

# Retail demand for sustainable financial products - Sweden

2DII – March 2023



# Outline

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Presentation of materials

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# Overview

This report is part of a series of six reports addressing the demand for green/sustainable financial solutions in six countries of the EU (Belgium, Italy, the Netherlands, Poland, Spain and Sweden)

Each report is the synthesis of national results gathered from several materials:

- ✓ A quantitative survey
- ✓ Qualitative interviews (bilateral or focus groups)
- ✓ An estimate of market potential for various green financial solutions in relation with attitudes expressed in the quantitative survey

Part I and Part II mix results from the quantitative survey and qualitative interviews. Qualitative insights inform the variety of concerns expressed by participants in interviews across countries while quotes (displayed in orange), when available, are sourced from interviews in the studied country only.

Part III presents results of the market estimate.

# Presentation of materials

## Quantitative survey

- ✓ Survey conducted in November 2022 by the polling agency Kantar
- ✓ 1000 respondents or more per country
- ✓ Selection criteria:
  - ✓ minimum monthly savings (e.g., EUR 50 in Belgium, Spain, Italy and the Netherlands) or minimum financial wealth (e.g., EUR 900)
  - ✓ representativeness in terms of gender and age

| Age range         | Belgium | Spain | Italy | Netherlands | Poland | Sweden | Average |
|-------------------|---------|-------|-------|-------------|--------|--------|---------|
| 18-24             | 10,6%   | 8,4%  | 8,5%  | 12,2%       | 7,9%   | 10,0%  | 9,6%    |
| 25-34             | 17,5%   | 16,8% | 14,2% | 18,4%       | 22,0%  | 20,1%  | 18,2%   |
| 35-44             | 17,0%   | 21,0% | 17,7% | 16,1%       | 23,0%  | 16,0%  | 18,5%   |
| 45-54             | 16,9%   | 20,5% | 21,7% | 17,1%       | 14,2%  | 16,6%  | 17,8%   |
| 55+               | 38,1%   | 33,3% | 38,0% | 36,2%       | 32,9%  | 37,3%  | 36,0%   |
| Nb of respondents | 1002    | 1052  | 1053  | 1000        | 1000   | 1000   | /       |

## Qualitative interviews

- ✓ Interviews conducted between November 2021 and November 2022 via national subcontractors
- ✓ Between 20 and 30 individual interviews per country (for a total of 165)
- ✓ 1 or 2 focus groups per country involving 5/6 people each
- ✓ Selection criteria: none

# PART I: retail investors and sustainable finance

A faint, light-colored outline of a world map is visible in the background of the slide, centered behind the main text.

# I. Interest in sustainable finance

# Interest in sustainable finance

## Cross-country:

- ✓ In each country, around 50% of respondents declare an interest in sustainable finance solutions

## Country-specific:

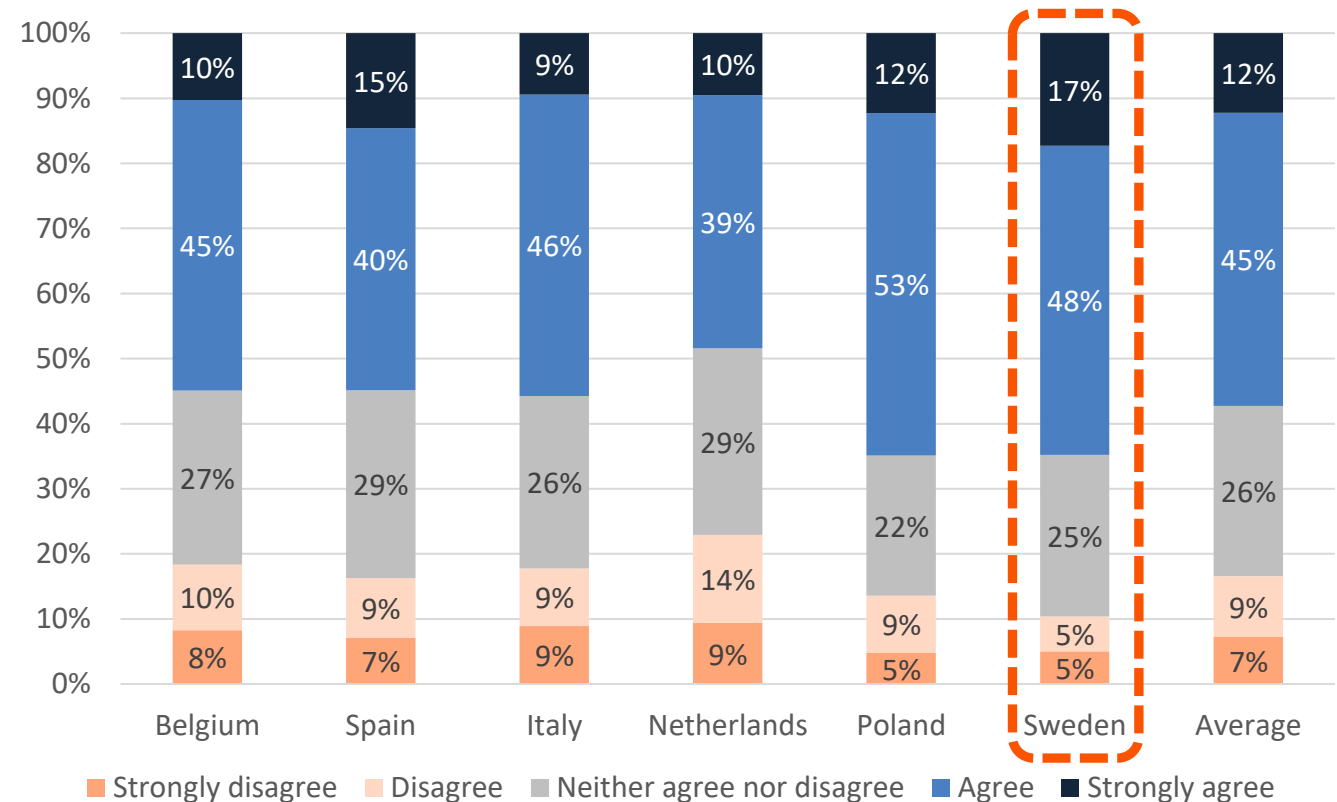
- ✓ In Sweden, interest is more pronounced than the European average

## Qualitative insights:

In interviews and focus groups, participants quasi unanimously say they would like to know more about sustainable finance, by relying on various materials (articles, podcasts, books, etc.).

It mirrors their self-reported low level of knowledge.

I am interested in sustainable finance solutions



# Holding of sustainable financial products

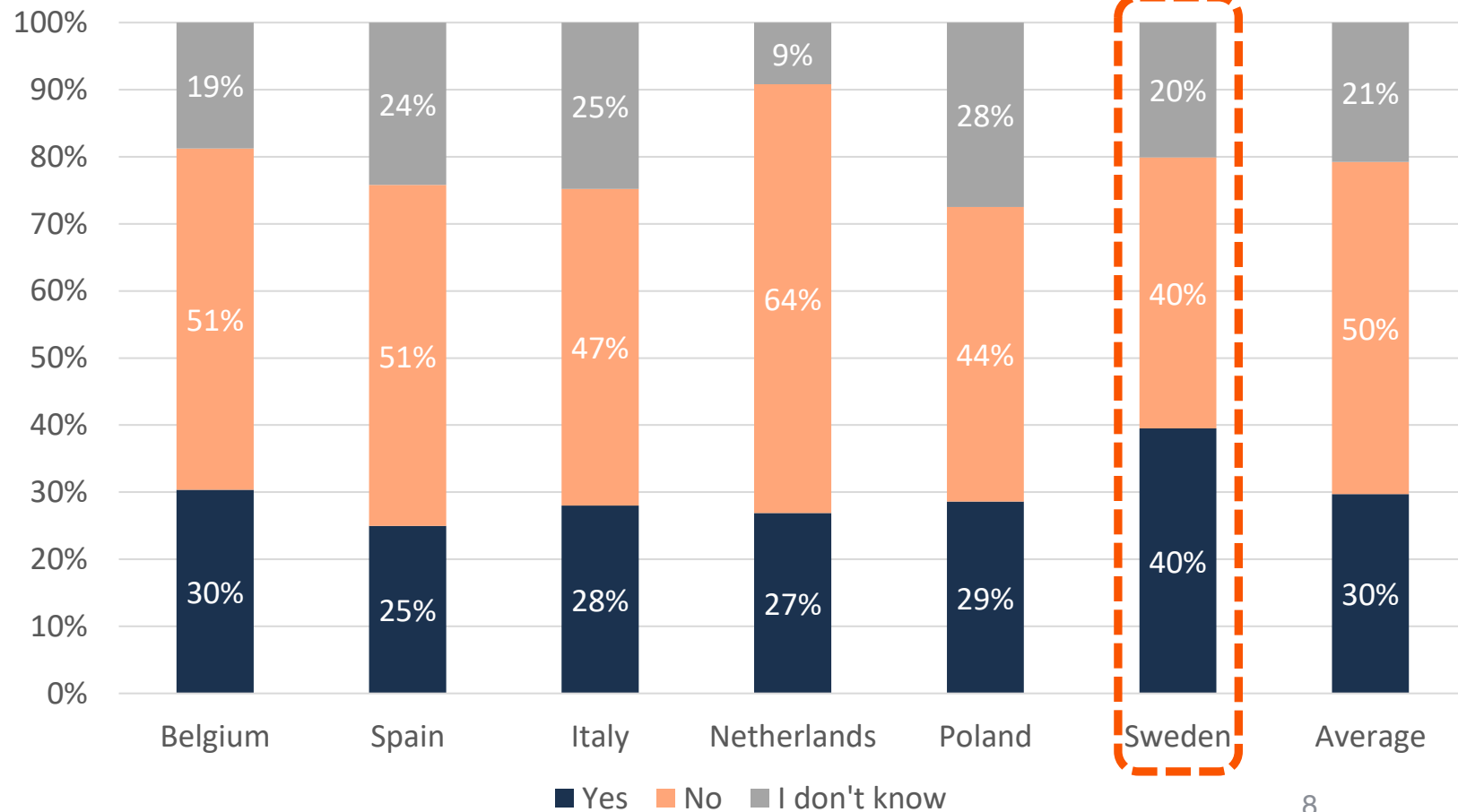
## Cross-country:

- ✓ In each country, only a minority of respondents say they already own sustainable financial products

## Country-specific:

- ✓ In Sweden, more respondents than anywhere else already own sustainable financial products

Are any of your current financial investments in sustainable products?





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# II. Beliefs about sustainable finance

# An appropriate way to express values?

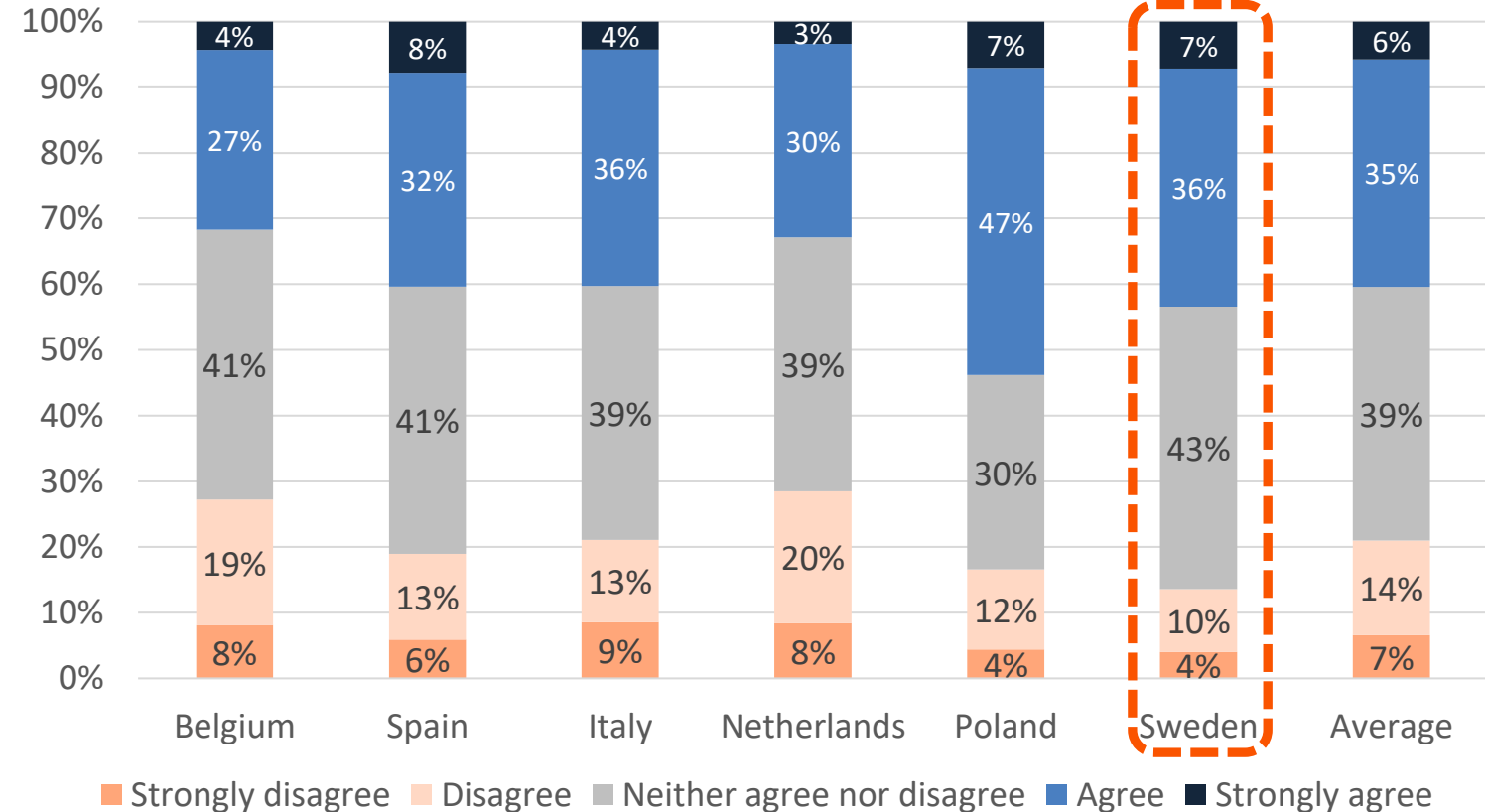
## Cross-country:

- ✓ In each country, more respondents consider financial investments to be an appropriate way to express one's values than the opposite
- ✓ Across countries, a particularly high fraction of respondents (between 30% and 40%) does not have a clear idea about it

## Country-specific:

- ✓ In Sweden, the fraction that agrees is in line with the European average

I believe that financial investments are an appropriate way to express one's values



# An efficient way to change the world?

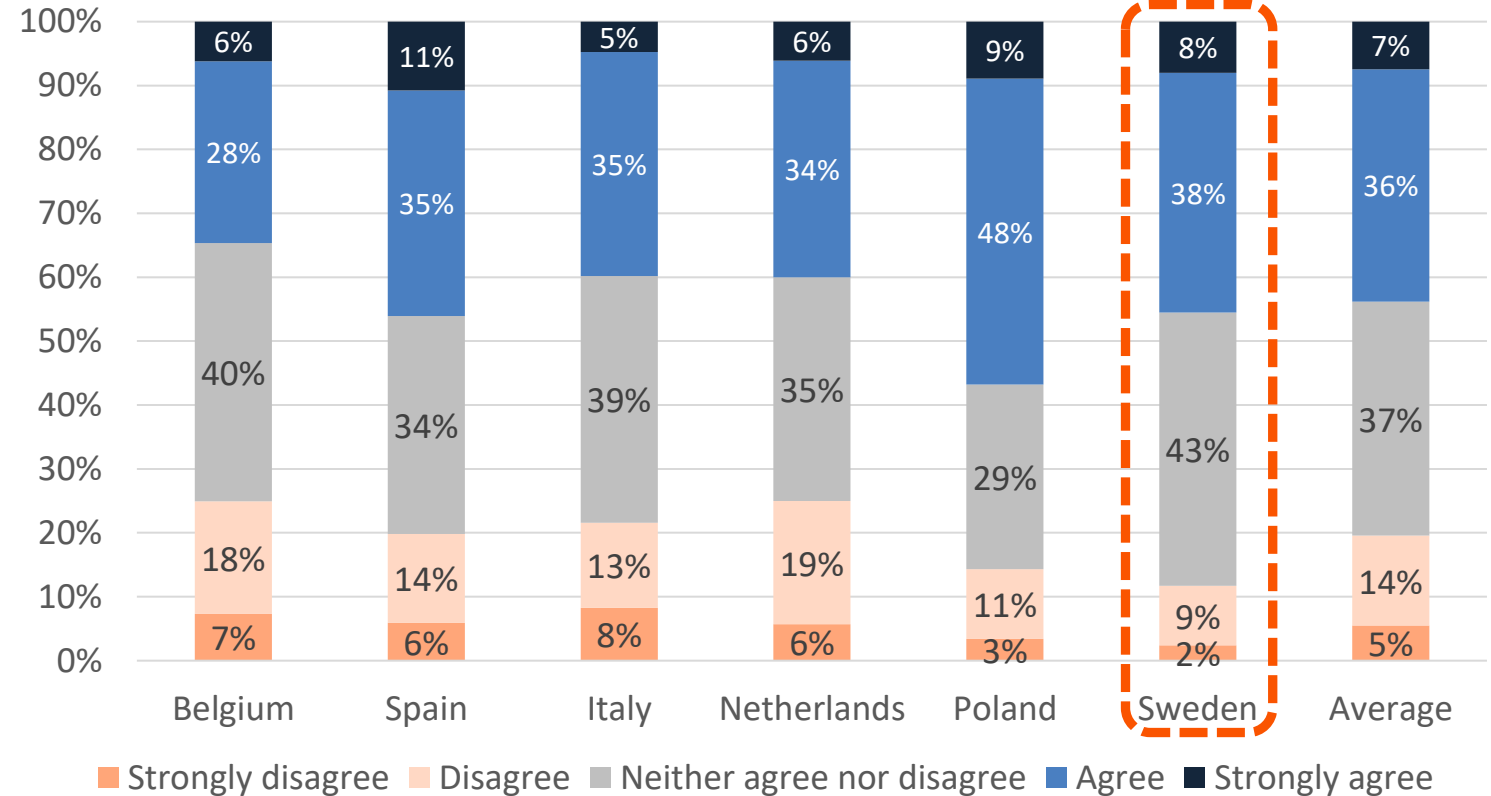
## Cross-country:

