter the Senior Tranche, having their capital protected.
 - SME invest green guarantees: 90% State guarantee for investment loans, strictly conditioned by a minimum 15% reduction in the SME's carbon footprint.

PILLAR II: REGULATION, TRANSPARENCY, AND ANTI-GREENWASHING

Objective: Increasing investor confidence through radical clarity and data availability.

2.1. Standardization and visual labeling

- Idea: The "Traffic Light" system for investment products.
- Implementation details:
 - Mandatory inclusion of a colored scale on the first page of the Key Information Document (KID):
 - Dark Green: Art. 9 SFDR Funds (Clear Impact).
 - Light Green: Art. 8 SFDR Funds (Promotes ESG characteristics).
 - Grey: Funds without sustainability objectives.

This system simplifies decision-making for non-expert retail investors who do not read complex technical prospectuses.

2.2. Addressing the data gap (SME Standard)

- Idea: Simplified national reporting standard for SMEs.
- Implementation details:
 - Development of a "lite" reporting template for non-listed companies. Currently, banks cannot grant green loans to SMEs due to a lack of data. A unified, simple reporting standard accepted by all banks would solve this deadlock.
 - Mechanism: A digital portal where SMEs input basic consumption data (energy, fuel) and receive a standardized "ESG Scorecard" accepted by the banking system.

2.3. Adopting external best practices

- Idea: Strict "Naming and Marketing" rules (UK Model - SDR).
- Implementation details:
 - Prohibition of using terms like "Eco", "Green", "Sustainable", or "Net-Zero" in a fund's name unless at least 80% of assets meet the definition.
 - Sanctions (percentage of turnover) for funds that cannot justify the label with audited data.

2.4. Simplified Double Materiality Reporting

- Idea: Standardized fact sheet for maximum transparency.
- Implementation details:
 - Every sustainable product must annually report two sets of simple metrics:
 1. Financial materiality: Exposure to physical climate risks (e.g., % of assets in flood zones).
 2. Impact materiality: Tonnes of CO2 financed per EUR 1 million invested.

PILLAR III: EDUCATION, ACCESSIBILITY, AND CHOICE ARCHITECTURE

Objective: Transforming the passive consumer into a responsible investor.

3.1. Choice architecture (Nudge theory)

- Idea: The default option in advisory.
- Implementation details:

- Modifying bank digital onboarding flows: When a client opens an investment account or private pension, the pre-set portfolio selection should be "Balanced Sustainable."
- The client has total freedom to change (Opt-Out), but behavioral inertia will massively favor green investments without forcing the consumer.

3.2. Practical financial education

- Idea: Gamification and embedded tools.
- Implementation details:
 - Introduction of carbon footprint calculators in mobile banking apps based on transaction data, with direct links to investment products for offsetting.
 - University curricula: Mandatory modules on "Sustainable Finance" in economic faculties, taught by private sector practitioners to bridge the skills gap.

3.3. Role of the private sector and associations

- Idea: Self-regulation and marketplace.
- Implementation details:
 - Creation by Stock Exchanges or Chambers of Commerce of a "Green Matchmaking" platform: a portal where SMEs upload verified green projects, and investment funds can access them directly, reducing due diligence costs.

CONCLUSIONS AND NEXT STEPS

Romania has the opportunity to become a regional hub for green finance, but the window of opportunity is limited. To move from theoretical debates to real economic impact, we propose prioritizing three **rapid implementation measures**. These initiatives require **zero budgetary impact**, relying instead on smart regulation and standardization:

1. Immediate implementation of the visual labeling system ("Traffic Light" system)

- **Action:** Issuing a FSA regulation mandating the inclusion of a color code (Green/Yellow/Grey) on the first page of Key Information Documents (KID) for funds and investment products.
- **Timeline:** 6 months.

- **Impact:** It eliminates retail investor confusion and drastically reduces the risk of *mis-selling* and *greenwashing*, offering instant product comparability.

2. Adoption of a simplified national ESG reporting standard for SMEs

- **Action:** The development (by Regulators and Banking Associations) of a standardized, "lite" reporting template for non-listed companies. Currently, banks cannot grant green loans to SMEs because they lack data. A unified, simple reporting standard accepted by all banks would solve this deadlock without costing the state money.
- **Timeline:** 9-12 months.
- **Impact:** It solves the "Data Gap." It unlocks significant credit flows towards the real economy by allowing banks to assess SME sustainability risks without imposing bureaucratic burdens on entrepreneurs.

3. Standardizing the "Green Default" option in distribution

- **Action:** Best practice guidelines issued by the Banking Association in collaboration with the regulator, ensuring that digital *onboarding* flows for new clients feature a pre-selected balanced sustainable portfolio (with an *opt-out* possibility).
- **Timeline:** 9-12 months (IT adaptation).
- **Impact:** Leverages positive behavioral inertia. Studies show that this simple change in "choice architecture" can double the adoption rate of green products without forcing the consumer.

The balance between profitability and impact is not a zero-sum game. In a transition economy, polluting assets risk becoming *stranded assets* (unrecoverable), while green portfolios capture the innovation premium. The State must act as the catalyst that creates the **regulatory clarity** needed for private capital to build a sustainable future.