

ENLENS: Energy Transition Through the Lens of SDGs

1. Title

“Greenwashing in green finance: perspectives from regulators and regulatees”

2. Applicants

Main applicant: Catherine Wong, m.l.wong@uva.nl, Assistant Professor, Faculty of Social and Behavioural Sciences

Co-applicant: Kati Cseres (k.j.cseres@uva.nl) Associate professor of Law, Faculty of Law

3. Societal case

The problem of greenwashing is a key policy issue that is high on the agenda of EU financial regulators, law makers and financial institutions [1&2]. The last two decades has seen exponential growth in green finance. Meanwhile, recorded cases of greenwashing has tripled over the past five years and is ubiquitous across sectors and regions since 2012 [1&3]. For financial institutions and regulators alike, it is crucial that sustainability claims are credible, limiting reputational, operational and financial risks. For society, it is important that greenwashing is prevented if finance is to live up to its promise of supporting the achievement of SDG goals.

Yet, we know relatively little about how EU legislators attempt to address greenwashing. There are already EU regulatory frameworks in place, e.g. EU Taxonomy Regulation, Regulation on Sustainability-Related Disclosures in the Financial Sector (SFDR), Securitisation Regulation, Capital Requirements Regulation (CRR), and the Corporate Sustainability Reporting Directive (CSRD). However, challenges remain in the poor quality of data, different organisational mandates, different concepts of sustainability among different stakeholders, and the lack of clear definition of greenwashing. Similarly, little is known about how bankers and asset managers think about these new regulations and how it relates to their business practices.

4. Scientific case

There is a scarcity of primary research on greenwashing. The few works that investigate greenwashing are based on secondary research [4&5] or focus on the US [6]. There is no consistent definition of greenwashing in the scholarship and even less clarity on how different financial actors understand greenwashing. In legal scholarship, extensive analysis has been done on the law and regulation that drives the green transition, but few address greenwashing in general [7] and none on the finance sector specifically. In fact, legal research lacks a clear understanding and definition of greenwashing, what underlying ideas, principles guide the making of legislation and regulation, and the enforcement of laws.

This study conducts primary research combining EU law scholarship and cultural analysis from sociology to investigate the **central question** of “**How do law makers, regulators, bankers and asset managers think about greenwashing? What does this tell us about how they rationalise finance and environmental sustainability?**” We will combine desk research, fieldwork and semi-structured interviews with law makers, regulators, bankers and asset managers in Amsterdam, Brussels, Frankfurt and Paris. These are the most important financial hubs in the EU where the laws and regulations on greenwashing are constituted and implemented.

5. Contribution to the aims and success indicators of ENLENS

(A) How will your project evolve after the proposal research/activity. What is the long-term goal?

This study complements the PI’s ERC Consolidator grant titled “Green financial markets in the making” which looks at green transitions in financial markets more broadly. The specific focus on greenwashing

lays the ground for a larger study on sustainable transitions in financial markets and resistance to change, and the inclusion of law makers and regulators expands the stakeholder focus of the ERC project which focuses on bankers and asset managers. This study also complements the CI's Priority Setting project which looks at EU competition law and the way competition authorities set priorities. It expands the scope to how competition law can foster more inclusive and sustainable growth and how law, regulation and enforcers can address the risks of greenwashing in the financial sector.

(B) Why and how does your project contribute to the UvA-community of interdisciplinary research and ENLENS more specifically?

This study connects the world of finance to the SDG goals of SDG7 (affordable and clean energy), SDG12 (responsible consumption and production) and SDG12 (climate action). The research design combines the expertise in EU economic law and governance of Dr. Cseres from the FdR and the expertise in risk and cultural analysis of Dr. Wong from FMG, fulfilling the inter-disciplinary priority of ENLENS. The results from this study will also provide practical guidelines and insights for legislators, and policy-makers into how to better characterise greenwashing and how to effectively regulate green finance to serve energy transition objectives.

(C) ENLENS aims at broadening the community beyond the group of project PI's.

The results of this study will be presented at a stakeholder and expert workshop at the end of the study. Leading international scholars will be invited as discussants. This will allow us to share our findings and insights with international experts in the field and to non-academic audiences such as regulators, industry stakeholders and civil society. The results will be published in peer-reviewed journals that will be accessed by scholars and students far beyond the PIs of the project.

6. Budget

Faculty of Social and Behavioural Sciences (FMG)	
Teaching buy-out 0.1 fte from 1 January 2025 to 31 December 2025	€15.000
Research assistant: 200 hours	€3.000
Fieldwork travel: in person interviews and field observations ¹ <ul style="list-style-type: none"> • Train tickets to Brussels, Frankfurt, Paris: €1330 • Accommodation: €1500 • Local transportation: €150 • Per diem (10 days): €400 	€3.380
Faculty of Law (FdR)	
Teaching buy-out 0.1 fte from 1 July 2025 to 29 June 2026	€15.000
Fieldwork travel: in person interviews and field observations <ul style="list-style-type: none"> • Train tickets to Brussels, Frankfurt, Paris: €1330 • Accommodation: €1500 • Local transportation: €150 • Per diem (10 days): €400 	€3.380
Total amount	39.760

¹ Qualitative data acquisition requires in person interviews with law makers and policy and industry elites who are usually unwilling to do online/phone interviews. On-site interviews and field observations are also important to build trust and establish multiple data points for triangulation. These tasks are time-intensive, require advanced research skills of the PI and Co-PI and cannot be done by a research assistant. However, given the lack of primary data in the existing research on greenwashing, this data acquisition is the key strength and contribution of our study.

References

- [1] European Banking Authority, EBA (2024) "Greenwashing monitoring and supervision. Final Report." EBA/REP/2024/09
- [2] European Securities and Markets Authority, ESMA (2024) Final Report on Greenwashing Response to the European Commission's request for input on "greenwashing risks and the supervision of sustainable finance policies." ESMA36-287652198-2699
- [3] PWC (2024) "Greenwashing in the financial sector: separating fact from fiction", <https://www.pwc.nl/en/topics/blogs/greenwashing-in-the-financial-sector-separating-fact-from-fiction.html>
- [4] Bodellini, Marco (2023) "Greenwashing and the Misapplication of Articles 8 and 9 of the Sustainable Finance Disclosure Regulation." *ERA-Forum*. doi: 10.1007/s12027-023-00739-8.
- [5] Dempere, Juan, Ebrahim Alamash and Paulo Mattos (2024) "Unveiling the Truth: Greenwashing in Sustainable Finance." *Frontiers in sustainability (Lausanne)* 5. doi: 10.3389/frsus.2024.1362051.
- [6] Braun, B. (2022) "Exit, Control, and Politics: Structural Power and Corporate Governance under Asset Manager Capitalism *." *Politics and Society* 50(4):630-54. doi: 10.1177/00323292221126262.
- [7] Carreño I. (2023) To Address "Greenwashing" and Misleading Environmental Claims, the European Commission Publishes a Proposal on "Green Claims" and Their Substantiation. *European Journal of Risk Regulation*. 2023;14(3):607-611. doi:10.1017/err.2023.36