- ✓ In each country, more respondents consider financial investments to be effective to make a difference than the opposite
- ✓ Across countries, a particularly high fraction of respondents (between 30% and 40%) does not have a clear idea about it
- ✓ Individual answers for expressing values and changing the world correlate strongly

## Country-specific:

- ✓ In Sweden, the fraction that agrees is in line with the European average

I believe that financial investments in general are effective to change the world



# A positive effect on returns?

## Cross-country:

- ✓ In all countries, very diverse opinions regarding this question
- ✓ More respondents consider the effect on returns to be positive than the opposite

## Country-specific:

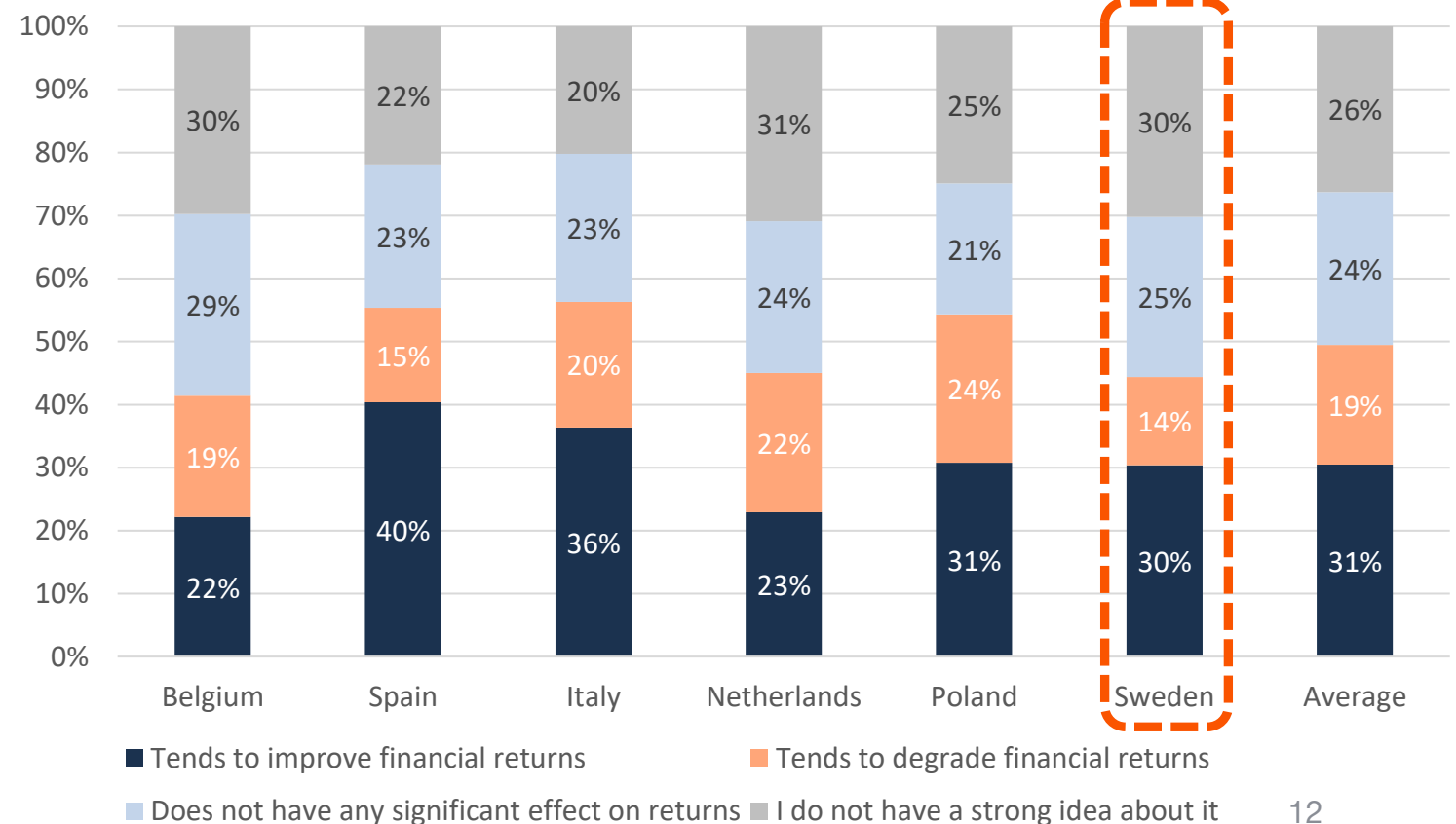
- ✓ Fewer respondents in Sweden have a negative opinion of the effect on returns than in other countries

## Qualitative insights:

In interviews and focus groups, participants often highlight that the impact on returns shall depend on the time horizon.

In the short run, it might be negative due to increased costs of sustainability for companies while in the long run it should be positive by offering a competitive edge towards laggards and enabling leaders to benefit from supporting regulations.

I believe that, in general, introducing sustainability factors into an investment strategy...



# An effective tool to fight climate change?

## *Qualitative insights*

Do you think sustainable finance is an efficient tool to contribute to the energy transition and fight climate change?

And if we compare to other tools that can be used to contribute to the energy transition and fight against climate change, like bans of some economic activities or a carbon tax?





# III. Sustainability motivations

# Importance of aligning savings with values

## Cross-country:

- ✓ In each country, high stability of individual answers across saving goals
- ✓ Mild differences across countries

## Country-specific:

- ✓ In Sweden, the importance granted to that sustainability motivation is lower than the European average and does not significantly vary across saving goals

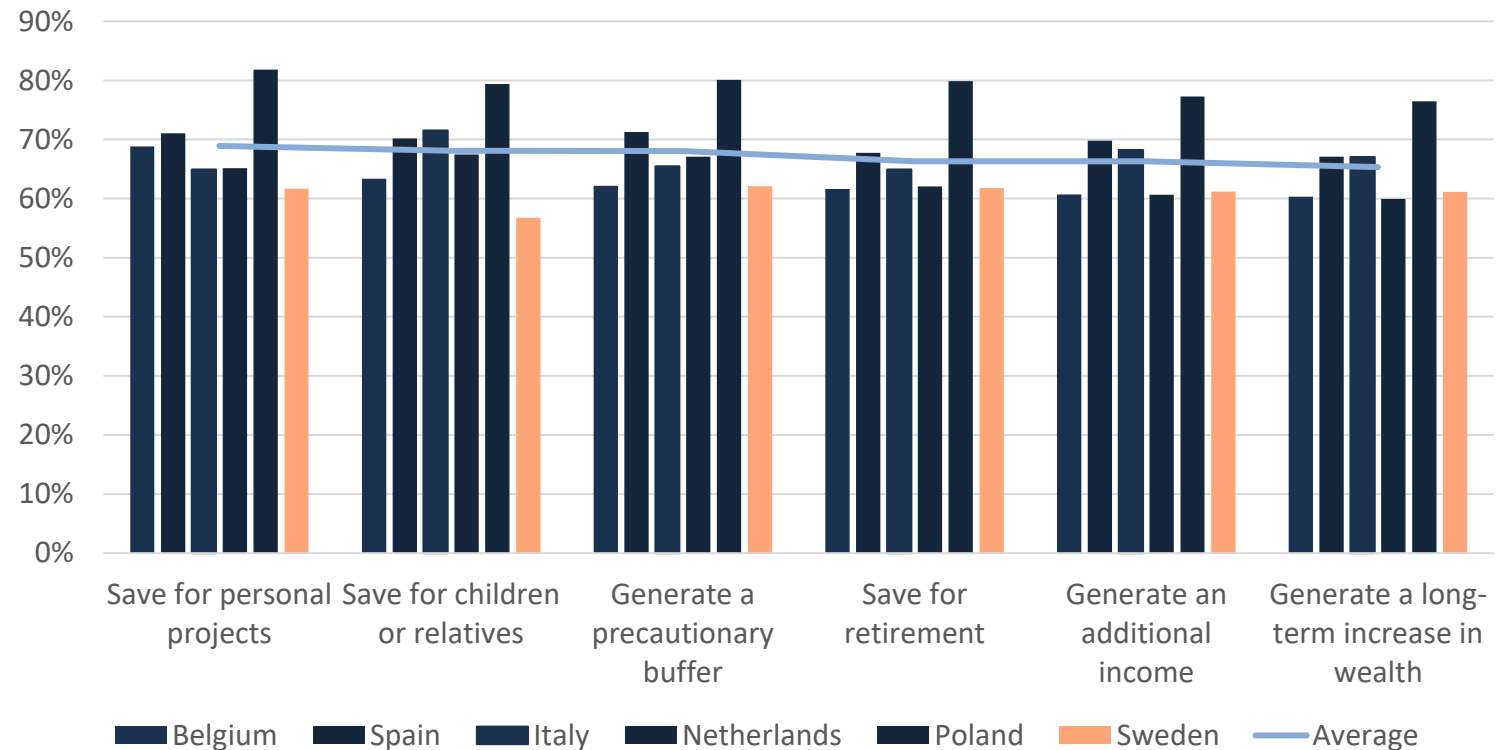
## Qualitative insights:

In interviews and focus groups, there is large consensus between participants in favour of investments that reflect investors' core values.

Few participants point towards an inconsistency between investing for returns and investing in line with values.

*“I will feel better. For instance, I would not feel good putting money in an oil company.”*

How is it important for you to align your savings with your personal values ? (% important or very important)



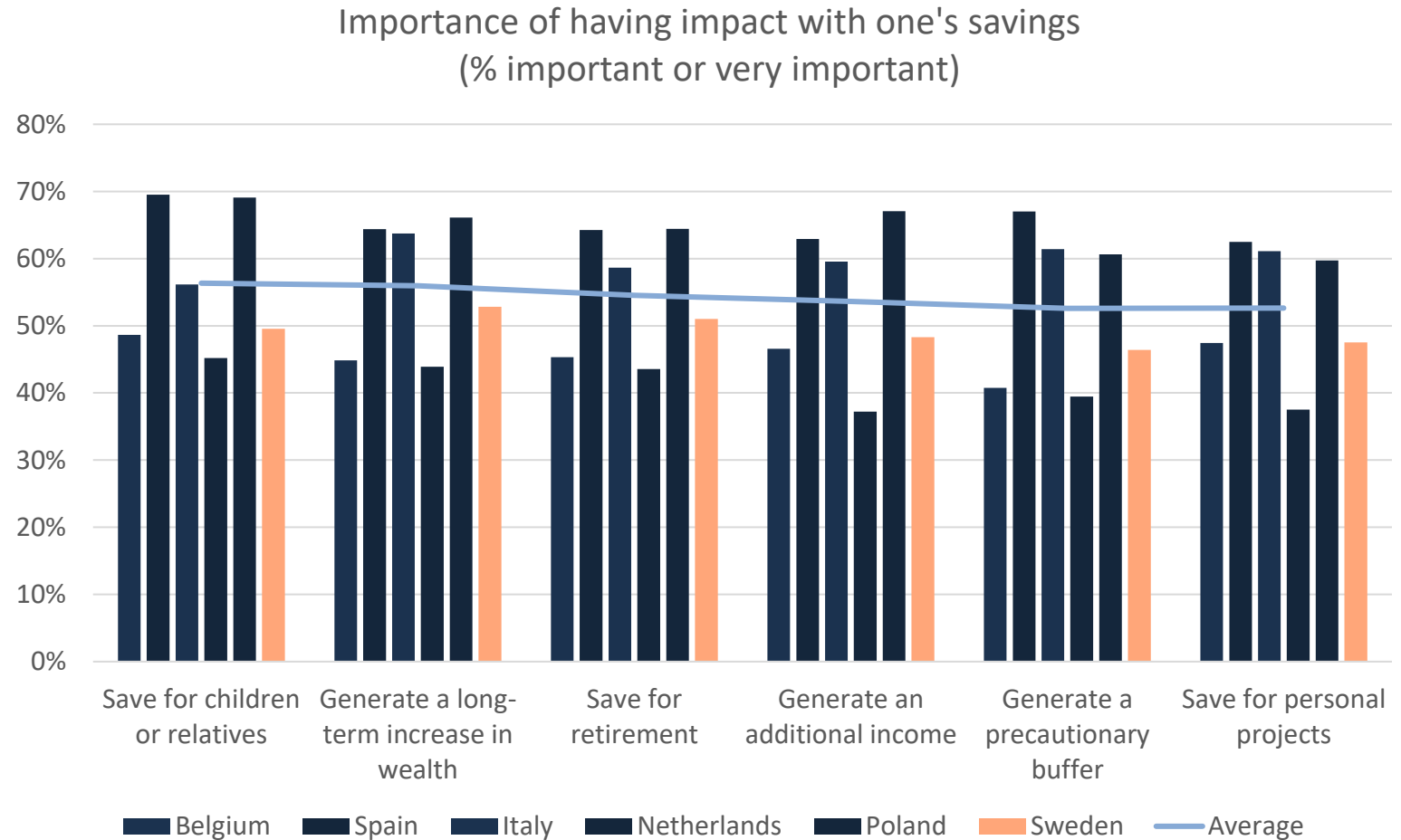
# Importance of having impact with one's savings

## Cross-country:

- ✓ In each country, high stability of individual answers across saving goals
- ✓ Large differences across countries with two clearly identified groups
- ✓ Across countries and saving goals, having impact is systematically less important than aligning with one's values (see previous slide)

## Country-specific:

- ✓ Sweden, alongside Netherlands and Belgium, is one of the countries where having impact with one's savings is the least important





# Introducing sustainability motivations

- ✓ In the quantitative survey, we asked participants a series of questions regarding their financial or sustainability goals for different practical financial goals attached to their savings (e.g., saving for retirement, generate a precautionary buffer, increase personal wealth, finance personal projects, etc.).
  
- ✓ We considered three types of overarching goals, one being purely financial (achieving maximum return for a certain level of risk) and two being related to sustainability. We build on two key motivations\* of retail investors to invest sustainably:
  - Aligning savings with one's values (Value Alignment)
  - Having an impact on the world (Impact)
  
- ✓ By averaging the answers for the various saving goals, we were able to generate a typology of seven “sustainability profiles”, either pure (focusing on one goal only) or mixed (caring for two or three goals) as displayed in the following slide.

