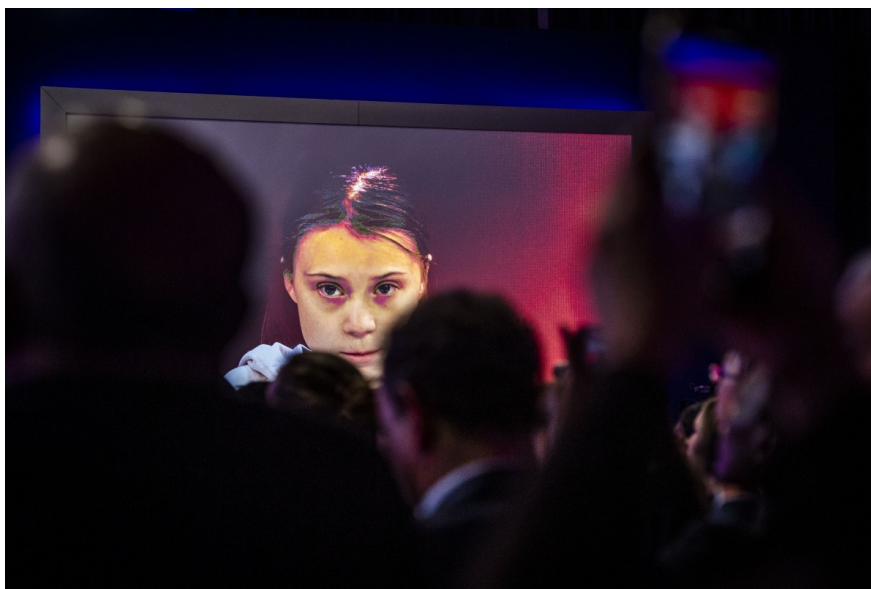


Our three calls on sustainability in 2022

2022 promises another year of political decision-making on sustainability. Expect to see Europe continue its lead and more scrutiny on plans after a year full of pledges. The scope is likely to broaden to social matters. More - borrowed - money on the table should help soften some of the transition pain



The climate activist, Greta Thunberg

Milestones and trade-offs

2022 will be all about keeping up momentum on sustainability. This year, we passed significant milestones: The US rejoined the Paris agreement, Europe launched its Fit for 55 package, and carbon prices doubled. South Korea, Malaysia, Vietnam, Nepal, Laos, Indonesia, India, and Sri Lanka all made zero-carbon pledges. On the corporate side, [green bond issuance](#) was at a record high and corporate leaders explicitly [supported carbon pricing](#). Joe Biden's [spending plans](#) move the US towards net zero. However, it can still often be characterised as 'more pledges than plans', as seen for example at [COP26](#).

Sustainability, be it climate, biodiversity, human rights, diversity, poverty or health and wellbeing, is mostly about the public and common good, areas where we all depend on the behaviour of others. With that comes the '[tragedy of the commons](#)', where an individual's short-term benefit comes at an ultimate cost to the many. Markets alone have insufficient incentives to achieve optimal outcomes in these areas. Collective action - standards, regulation, taxation and

public infrastructure – assure that business cases for sustainable products become financially sustainable – be it [green bonds](#), [hydrogen](#) or [electric vehicles](#).

Sustainability is often up to politicians. They decide on the, possibly unpopular, interventions. Often global measures are required. Health and climate are, after all, global public goods. Covid-19 shows us that this is far from easy, even if there's a direct personal risk involved. Climate policy is even harder as returns come decades after the costs, and both pain and gains are far from equally distributed among countries. Progress depends on political support for painful trade-offs.

Here are our three calls for 2022

1 Europe continues to lead

Europe will continue to lead the green transition, with the implementation of an ambitious [German coalition agreement](#) probably followed shortly by the Dutch. Elections in [Italy](#) and [France](#) potentially accelerate the European pace. November's US midterm elections are a huge risk to climate policy with polls hinting at a Republican resurgence, which could see new policy implementation [grind to a halt](#). Rising energy demand will test Asian zero-carbon pledges.

2 More scrutiny while the scope broadens

Scepticism is no longer so much on climate change itself but rather on the zero-carbon pledges made to combat it. Neither the public nor regulators will reward 'greenwashing'. Europe leads here too and requires sustainability disclosure. The exact classification of what is sustainable [remains to be seen](#), but the social taxonomy will broaden the scope to issues such as decent work and health.

3 Fiscal deficits to soften the pain

Financial support from developed countries for climate mitigation in developing countries will be on the table again at COP27. Some countries, potential losers of the transition, will also have to be appeased. Deficit spending, like in the US infrastructure bill or the Next Generation EU fund, will likely remain a politically viable way to soften that pain, especially as interest rates remain low. From the [future generations' perspective](#) this may still be acceptable, as much of the money can have positive returns.

Author

Marieke Blom

Chief Economist and Global Head of Research

marieke.blom@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.