

Paris, 5 January 2022

# Green funds in Europe, a market with many nuances

## Sustainable finance research

While the green funds market has grown by 140 billion between 31 December 2019 and 30 June 2021, the environmental objectives of this offer remain to be clarified.

Novethic publishes the 5th edition of its study on the supply of funds with an environmental dimension, with the support of ADEME. Named "The limits of green funds in Europe", the study shows that although this market reached €202 billion as of 30 June 2021 (+56% over six months), it still represents only 1.3% of European asset under management. The gradual deployment of SFDR (the Sustainable Finance Disclosure Regulation) should improve the environmental focus of an offer still very much centered on CO2 indicators.

**202 bn €**

in AuM

**1.3 %**

of AuM

### The green fund offer combines three approaches with multiple shades of green

Novethic distinguishes three main categories of financial products earmarked as environmental:

- Thematic funds, the historical category, which accounts for the largest number of funds.
- Funds targeting a reduction in carbon emissions. Their inflows are driven by the products with the most ambitious carbon targets.

Management strategy*	Funds June 2021	Number of existing funds** in Dec. 2019	Inflows over 18 months
Environmental Theme	241	171	€ 64 bn
Multi-thematic with an environmental focus	26	23	€ 6 bn
Low Carbon	91	45	€ 28 bn
Limited low-carbon target	91	88	€ 0.4 bn
Low-carbon orientation	88	68	€ 11 bn
Green Bonds	65	47	€ 11 bn
Sustainable bonds including green bonds	9	6	€ 1 bn

Source: Novethic

\*\* Not all existing funds were in the scope of the 2020 study

- Green and sustainable bond funds, whose inflows are more modest: 12 billion in 18 months.

The degree of environmental ambition of green funds must also be qualified. Novethic makes the distinction for the first time in 2021 between green funds, the usual panel of its study, and a new category: green-inspired funds. These are either multi-thematic products with an environmental focus, or so-called low carbon funds, or sustainability or social bond funds with an environmental component.



## A new wave of low-carbon index funds and still unclear environmental performances

The rise in the greening of financial products is accompanied by a diversification of the offer. The most striking phenomenon of the last 18 months has been the emergence of a wave of funds focused on reducing carbon emissions, more than a third of which, in terms of assets under management, are index funds. These indices include a large proportion of tech and service companies at the expense of other more carbon-intensive issuers. This mechanism helps to reduce the carbon footprint of a portfolio but not necessarily the greenhouse gas emissions of the companies.

For thematic funds, the question of environmental performance is still unclear, given the low level of appropriation of indicators derived from investee companies and the virtual absence of reference to the upcoming European taxonomy.

## One third of green funds classified as Article 9, the most demanding category under SFDR

The entry into force of SFDR in March 2021 has led to the classification by asset management companies of their sustainable funds according to their degree of disclosure requirement. As of June 30, 2021, more than a third of the 381 green funds analysed by Novethic had no classification, a slightly smaller proportion was classified as "Article 9", the most demanding category, and 20% in "Article 8". This heterogeneity reflects the great disparity in the supply of green funds in Europe which, for the time being, seems to be in no hurry to adopt the new European framework on sustainable finance.

SFDR article	Green Funds		Green inspired funds		Overall total	
	Funds	AuM	Funds	AuM	Funds	AuM
8	77	€40 bn	97	€27 bn	174	€67 bn
9	154	€111 bn	31	€19 bn	185	€130 bn
No identified article and other	150	€51 bn	58	€21 bn	208	€72 bn
<b>Total</b>	<b>381</b>	<b>€202 bn</b>	<b>186</b>	<b>€67 bn</b>	<b>567</b>	<b>€269 bn</b>

Source: Novethic

## About Novethic, Sustainable transformation accelerator

Novethic guides financial institutions, companies, and citizens in their sustainable transformation. A pioneer in the certification of sustainable investment funds in Europe, Novethic is committed to strengthening the transparency, reliability, and confidence of public, private, and individual investors.

Visit our website [novethic.com](https://www.novethic.com)

## About ADEME

Here at ADEME - The French Agency for Ecological Transition - we are firmly committed to fighting global warming and the depletion of our natural resources. On all fronts, we mobilise citizens, economic actors and territories towards a fairer, more harmonious, low carbon and resource-efficient society. Whatever the field - energy, circular economy, food, mobility, air quality, adaptation to climate change, soils, etc. - we advise, facilitate and help finance many projects, from research to solutions sharing. At every level, our expertise and forecasting capacities serve to guide and inform public policies.

ADEME is a public agency under the joint authority of the Ministry for an Ecological Transition and the Ministry for Higher Education, Research and Innovation.

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