\* These two sustainability motivations have already been referenced by various stakeholders to clarify the underlying motivation of retail investors (see [ESAs \(2017\)](#); [Busch et al. \(2021\)](#); [Eurosif \(2022\)](#); [AMAS/SSF \(2022\)](#); [FCA \(2022\)](#); [ADEME/2DII \(2023\)](#)). 2DII used these categories to assess sustainability motivation across 14 European countries over the last three years (find our reports [here](#))

# Sustainability profiles

## Cross-country:

- ✓ In all countries, a majority of respondents have a mixed profile, combining various motivations
- ✓ On average, 53% of European respondents are willing to have impact with their savings
- ✓ In all countries, the “pure impact” profile is the least frequent while the most frequent one is the “value + impact + return” profile
- ✓ In all countries, less than a fifth of respondents do not have sustainability motivations beyond maximizing returns

## Country-specific:

- ✓ In Sweden, the proportion of respondents only interested by financial returns is higher than anywhere else

|                                  | Belgium | Spain | Italy | Netherlands | Poland | Sweden | Average |
|----------------------------------|---------|-------|-------|-------------|--------|--------|---------|
| Pure impact                      | 1,8%    | 2,9%  | 2,8%  | 3,0%        | 1,7%   | 2,2%   | 2,4%    |
| Pure values                      | 6,9%    | 4,5%  | 4,7%  | 12,6%       | 3,9%   | 3,4%   | 6,0%    |
| Pure return                      | 15,2%   | 11,0% | 9,4%  | 10,6%       | 7,7%   | 20,1%  | 12,3%   |
| Mix of impact and return         | 3,2%    | 6,1%  | 5,7%  | 3,2%        | 5,1%   | 5,7%   | 4,8%    |
| Mix of values and return         | 19,7%   | 9,2%  | 10,3% | 20,0%       | 17,5%  | 17,7%  | 15,7%   |
| Mix of values and impact         | 7,1%    | 7,6%  | 6,9%  | 8,6%        | 2,5%   | 5,0%   | 6,3%    |
| Mix of values, impact and return | 29,8%   | 48,3% | 44,7% | 24,3%       | 53,6%  | 35,5%  | 39,4%   |
| No clear profile                 | 16,4%   | 10,4% | 15,5% | 17,7%       | 8,0%   | 10,4%  | 13,1%   |

# Why having sustainability motivations?

## *Qualitative insights*

Across countries, we could observe in qualitative interviews and focus groups that participants often connect their sustainability motivations to specific concerns:

- ✓ Acting in an ethical/moral way
- ✓ Acting for the long-term or children
- ✓ Acting in a way that is modern or consistent with the latest stage of the technology
- ✓ Feeling good about themselves



*“We have one chance to stop climate crisis; we must take that.”*

*“It makes sense, for future children and relations, my lifetime, and the next couple generations.”*

*“Everyone has to do as much as they can, quickly. We just borrow our time on Earth. “*



# Trading off sustainability motivations

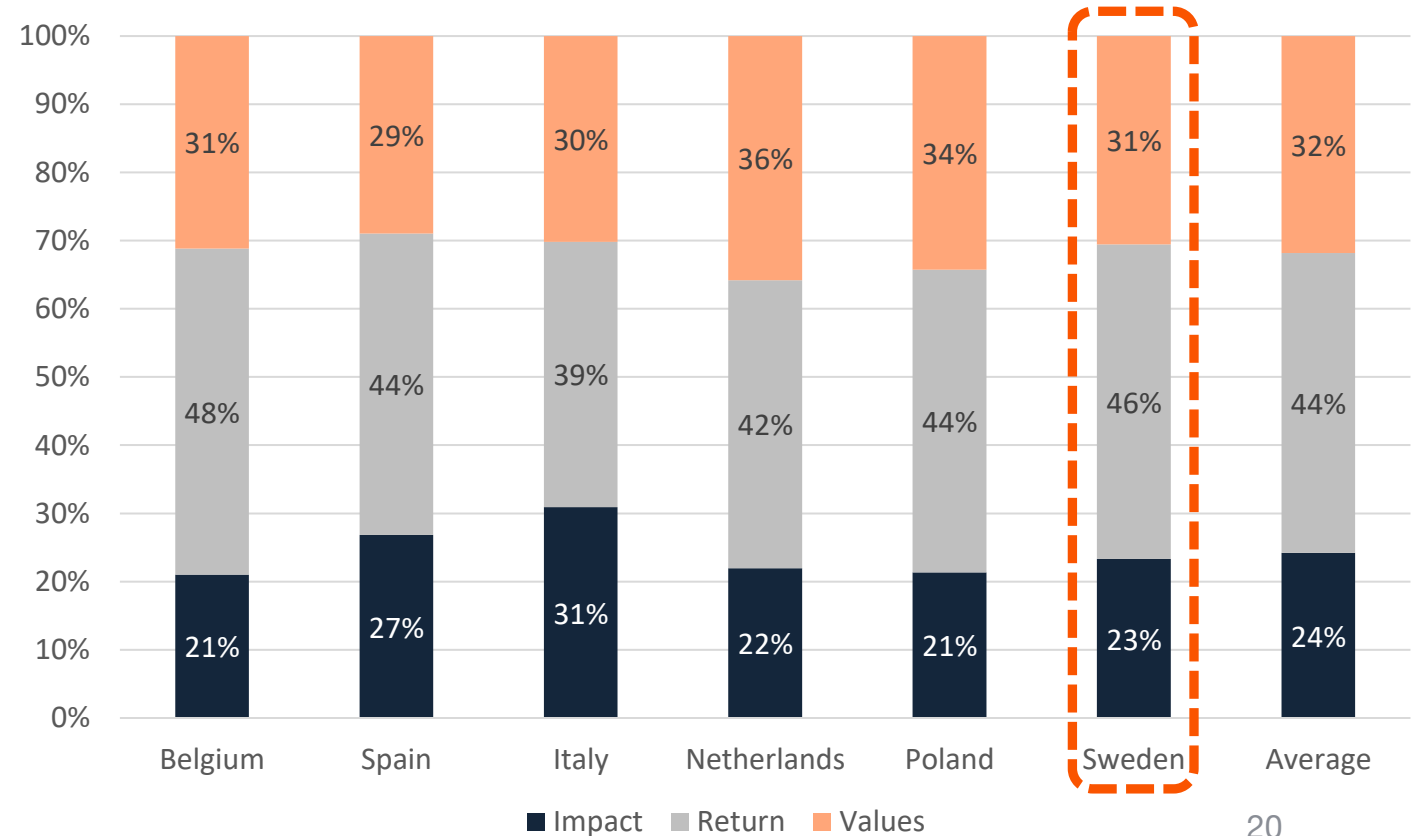
## Cross-country:

- ✓ In all countries, most respondents tend to favor returns in case of necessary tradeoffs between all sustainability motivations

## Country-specific:

- ✓ In Sweden, the way respondents prioritize is very similar to the European average

When respondents have all motivations at once, which one is prioritized? (all saving goals altogether)



# A concession on returns?

## Cross-country:

- ✓ In each country, the proportion that chooses the climate fund falls rapidly when expected return is lower than for the standard fund
- ✓ Everywhere, only a handful of respondents (less than 12%) choose the climate fund when expected return is cut by half

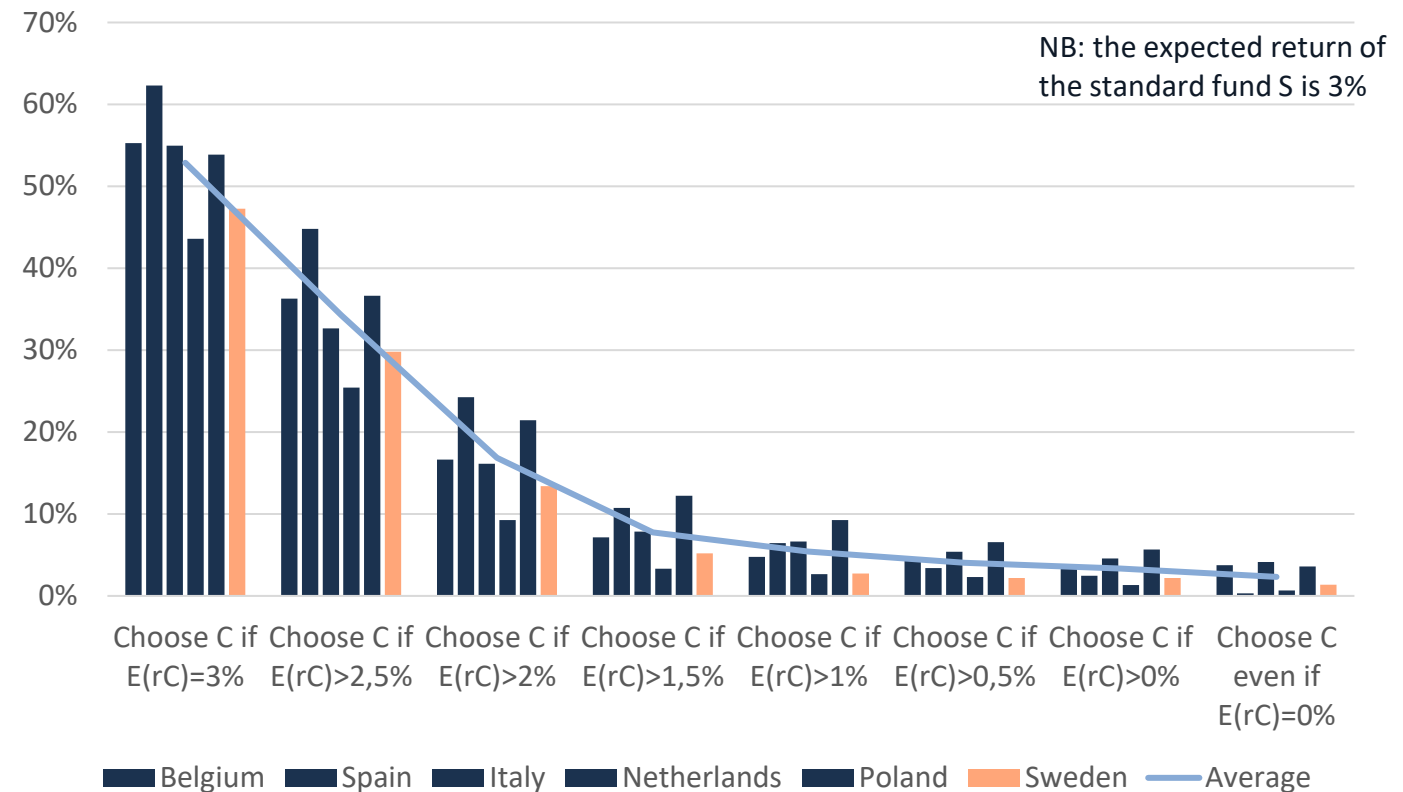
## Country-specific:

- ✓ As in other countries, the fraction of respondents choosing the climate-oriented fund drops fast as the gap in returns broadens

## Qualitative insights:

In interviews and focus groups, participants often claim they would tolerate lower returns for sustainable financial products in relation with higher fees but they'd do it with a dose of reluctance and suspicion. They require a high level of transparency on the reasons behind the higher fees.

Proportion of respondents that choose a climate-oriented bond fund (C) vs a standard bond fund (S) depending on their respective expected returns



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# IV. Sustainability shareholder democracy

# Having voted at shareholder AGMs

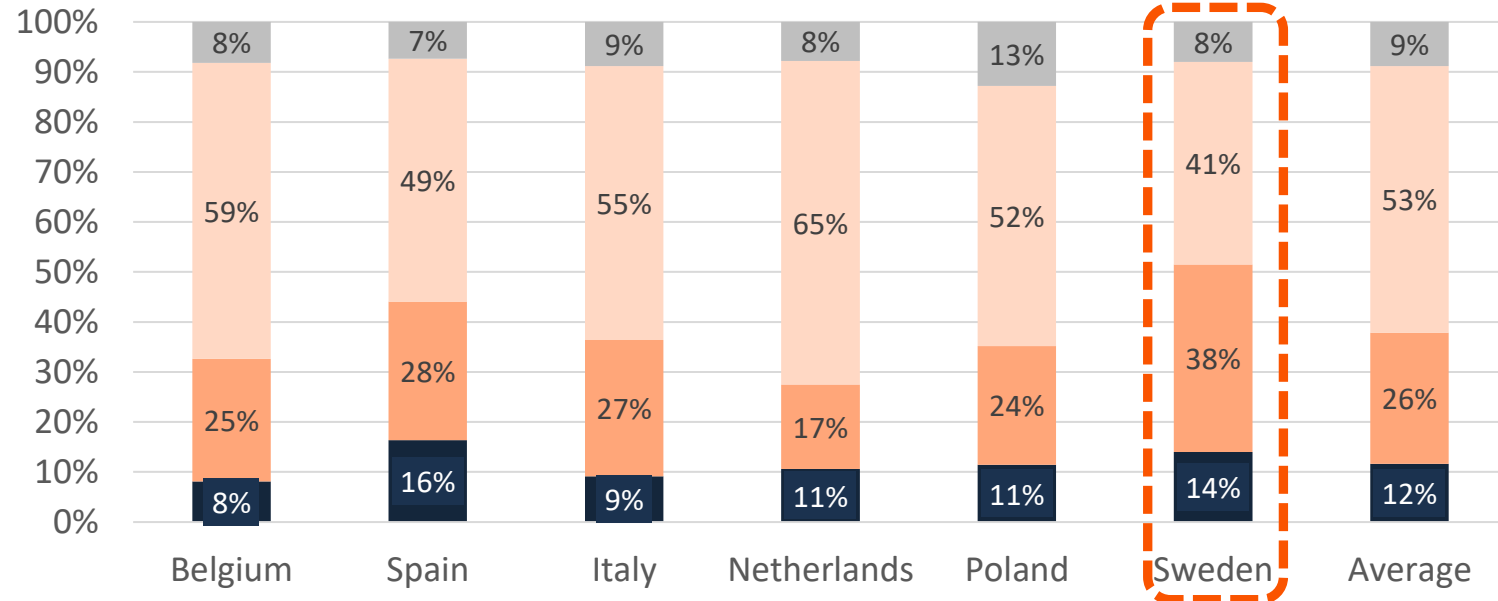
## Cross-country:

- ✓ In each country, only a very small minority of respondents has already voted during an AGM
- ✓ It relates to the very limited ownership of stocks (in direct) in Europe

## Country-specific:

- ✓ In Sweden, the proportion of respondents that already voted is similar to the European average
- ✓ More respondents than elsewhere reported that they never voted despite having owned shares

As a shareholder, have you ever voted at an annual general meeting of a listed company?



■ I'm not sure

■ No. As I have never owned any listed share, I have never been in a situation of voting.

■ No. I am or was an owner of listed shares but I have never participated to voting.

■ Yes

# Expressing a shareholder view on climate

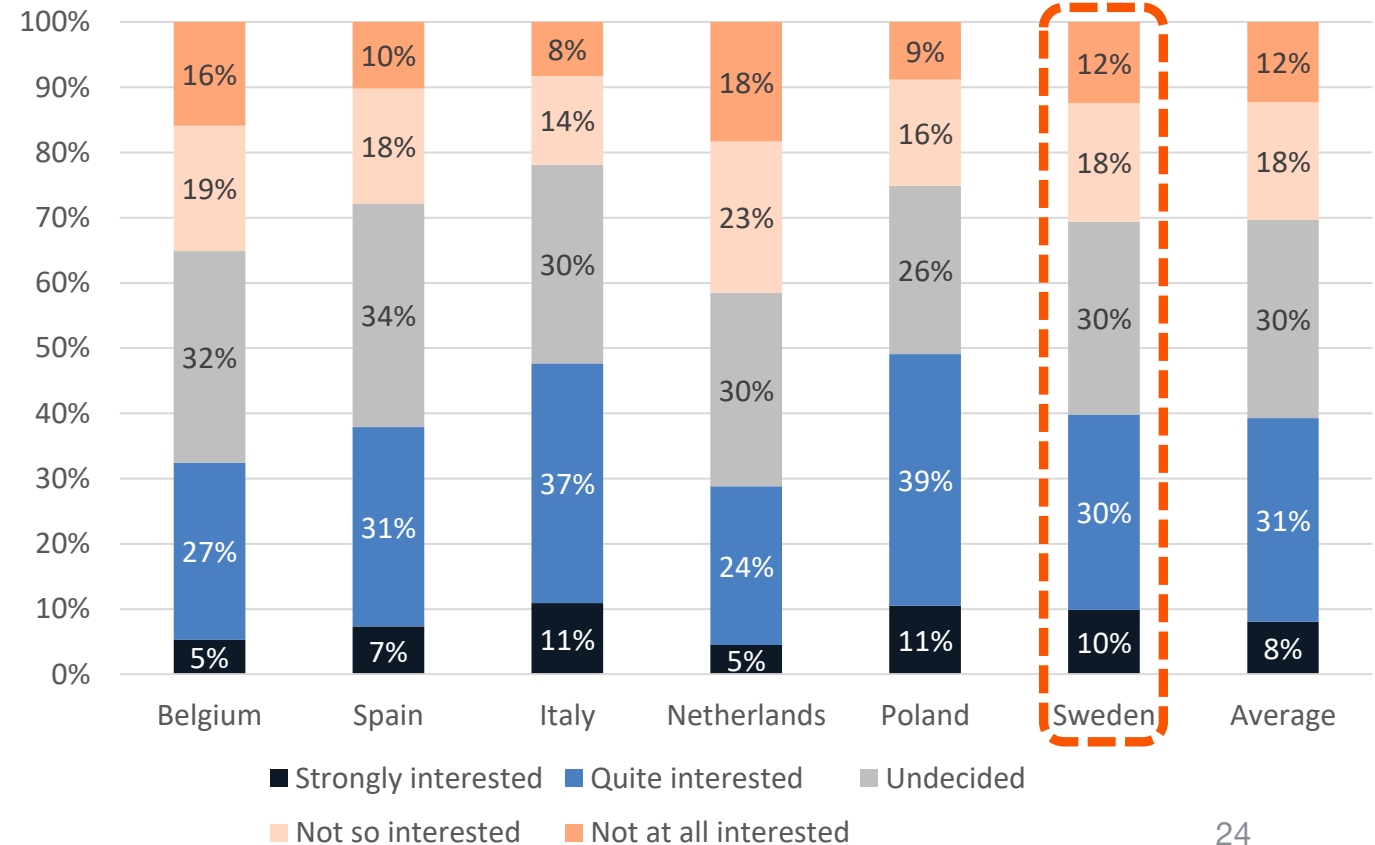
## Cross-country:

- ✓ There appears to be only a mild interest for voting on climate issues in AGMs

## Country-specific:

- ✓ In Sweden, the stated interest for voting is as pronounced as the European average

If made easy, would you be interested in expressing your view by participating to climate-related votes during annual general meetings of listed companies you are invested in?





# Blockers of shareholder democracy

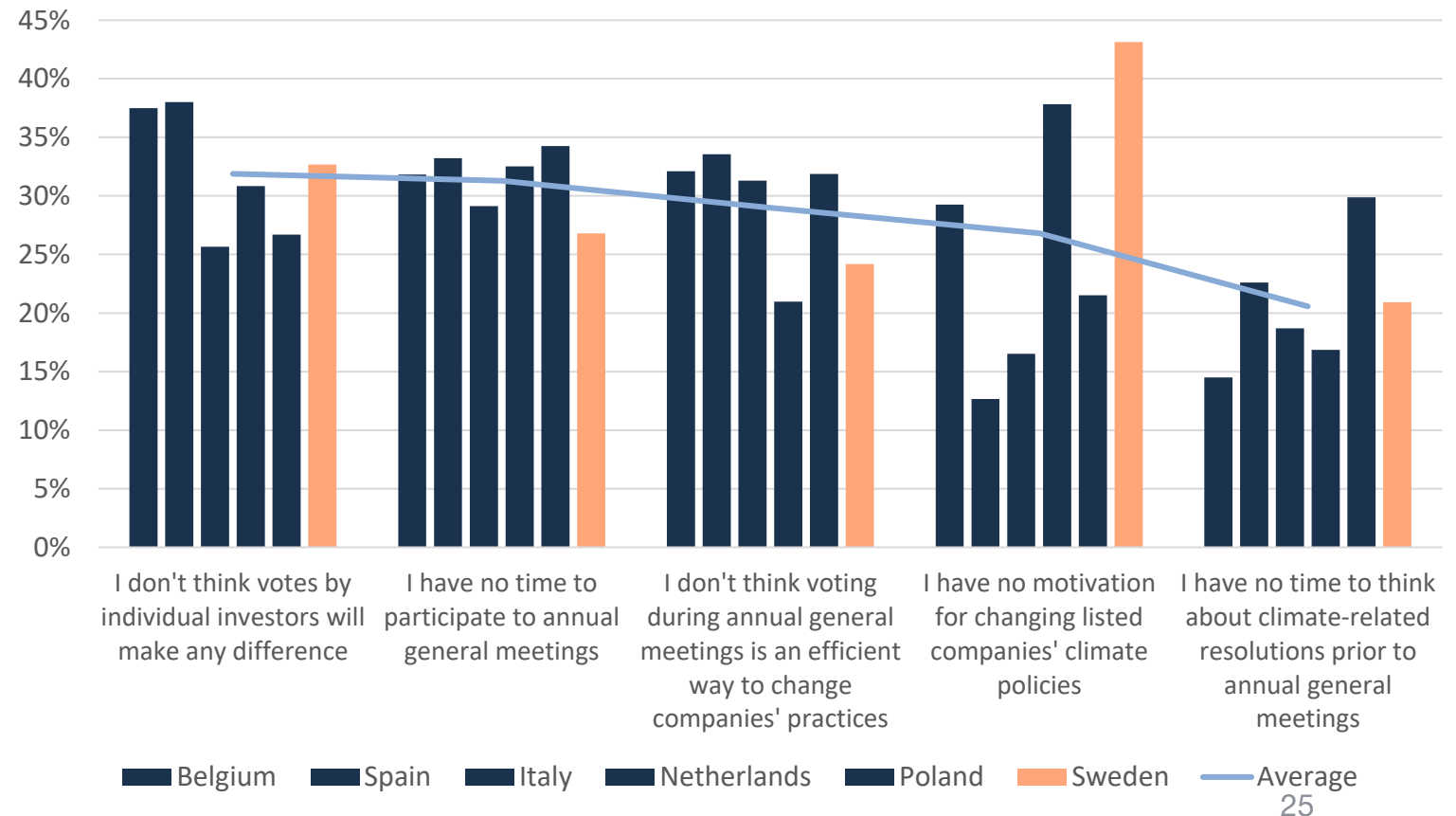
## Cross-country:

- ✓ Very diverse reasons for not being interested in voting during AGMs
- ✓ High heterogeneity across countries in the motivation to change companies' climate policies

## Country-specific:

- ✓ In Sweden, respondents claim more than anywhere else not to be interested into changing the companies (climate) policies

Reasons for not being interested into voting at AGMs on climate issues (up to three)



# Facilitating shareholder democracy

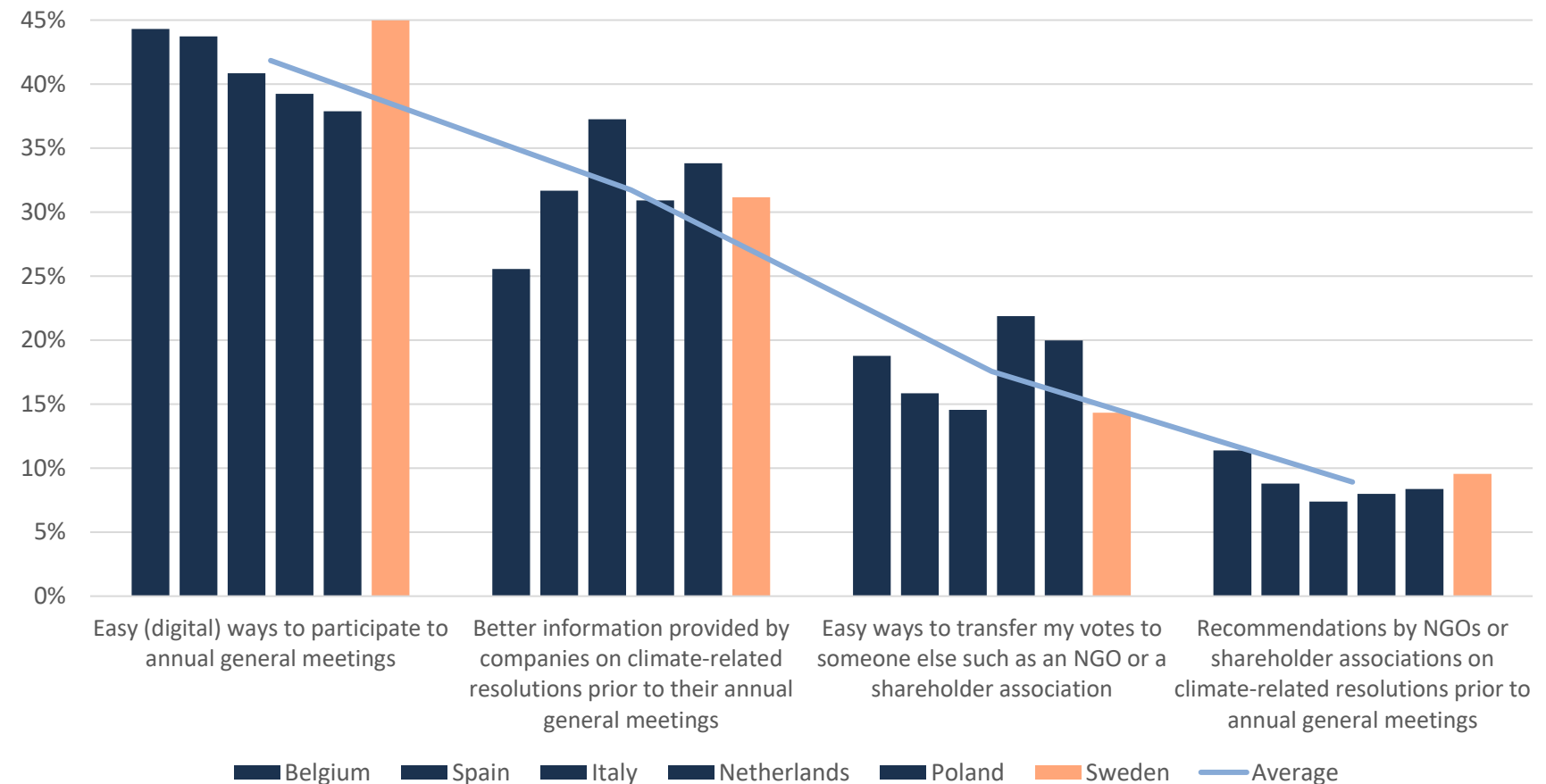
## Cross-country:

- ✓ Easiness to participate to votes and good information are considered to be effective facilitators
- ✓ Oppositely, getting information or transferring votes to NGOs/shareholder associations is not often asked for

## Country-specific:

- ✓ In Sweden, respondents especially require an easier access to AGMs

Which improvement will be the most important to make you participate to climate-related votes during annual general meetings of listed companies?



# PART II: retail investors and sustainable financial solutions



# I. Perception of sustainable strategies

# Exclusion as a sustainable strategy

When explained the strategy of exclusion, participants in interviews or focus groups report they find the strategy easy to understand and well-suited for aligning one's savings with one's personal values. Oppositely, it is often viewed as hard to implement and encompassing negative side effects, for instance by leaving more room to other non-sustainable investors to get financial returns and influence companies. And the strategy requires both self-awareness from investors and a good knowledge of companies' activities and processes.



*“I definitely know what I don't want to support.”*

*“It is an easy way to communicate with companies.”*



# Best-in-class as a sustainable strategy

When explained the best-in-class approach, respondents report conflicting views. While some consider it intrinsically illogical (why favoring companies that are already more advanced?), others find it a good way to emulate companies to adopt the most sustainable processes.

Financially-skilled respondents note that this strategy, unlike exclusions, enable the investors to hold portfolios that remain sector-diversified. But, at the same time, the strategy mechanically reduces the basket of invested companies, increasing specific risk.

In any case, as pinpointed by some respondents, the perceived relevance of the strategy lies on the trust in ESG ratings.

*“Investing in companies with the best rankings makes sense as it implies higher transparency and should decrease the risk level of the investment.”*



# Thematic investment as a sustainable strategy

When explained the strategy of thematic investing, consider it to be a good way to express one's values and aspirations for people that already have strong views. For companies, it is a way to channel capital towards companies that contribute to the long-term objective. On the other hand, it implies that the portfolio will be concentrated on a few sectors only and, consequently, lack diversification. Therefore, it is well-suited for investors with low risk aversion.



# Engagement as a sustainable strategy

When explained engagement, participants in interviews or focus groups reported both an attraction and a suspicion about the promise to generate real-world impact.



*“It is dangerous, creates perverse incentives and can lead to undesired outcomes.”*

*“Not the best as the effectiveness of this approach is limited to the power and amount of money invested by the investor.”*

*“I think it's a good strategy as it allows companies to change and be accountable for their mistakes. Companies that have failed people's expectation of them usually need the most support, rather than being alienated from society or the stock market.”*





# Profit-sharing as a sustainable strategy

When explained, profit-sharing (i.e., the mechanism of distributing part of the investor achieved returns to pre-defined charities), fuels mixed feelings in participants in interviews or focus groups. Some oppose the idea of mixing investing with charity donations or consider it an easy way to deal with investors' moral duties while others consider it interesting if certain conditions are fulfilled (e.g., a free choice of beneficiaries and the implementation of donation only if a certain level of returns is achieved)



*“I don't think this is good and I don't believe in its promise. I guess partly because of mistrust with NGOs and other organizations like that.”*

*“It could be seen as a new type of philanthropy, but it is not something that changes the way companies behave.”*



A white outline map of the Asian continent is positioned in the upper right quadrant of the slide, partially overlapping the green header.

# II. Perception of impact products

# Perception of impact investing as a sustainable strategy

When explained the strategy of impact investing, participants in interviews or focus groups reported both an attraction and a suspicion about the promise to generate real-world impact.

To buy products applying the strategy, they require an extensive view on the mechanisms of impact that are actioned and transparency on both past outcomes and methodologies to assess impact. Doubts are often raised about the capability to really evaluate impact ex ante or measure it ex post.



*“Impact investing would be my preferred investment strategy if I could get a regular follow up of the achieved impact.”*

*“Having seen this play out multiple times, I have little faith in people predicting what will happen.”*



# Savings vs other means to have impact

## Qualitative insights

### Do you think you can personally have an impact on the society through your savings?

Across countries, we could observe in qualitative interviews and focus groups that participants generally consider that theoretically it could work but, in practice, it would be strongly **conditional to the size** of the investor.

Some add that, even if the real impact is negligible, it is still necessary to do one's part. In general, participants agree that they can make a big impact altogether.

*“Yes, on a tiny level. It takes more people for a bigger effect.”*



### Do you think you can achieve higher impact through your savings, your consumption, your donations, your job, or your votes? Why?

Across countries, participants in interviews or focus groups highlighted the pros and cons of the different actions. In particular, consumption was seen positively because of its direct effects, its universality (i.e., can be actioned by anybody) and its high visibility (that can generate positive spillovers). Job is perceived as having the maximum leverage as one can change the processes of large organizations. Voting is perceived ambiguously, positively as a symbolic market of one's implication within society and having a high potential impact on paper as politics set the game rules, and simultaneously with a lot of suspicion about the real functioning of democracy (inertia, lobbies' influence, etc.).

*“ Consumption is having the most impact as it is something we do every day. Society focuses on this massively.”*

*“Through my job, I can encourage and have influence over people's ideas and introduce them to new strategies.”*

*“Voting is the most effective way to have the biggest impact as “everything goes through government”.*

*“Voting is the best way to have the largest impact as it will reach the people who can make the most change.”*



# What does “impact” mean for financial investments

## *Qualitative insights*

Across countries, we could observe in qualitative interviews and focus groups that participants had various interpretations of what the “impact” of financial investments would be, with

- ✓ The “**impact on wallet**” view, for which impact is the financial return
- ✓ The “**impact on society**” view, for which impact represents the effects on the external world
- ✓ The “**mixed impact**” view, which considers the two angles altogether

Those multiple interpretations suggest there is a crucial need to constantly qualify “impact” in order to avoid misunderstandings.



*“If the product is helping, either by bringing awareness or positively making change (even on a small scale), it is impact.”*



# What impact funds are

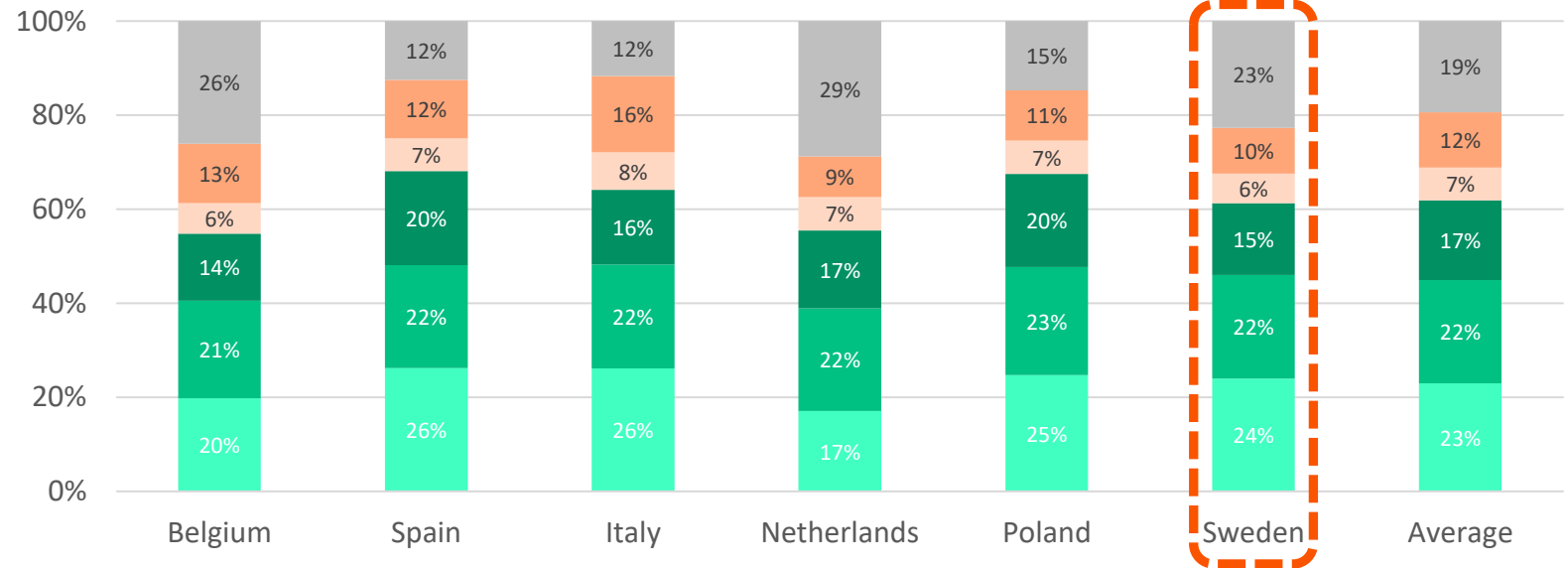
## Cross-country:

- ✓ In all countries, very diverse opinions regarding the question suggesting that the denomination is equivocal

## Country-specific:

- ✓ In Sweden, perceptions are as diverse as in other European countries

How do you understand the functioning of a fund called "Environmental Impact Fund" based on this denomination?



■ I don't know

■ The fund only invests in companies that have a clear measured positive impact on the environment AND the fund ensures its investors a clear measured positive impact on the environment through their investments

■ The fund uses a specific investment strategy that may enable its investors to have a positive impact on the environment through their investments (but the actual impact of investments is not precisely measured)

■ The fund uses a specific investment strategy that ensures its investors a clear measured positive impact on the environment through their investments

■ The fund only invests in companies that may have a positive impact on the environment through their products and services (but the actual impact of invested companies is not precisely measured)

■ The fund only invests in companies that have a clear measured positive impact on the environment through their products and services

# What impact funds should be

## Cross-country:

- ✓ In all countries, pretty diverse opinions regarding the question
- ✓ In all countries, the most frequent answer applies to the most demanding (and protective) definition
- ✓ In all countries, the purely intentional definition is the least often selected

## Country-specific:

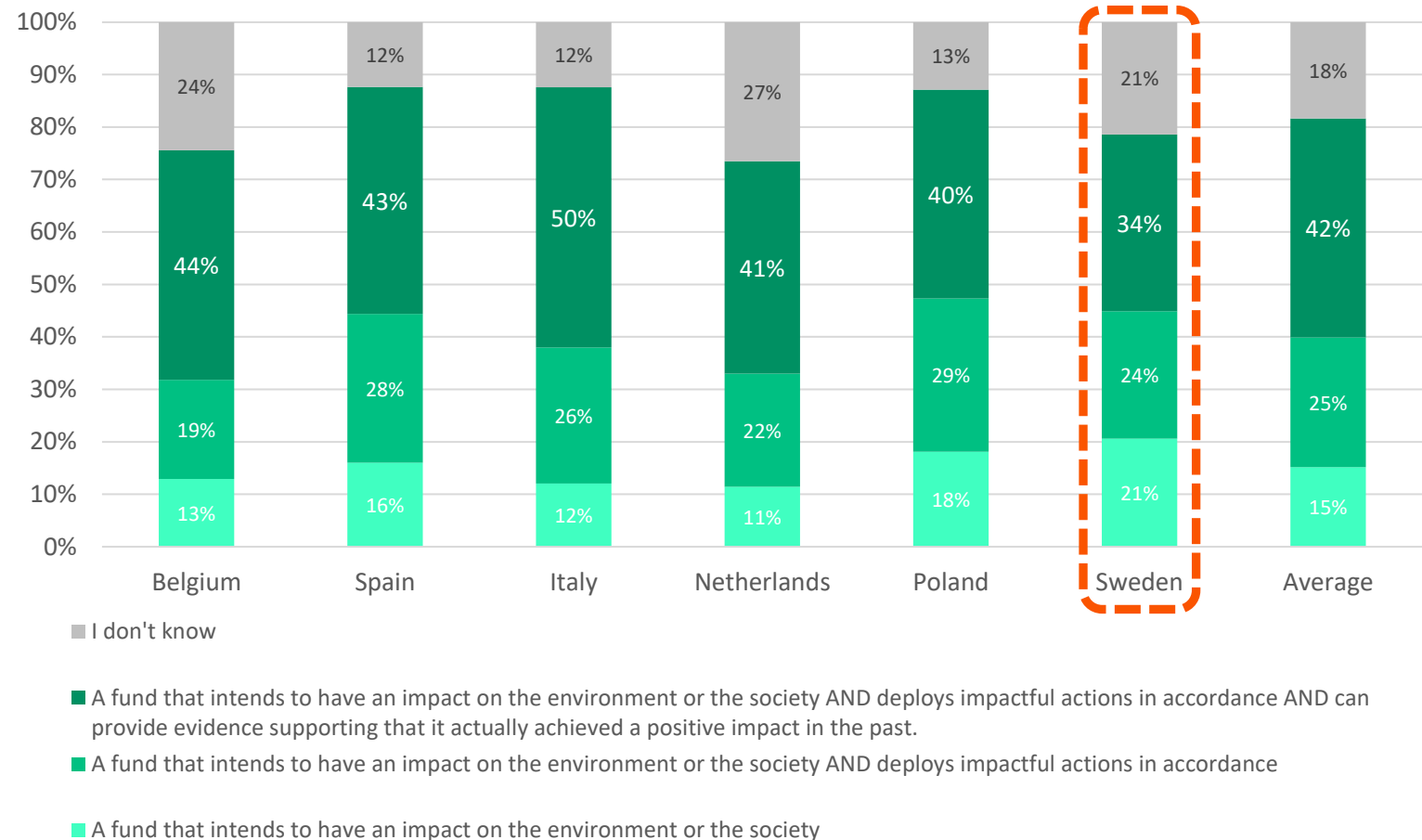
- ✓ Respondents in Sweden opted for the most protective definition less often than in other countries

## Qualitative insights:

In interviews and focus groups, participants generally consider that measuring and disclosing one's impact is practically difficult for funds.

They are divided between those that see it as important to avoid greenwashing or impact-washing and others that perceive it as only a "nice-to-have". For the latter, it is enough to have evidence that the fund actively contributes to a collective movement towards sustainability or has a clear positive attitude towards a certain environmental or social issue.

What should be an Impact Fund in order not to mislead investors?



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# III. Investing to finance the energy transition



# Willingness to finance the green energy transition

## - sectors

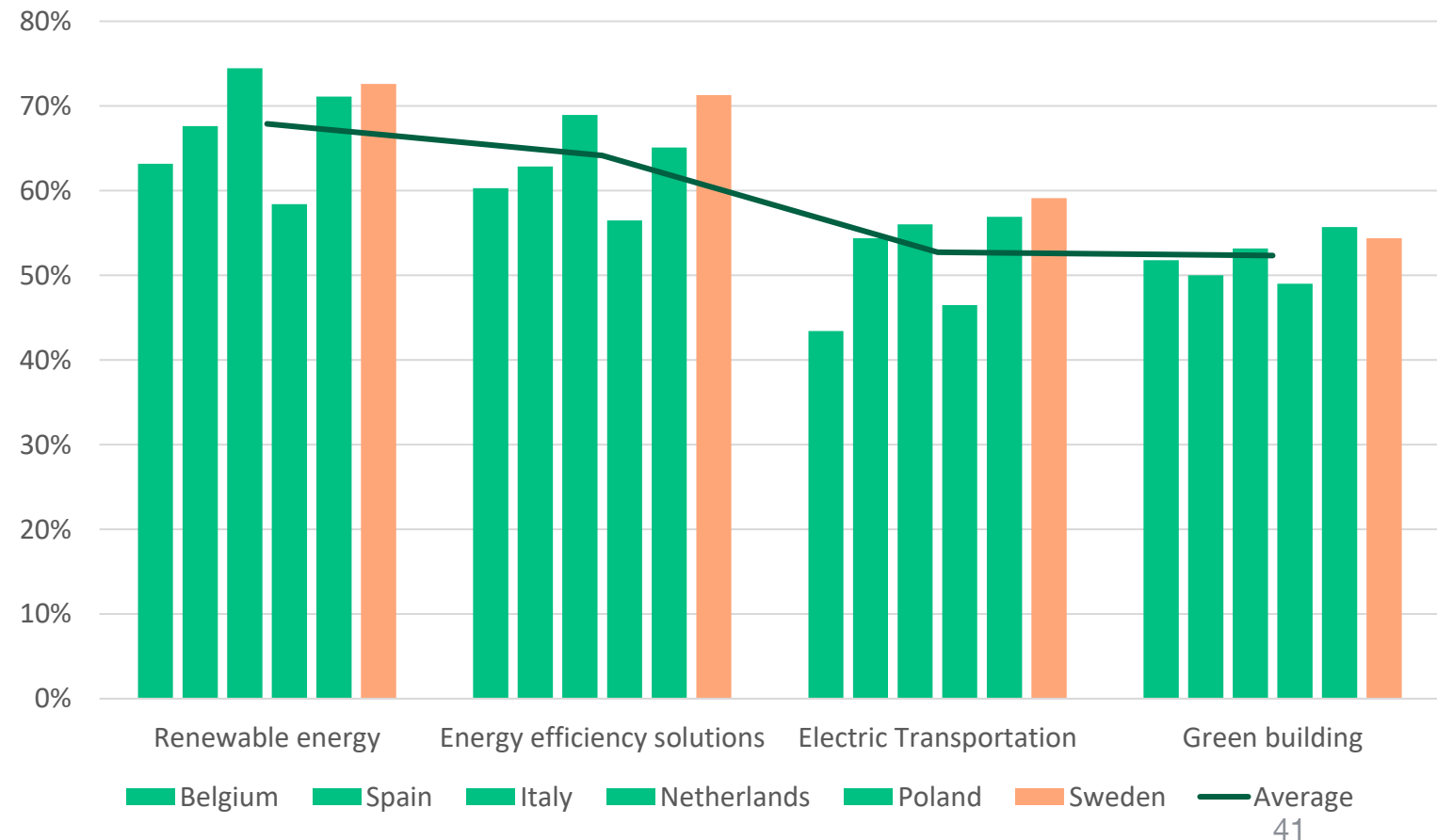
### Cross-country:

- ✓ An interest more pronounced when the question is specific than general (see previous slide for comparison)
- ✓ Proportion of potential funders increases by 10-20 pp when sectors are specified
- ✓ A clear preference for financing projects in renewable energy and energy efficiency sectors

### Country-specific:

- ✓ In Sweden, respondents displayed a willingness to finance slightly superior to the European average for all sectors

Willingness to finance energy transition projects in specific green sectors (% interested)



# Willingness to finance the green energy transition

## - economic agents

### Cross-country:

- ✓ Low variations across potential beneficiaries
- ✓ Financing projects for households appear to be slightly more appealing.
- ✓ This result advocates for new types of green financial solutions as current ones most often target (large companies)

### Country-specific:

- ✓ In Sweden, the willingness to finance is higher than the European average for all types of economic agents
- ✓ In Sweden, the willingness to finance projects from large corporations is slightly lower than for SMEs

### Qualitative insights:

In interviews and focus groups, some participants report a preference for financing (large or small) companies as they perceive them as more effective to allocate capital in an efficient way compared to administrations.

Small companies are also perceived to be more innovative and therefore have a higher impact potential while large companies are seen as less risky.

*"I'd prefer finance large and small companies, since the private sector is better at allocation of capital and execution than the public sector."*

*"I would go more towards small companies as they have really innovative ways to be sustainable."*

Willingness to finance energy transition projects for specific economic agents (% interested)



# Willingness to finance the green energy transition - geographical zones

## Cross-country:

- ✓ A clear preference for financing nationally or locally

## Country-specific:

- ✓ For all zones, respondents in Sweden are more inclined to contribute than the European average

## Qualitative insights:

In interviews and focus groups, participants explain their preference for local/national projects by referring to a lower (perceived) risk or a higher transparency and easier access to information. They sometimes also connect it to an enhanced emotional salience and to the possibility to benefit from it.

Oppositely, and much less frequently, others prefer investing in developing countries as they consider the funding gap to be more pronounced there and observe that it is necessary to raise the bar everywhere to solve global issues.

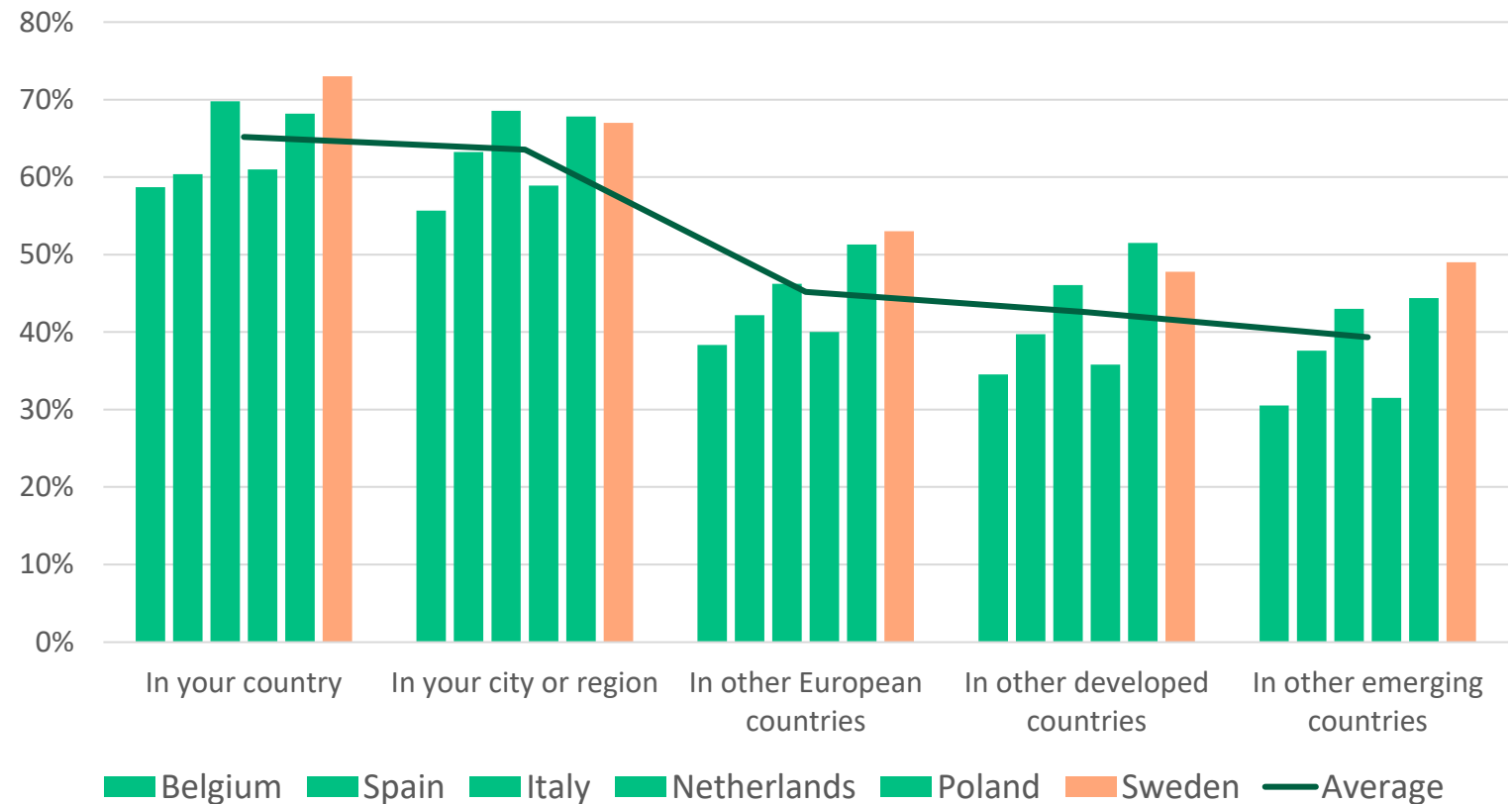
A third category do not focus on the zone and consider the selection process should apply at the project level only.

*"I find Swedish companies easier to analyze and the information is easier to get, I know where to get it from."*

*"I like to invest in areas closer to me, where I can see the difference."*

*"I don't have a geographic preference, just where the need is."*

Willingness to finance energy transition projects  
in specific zones (% interested)



# Holding of products financing the green energy transition - general

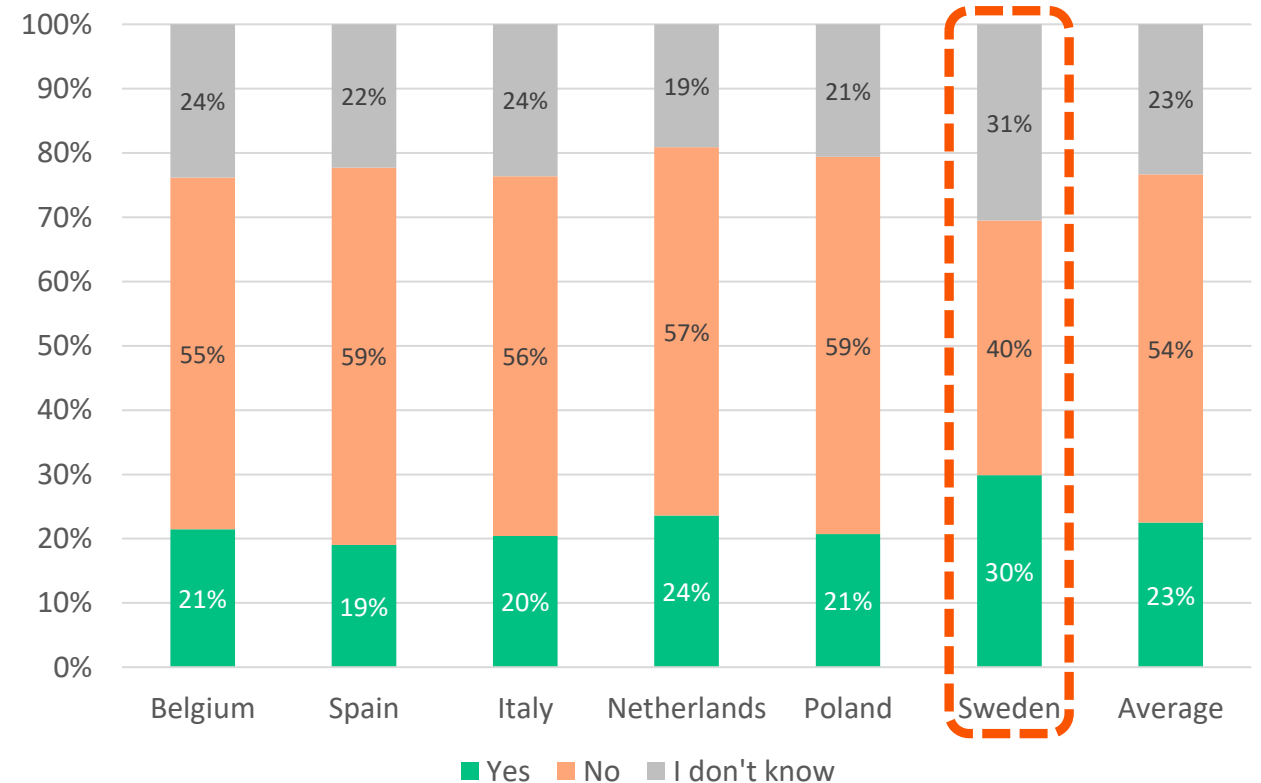
## Cross-country:

- ✓ In each country, only a minority of respondents already own financial products that finance the green energy transition

## Country-specific:

- ✓ A larger fraction of respondents in Sweden than in any other country do own financial products that contribute to the financing of the green energy transition

Do you personally own financial products that contribute to the financing of the green energy transition?



# Holding of products financing the green energy transition - specifics

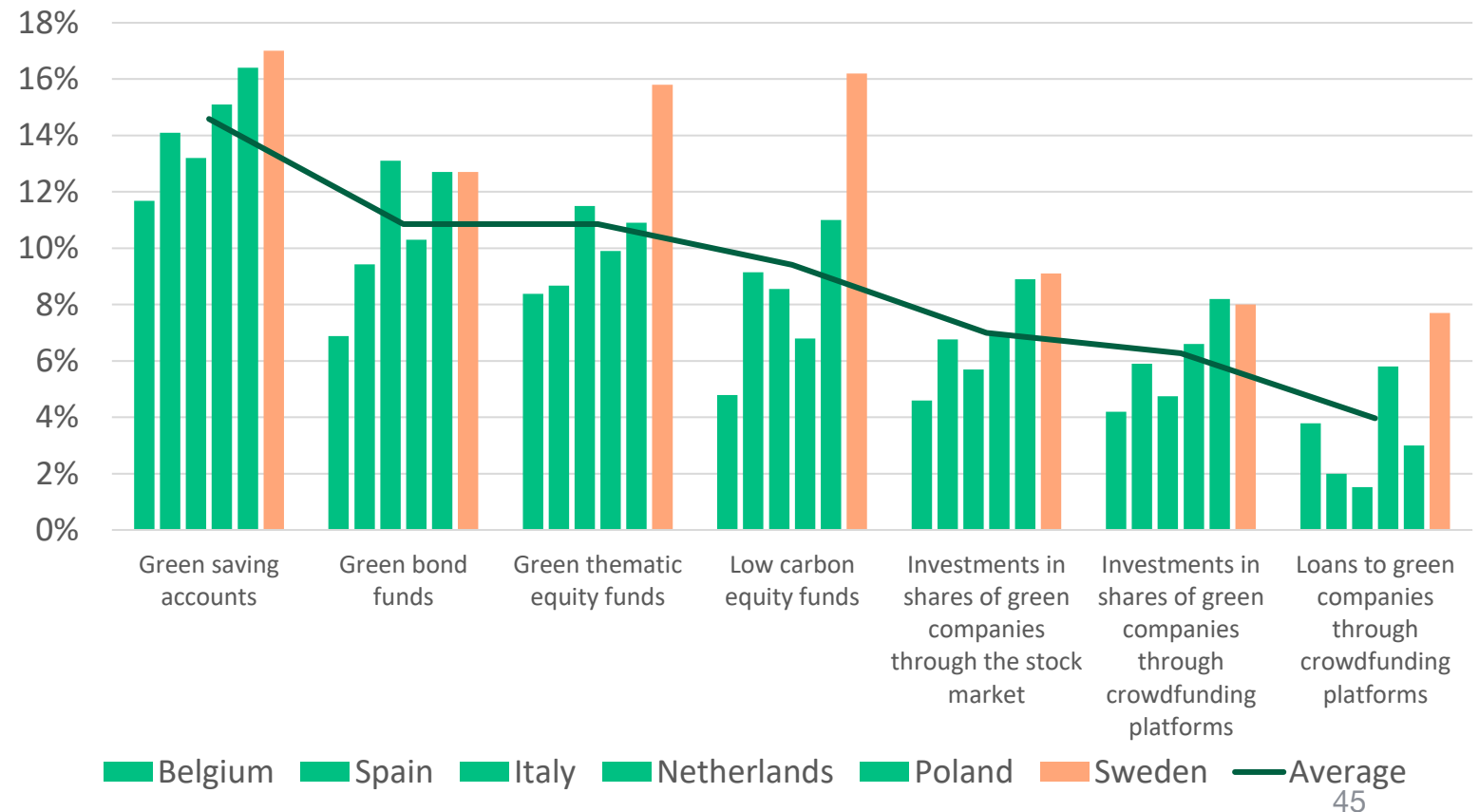
## Cross-country:

- ✓ Among different green financial products, green saving accounts and in a lesser extent green funds are the most often owned
- ✓ Oppositely, direct investments through the stock exchange or crowdfunding platforms are less common

## Country-specific:

- ✓ Respondents in Sweden top other countries regarding the holding of specific green financial solutions

Holdings of specific financial products contributing to the financing of the green energy transition



# An attitude-behavior gap

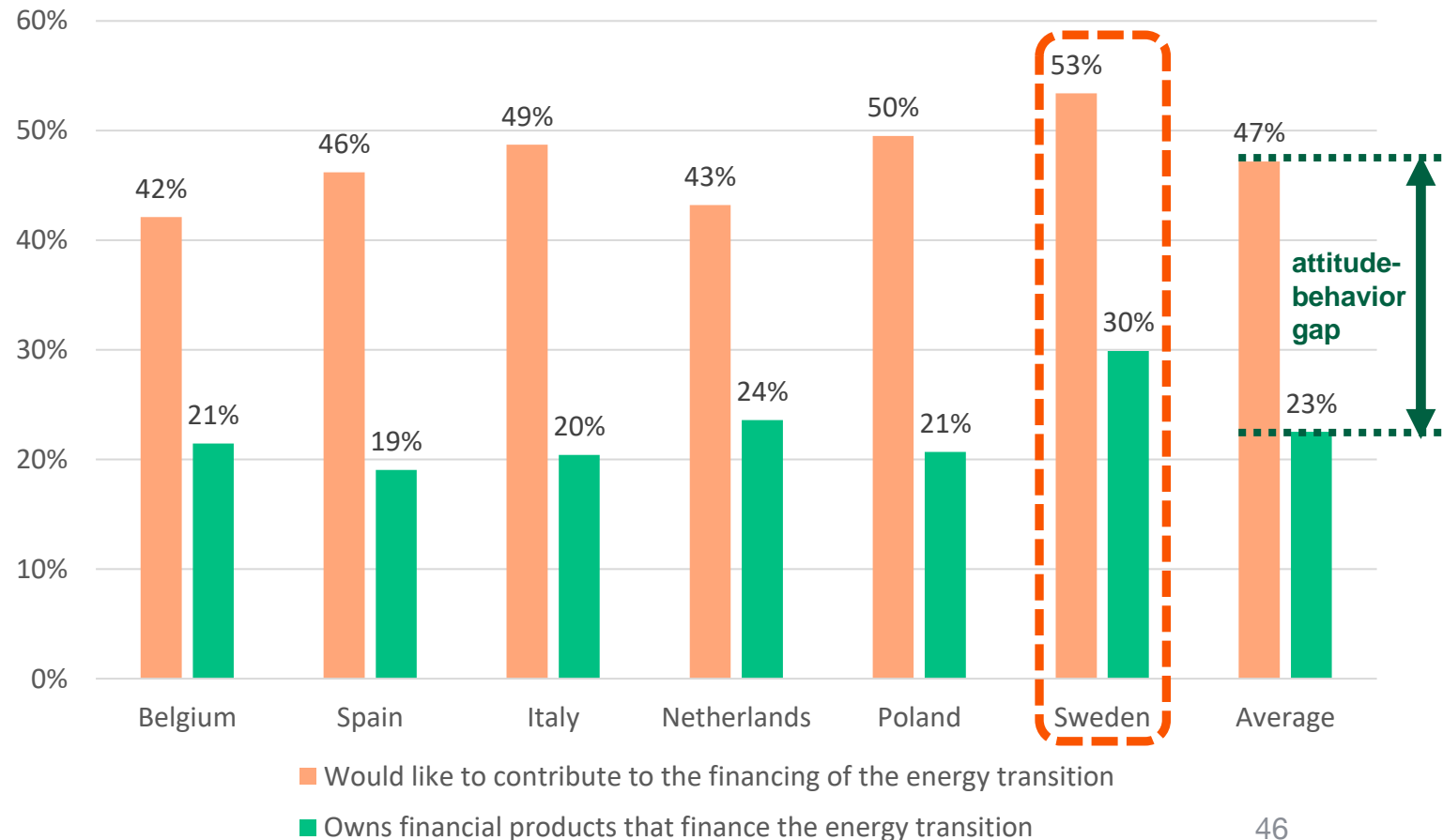
## Cross-country:

- ✓ In each country, there are 20%-30% of respondents that would like to finance the energy transition but do not own financial products doing that
- ✓ It means there is an untapped potential for green financial products

## Country-specific:

- ✓ The attitude-behavior gap in Sweden is in line with the European average

Attitude-behavior gap regarding the financing of the green energy transition



# Blockers preventing the financing of the green energy transition

## Cross-country:

- ✓ A lack of time and expertise rather than a lack of available options explains the difference between intentions to finance the energy transition through savings and the actual behaviors

## Country-specific:

- ✓ Respondents in Sweden highlight the time constraint as a main issue more often than elsewhere

Reasons behind the respondent's intention-behavior gap (up to three reasons)





# IV. Interest for green financial products



# Interest for green alternatives to conventional financial products

## Cross-country:

- ✓ For all types of conventional products, a majority of respondents declares to be interested into switching to the proposed greener alternative
- ✓ Thematic equity funds are the most appealing alternatives while green saving accounts are the least ones

## Country-specific:

- ✓ The interest in switching is slightly higher in Sweden than the European average

## Qualitative insights:

In interviews and focus groups, respondents not interested explain it by displaying a low trust/knowledge about those products and fear a “green bubble” that would lead to poor returns in the future.

Interest in switching to green alternatives to conventional financial products  
(% strongly or quite interested)



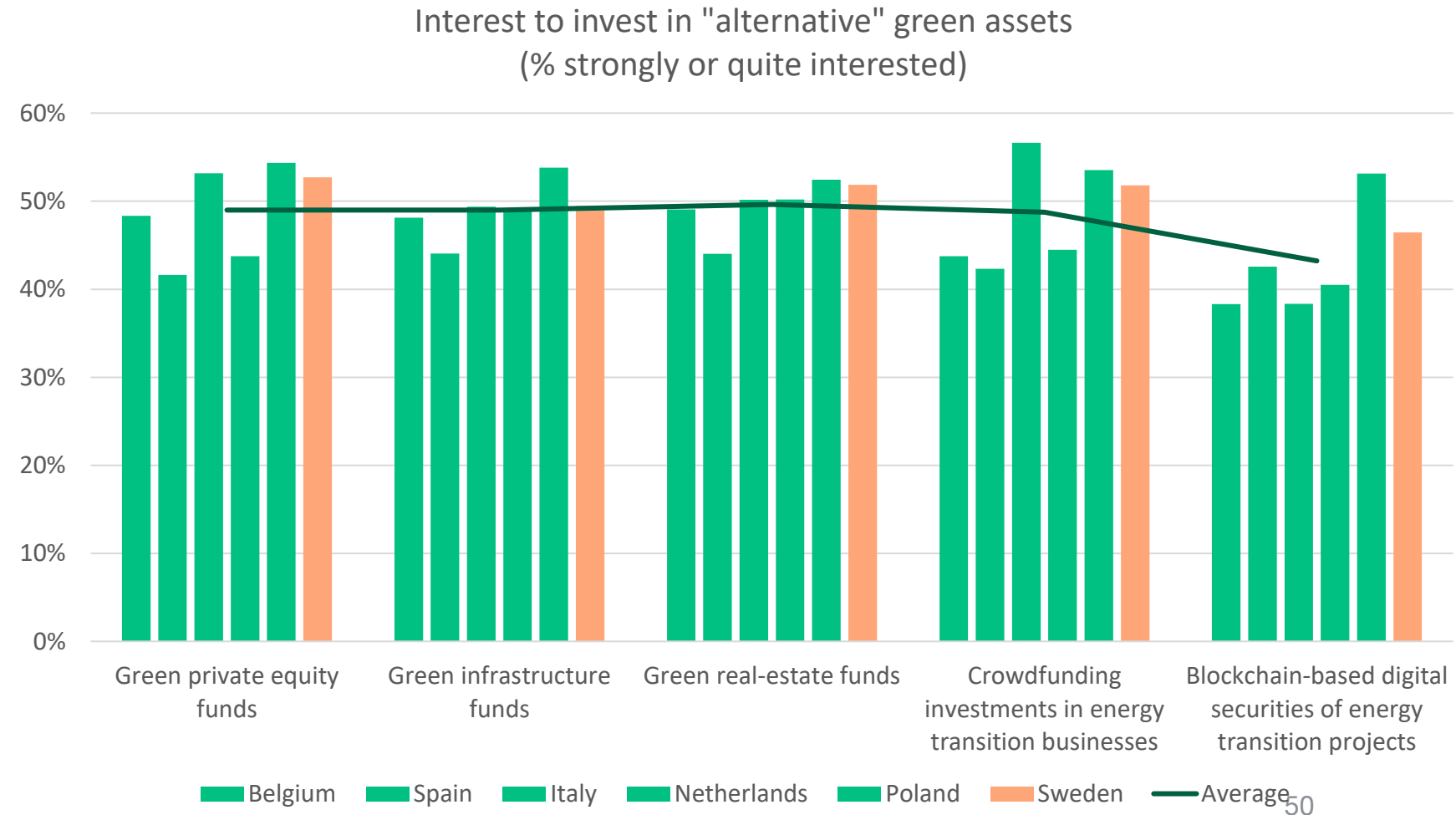
# Interest for investing in “alternative” green assets

## Cross-country:

- ✓ Roughly 50% of respondents are interested into investing in the various “alternative” green assets
- ✓ There is no major difference in answers across assets at respondent level – the interest/absence of interest is transversal
- ✓ Digital securities appear to be less attractive than other alternative assets

## Country-specific:

- ✓ In Sweden, the interest for those alternative green solutions is similar or slightly higher than the European average





# V. Green borrowing

# Experience with green loans

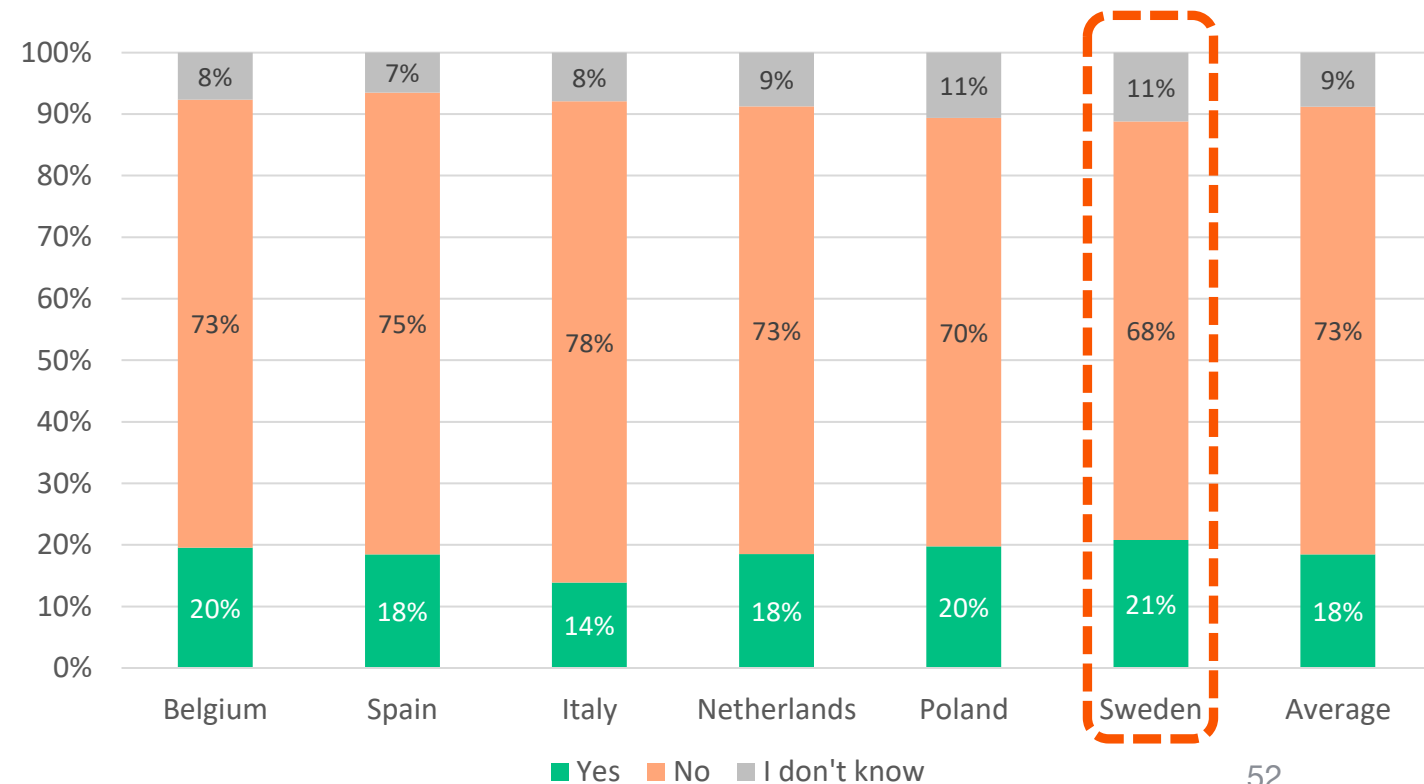
## Cross-country:

- ✓ In each country, only a minority of respondents has already used green loans to finance purchases with environmental benefits
- ✓ Very small differences across countries

## Country-specific:

- ✓ In Sweden, the use of green loans is as uncommon as elsewhere

I have already used green loans to finance personal projects with environmental benefits (e.g., purchase of an electric car, installation of solar panels)



# Blockers preventing the use of green loans

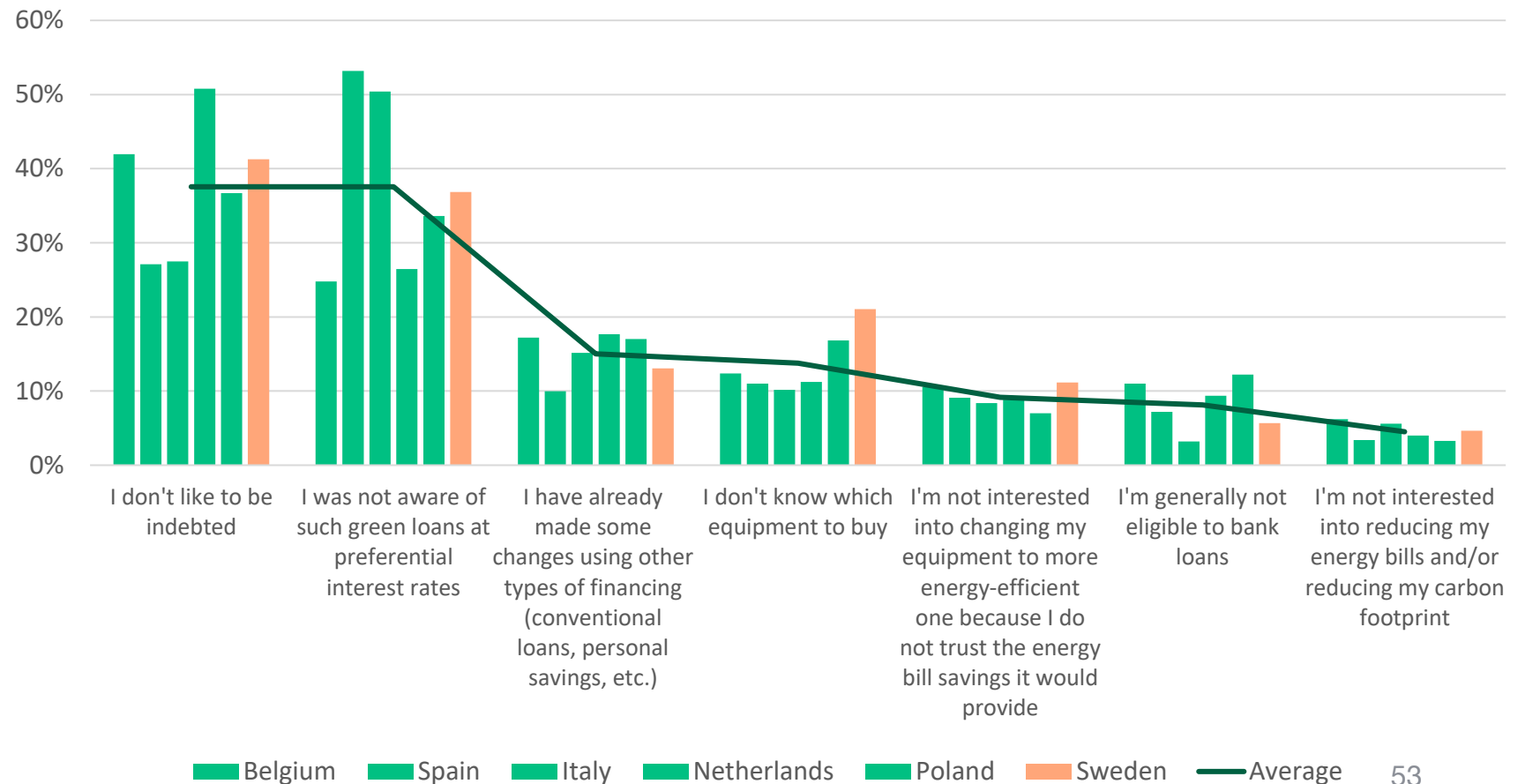
## Cross-country:

- ✓ In each country, the reluctance to be indebted and the lack of information are, by large, the most often cited reasons
- ✓ Improving information appears to key for scaling up the use of green loans by households

## Country-specific:

- ✓ In Sweden, the limited use of green loans is more connected to the lack of technical knowledge about energy transition equipment than elsewhere

Reasons for not using green loans  
(up to three)



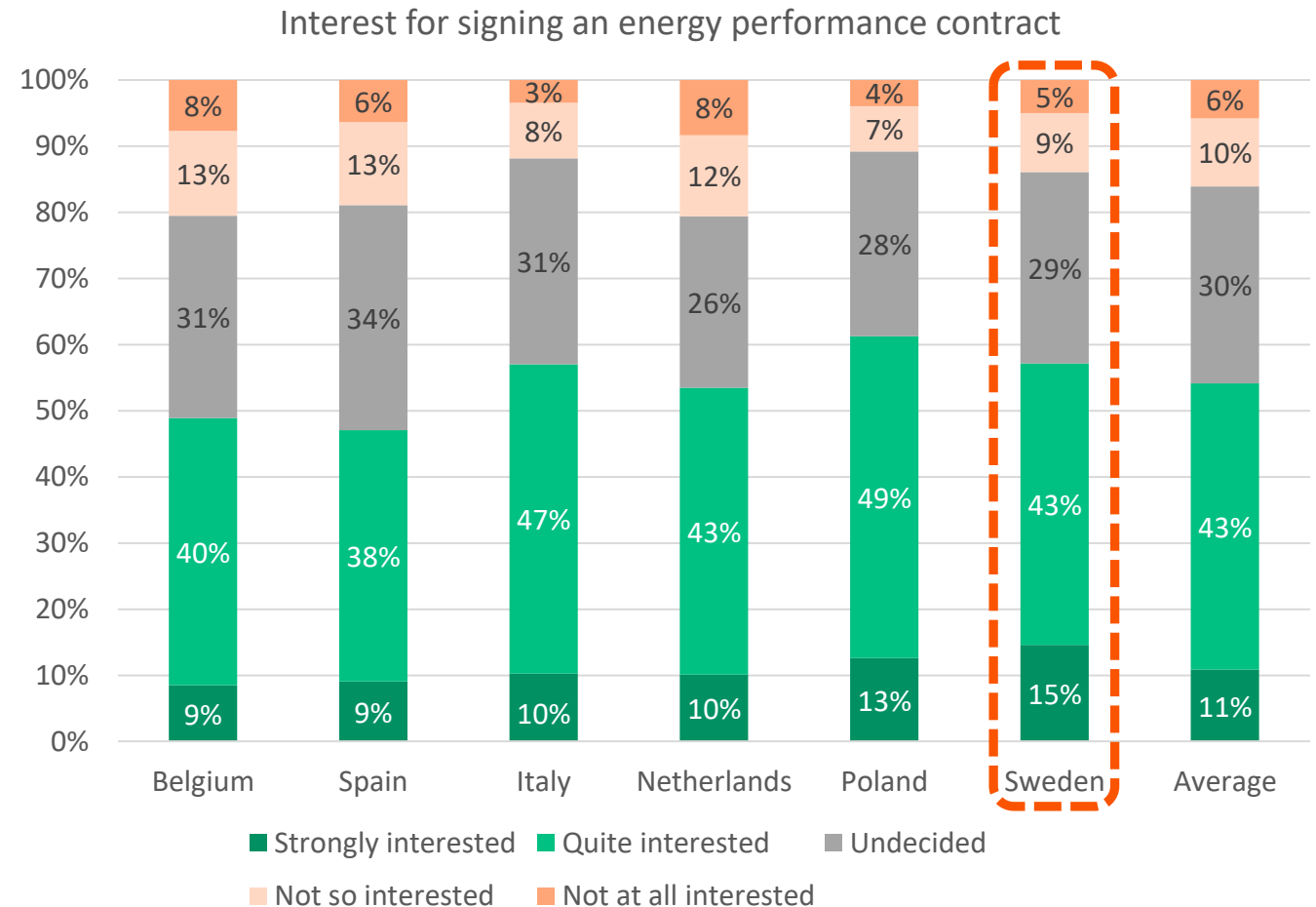
# Interest for Energy Performance Contracts

## Cross-country:

- ✓ In all countries, a majority of respondents are interested into Energy performance Contracts that make energy service companies finance a change/purchase of energy device in exchange of rights on future energy bills
- ✓ It shows a high potential for this uncommon and largely unknown financing scheme

## Country-specific:

- ✓ In Sweden, the interest for EPCs is slightly more pronounced than the European average



# PART III: Estimating market sizes for sustainable finance products

# Estimating market sizes for green financial products

## *Methodology*

- ✓ Based on interest for sustainable finance products stated in our quantitative survey and holdings of financial products by European households, we propose in this section an estimate of the market potential for various green financial solutions.
- ✓ We distinguish market potential for products held i) in direct, ii) through investment funds or via iii) life insurance or iv) pension funds.
- ✓ For the last two categories, it is important to note that the calculations imply that the fund managers reflect in their asset allocation the sustainability preferences of their beneficiaries. This supposes that those preferences are carefully collected.
- ✓ When the granularity of data regarding the asset allocation of financial assets held directly or indirectly by households was insufficient, we had to make assumptions.
- ✓ The following four slides display the data that could be gathered from official sources (ECB, EIOPA, OECD) and their (lack of) granularity
- ✓ The assumption made to overcome the lack of granularity for holdings of households via investment funds is the following:
  - ✓ The asset allocation of household holdings of investment funds is the same as the overall asset allocation of (non-money market) investment funds of the country (as documented by Eurostat/ECB)
- ✓ The assumptions made to overcome the lack of granularity for holdings of households via pension funds are the following:
  - ✓ Real estate, private equity and infrastructure account for respectively 35%, 25% and 15% of “other investments” by pension funds
  - ✓ Sweden, for which look-through data is missing for holdings via investment funds, is assumed to apply the same asset allocation as the average of the other five EU countries



# Financial assets of European households

| In Bn euros<br>(as of end 2021) | Currency and<br>deposits | Debt securities<br>and loans | Listed shares | Unlisted<br>shares | Investment fund<br>shares | Life insurance and<br>annuities<br>entitlements | Pension<br>entitlements | Others  | Total     |
|---------------------------------|--------------------------|------------------------------|---------------|--------------------|---------------------------|---|-------------------------|---------|-----------|
| <b>Belgium</b>                  | 469.664                  | 28.820                       | 90.947        | 173.323            | 272.599                   | 193.837   | 124.784                 | 186.768 | 1,540.741 |
| <b>Spain</b>                    | 1,017.315                | 11.286                       | 109.037       | 132.120            | 410.739                   | 188.584   | 188.423                 | 588.241 | 2,645.745 |
| <b>Italy</b>                    | 1,588.402                | 240.636                      | 137.770       | 623.448            | 763.328                   | 886.679   | 258.934                 | 545.381 | 5,044.578 |
| <b>Netherlands</b>              | 529.272                  | 4.820                        | 49.377        | 300.453            | 111.910                   | 186.716   | 1808.025                | 81.445  | 3,072.018 |
| <b>Poland</b>                   | 306.159                  | 15.871                       | 21.931        | 23.398             | 31.411                    | 14.616  | 50.630                  | 138.562 | 602.578   |
| <b>Sweden</b>                   | 241.202                  | 5.090                        | 169.343       | 261.094            | 181.434                   | 129.426   | 588.904                 | 398.040 | 1,974.533 |

| As % of total household<br>financial assets | Currency and<br>deposits | Debt securities<br>and loans | Listed shares | Unlisted<br>shares | Investment fund<br>shares | Life insurance and<br>annuities<br>entitlements | Pension<br>entitlements | Others | Total |
|---|--------------------------|------------------------------|---------------|--------------------|---------------------------|---|-------------------------|--------|-------|
| <b>Belgium</b>                              | 30.5%                    | 1.9%                         | 5.9%          | 11.2%              | 17.7%                     | 12.6%   | 8.1%                    | 12.1%  | 100%  |
| <b>Spain</b>                                | 38.5%                    | 0.4%                         | 4.1%          | 5.0%               | 15.5%                     | 7.1%  | 7.1%                    | 22.2%  | 100%  |
| <b>Italy</b>                                | 31.5%                    | 4.8%                         | 2.7%          | 12.4%              | 15.1%                     | 17.6%   | 5.1%                    | 10.8%  | 100%  |
| <b>Netherlands</b>                          | 17.2%                    | 0.2%                         | 1.6%          | 9.8%               | 3.6%                      | 6.1%  | 58.9%                   | 2.7%   | 100%  |
| <b>Poland</b>                               | 50.8%                    | 2.6%                         | 3.6%          | 3.9%               | 5.2%                      | 2.4%  | 8.4%                    | 23.0%  | 100%  |
| <b>Sweden</b>                               | 12.2%                    | 0.3%                         | 8.6%          | 13.2%              | 9.2%                      | 6.6%  | 29.8%                   | 20.2%  | 100%  |

Source: ECB, Eurostat

# Asset allocation in investment funds

| Non-money market funds<br>(as of end 2021) | Currency and<br>deposits | Loans and debt<br>securities | Listed shares | Unlisted shares | Investment fund<br>shares | Others | Total  |
|--|--------------------------|------------------------------|---------------|-----------------|---------------------------|--------|--------|
| <b>Belgium</b>                             | 2.5%                     | 15.9%                        | 46.0%         | 0.0%            | 34.9%                     | 0.8%   | 100.0% |
| <b>Spain</b>                               | 10.8%                    | 34.2%                        | 17.6%         | 3.9%            | 32.1%                     | 1.4%   | 100.0% |
| <b>Italy</b>                               | 10.5%                    | 44.8%                        | 19.7%         | 5.4%            | 18.9%                     | 0.6%   | 100.0% |
| <b>Netherlands</b>                         | 1.4%                     | 24.4%                        | 48.8%         | 5.8%            | 18.2%                     | 1.4%   | 100.0% |
| <b>Poland</b>                              | 5.2%                     | 49.1%                        | 13.5%         | 2.2%            | 6.1%                      | 23.9%  | 100.0% |
| <b>Sweden</b>                              | 3.4%                     | 16.1%                        | 73.4%         | 0.4%            | 5.5%                      | 1.2%   | 100.0% |

Source: ECB, Eurostat

# Asset allocation in life insurance

| In % of total assets<br>(as of end 2022)  | Belgium | Spain  | Italy  | Netherlands | Poland | Sweden |
|---|---------|--------|--------|-------------|--------|--------|
| <b>Government bonds</b>                   | 16.6%   | 46.6%  | 32.8%  | 17.0%       | 37.7%  | 1.3%   |
| <b>Corporate bonds</b>                    | 21.3%   | 22.8%  | 14.3%  | 10.8%       | 2.4%   | 4.9%   |
| <b>Equity</b>                             | 13.1%   | 2.2%   | 2.4%   | 6.4%        | 4.4%   | 22.4%  |
| <b>Collective Investment Undertakings</b> | 21.7%   | 16.8%  | 47.0%  | 29.3%       | 44.1%  | 63.2%  |
| <b>1 Equity funds</b>                     | 1.8%    | 6.9%   | 18.8%  | 5.2%        | 12.3%  | 27.8%  |
| <b>2 Debt funds</b>                       | 8.0%    | 2.2%   | 15.8%  | 7.3%        | 19.7%  | 7.1%   |
| <b>3 Money market funds</b>               | 1.2%    | 1.7%   | 2.2%   | 0.9%        | 2.9%   | 0.7%   |
| <b>4 Asset allocation funds</b>           | 0.1%    | 4.3%   | 4.1%   | 8.8%        | 7.9%   | 17.7%  |
| <b>5 Real estate funds</b>                | 0.2%    | 0.1%   | 2.3%   | 3.8%        | 0.3%   | 0.1%   |
| <b>6 Alternative funds</b>                | 0.0%    | 0.3%   | 1.5%   | 0.1%        | 0.1%   | 1.0%   |
| <b>7 Private equity funds</b>             | 0.1%    | 0.8%   | 0.3%   | 0.9%        | 0.0%   | 0.2%   |
| <b>8 Infrastructure funds</b>             | 0.1%    | 0.2%   | 0.5%   | 0.3%        | 0.0%   | 0.0%   |
| <b>9 Others</b>                           | 10.3%   | 0.3%   | 1.4%   | 1.9%        | 0.8%   | 8.5%   |
| <b>Structured notes</b>                   | 0.2%    | 4.8%   | 1.1%   | 0.0%        | 1.9%   | 0.6%   |
| <b>Collateralised securities</b>          | 0.0%    | 0.5%   | 0.6%   | 1.8%        | 0.0%   | 0.0%   |
| <b>Cash and deposits</b>                  | 4.4%    | 5.0%   | 1.3%   | 4.8%        | 3.6%   | 6.2%   |
| <b>Mortgages and loans</b>                | 19.9%   | 0.6%   | 0.3%   | 26.8%       | 4.7%   | 1.5%   |
| <b>Property</b>                           | 2.8%    | 0.7%   | 0.1%   | 1.6%        | 1.1%   | 0.0%   |
| <b>Other investments</b>                  | 0.0%    | 0.0%   | 0.0%   | 1.6%        | 0.0%   | 0.1%   |
| <b>TOTAL</b>                              | 100.0%  | 100.0% | 100.0% | 100.0%      | 100.0% | 100.0% |

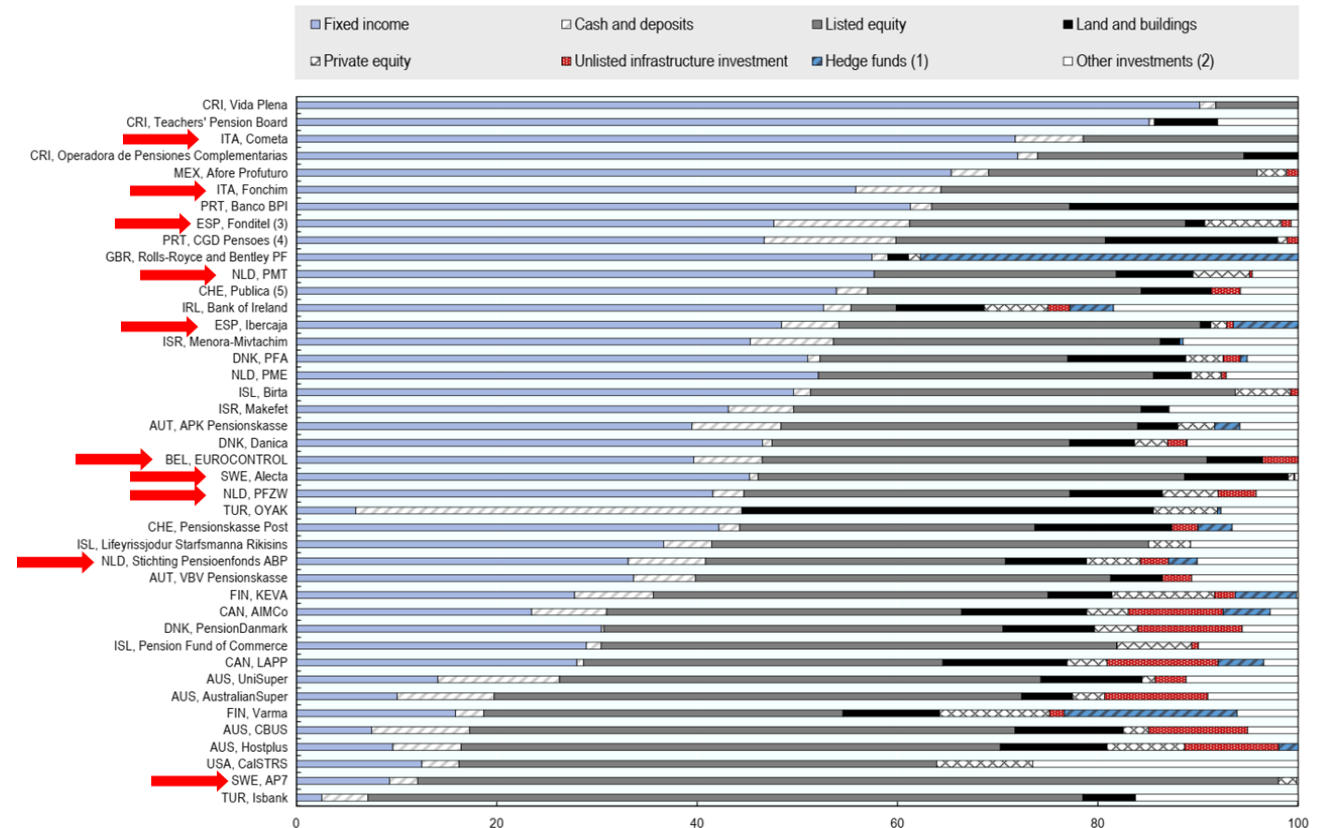
# Asset allocation in pension funds

| In % of total assets (as of end 2021) | Equities | Bills and bonds | Cash and deposits | Collective Investment Schemes (when look-through unavailable) | Other |
|---------------------------------------|----------|-----------------|-------------------|---|-------|
| <b>Belgium</b>                        | 49.7     | 43.2            | 2.4               | ..  | 4.7   |
| <b>Spain</b>                          | 31.9     | 48.4            | 7.5               | ..  | 12.2  |
| <b>Italy</b>                          | 25.1     | 42.7            | 6.1               | ..  | 26.1  |
| <b>Netherlands</b>                    | 30.9     | 42.9            | 2.0               | ..  | 24.2  |
| <b>Poland</b>                         | 91.0     | 6.0             | 1.6               | 0.0   | 1.3   |
| <b>Sweden</b>                         | 13.8     | 9.1             | 0.7               | 73.1  | 3.3   |

Source: OECD Global Pension Statistics

Figure 1. Asset allocation of selected LPFs based in OECD countries, 2020

As a percentage of total investment

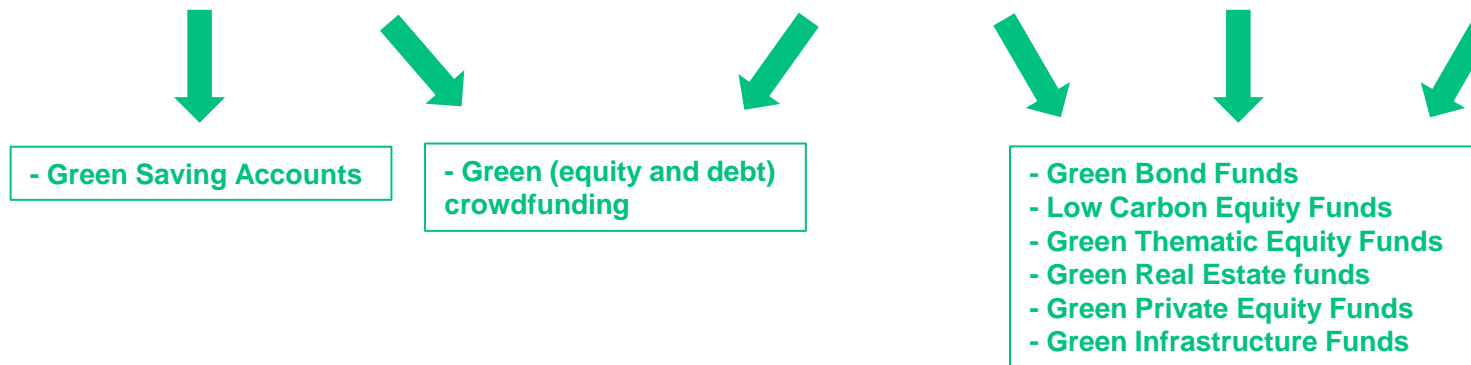


Source: OECD calculations based on responses to the OECD Survey of LPFs and PPRFs.

# A mapping of green financial alternatives

| As % of total household financial assets | Currency and deposits | Debt securities and loans | Listed shares | Unlisted shares | Investment fund shares | Life insurance and annuities entitlements | Pension entitlements | Others | Total |
|--|-----------------------|---------------------------|---------------|-----------------|------------------------|---|----------------------|--------|-------|
| <b>Belgium</b>                           | 30.5%                 | 1.9%                      | 5.9%          | 11.2%           | 17.7%                  | 12.6%                                     | 8.1%                 | 12.1%  | 100%  |
| <b>Spain</b>                             | 38.5%                 | 0.4%                      | 4.1%          | 5.0%            | 15.5%                  | 7.1%                                      | 7.1%                 | 22.2%  | 100%  |
| <b>Italy</b>                             | 31.5%                 | 4.8%                      | 2.7%          | 12.4%           | 15.1%                  | 17.6%                                     | 5.1%                 | 10.8%  | 100%  |
| <b>Netherlands</b>                       | 17.2%                 | 0.2%                      | 1.6%          | 9.8%            | 3.6%                   | 6.1%                                      | 58.9%                | 2.7%   | 100%  |
| <b>Poland</b>                            | 50.8%                 | 2.6%                      | 3.6%          | 3.9%            | 5.2%                   | 2.4%                                      | 8.4%                 | 23.0%  | 100%  |
| <b>Sweden</b>                            | 12.2%                 | 0.3%                      | 8.6%          | 13.2%           | 9.2%                   | 6.6%                                      | 29.8%                | 20.2%  | 100%  |

Green alternatives for the existing assets held by European households



# Market potential for green retail financial products held in direct or through investment funds

**Methodology:** to estimate the market potential for green financial solutions, we compute the product of the holdings of conventional financial products by the percentage of people interested in switching to the relevant green alternatives according to the quantitative survey (see figures in section IV.2)

| In Bn euros        | Assets held in direct             |                                      | Assets held via investments funds |                         |                             |                         |                | TOTAL            |
|--------------------|-----------------------------------|--------------------------------------|-----------------------------------|-------------------------|-----------------------------|-------------------------|----------------|------------------|
|                    | Deposits in green saving accounts | Green (equity and debt) crowdfunding | Green bond funds                  | Low carbon equity funds | (RE thematic equity funds)* | Green real estate funds | Green PE funds |                  |
| <b>Belgium</b>     | 251.706                           | 88.437                               | 43.915                            | 92.398                  | (19.487)                    | 2.835                   | 1.512          | 480.803          |
| <b>Spain</b>       | 533.848                           | 60.691                               | 112.252                           | 67.024                  | (14.749)                    | 4.188                   | 8.548          | 786.551          |
| <b>Italy</b>       | 897.530                           | 489.465                              | 256.983                           | 129.695                 | (27.612)                    | 4.743                   | 24.609         | 1803.025         |
| <b>Netherlands</b> | 263.048                           | 135.802                              | 18.854                            | 33.395                  | (7.708)                     | 924                     | 3.141          | 1378.24          |
| <b>Poland</b>      | 181.858                           | 21.017                               | 10.892                            | 3.300                   | (661)                       | 2.125                   | 0.413          | 219.605          |
| <b>Sweden</b>      | 144.721                           | 137.903                              | 21.795                            | 88.968                  | (19.558)                    | 0.871                   | 0.568          | 394.826          |
| <b>TOTAL EU-6</b>  | <b>2,272.711</b>                  | <b>933.315</b>                       | <b>464.691</b>                    | <b>414.780</b>          | <b>(89.775)</b>             | <b>15.686</b>           | <b>38.791</b>  | <b>4,139.974</b> |

## Cross-country:

- ✓ Green deposits have by far the highest potential due to the importance of deposits within household wealth. They could represent up to EUR 2272 billion across the six countries.
- ✓ The potential for green crowdfunding may be significantly upwardly biased due to the probable significant fraction of holdings of unlisted shares that relate to professional wealth and, could not be swapped for crowdfunding equity
- ✓ The potential for green bond funds held in direct is strong but still lower than its potential within life insurance and pension funds. In total, it amounts to
- ✓ Despite a superior popularity, green thematic equity funds are constrained in their deployment compared with low carbon equity funds because of the limits posed by their lack of sector diversification. According to our estimates, they could reach a total of EUR 89 billion versus EUR 415 billion for low-carbon funds.

## Country-specific:

- ✓ In Sweden, the estimated potential for green deposits is limited by the small fraction of households' financial wealth held in the form of deposits

**Remark:** renewable energy thematic equity funds are capped at 20% of total allocation to stocks due to their lack of sector diversification. Their market potential overlaps with that for low carbon equity funds. Consequently, they do not participate to the sum of total market potential.

# Market potential for green retail financial products held through life insurance

**Methodology:** to estimate the market potential for green financial solutions, we compute the product of the holdings of conventional financial products by the percentage of people interested in switching to the relevant green alternatives according to the quantitative survey (see figures in section IV.2)

| In Bn euros       | Assets held via life insurance       |                         |                             |  |                |                            | TOTAL          |
|-------------------|--------------------------------------|-------------------------|-----------------------------|--|----------------|----------------------------|----------------|
|                   | Green bonds (in direct or via funds) | Low carbon equity funds | (RE thematic equity funds)* | Green real estate (in direct or via funds) | Green PE funds | Green infrastructure funds |                |
| Belgium           | 50.290                               | 17.301                  | (3.649)                     | 2.880                                      | 0.076          | 0.058                      | 70.605         |
| Spain             | 80.677                               | 10.249                  | (2.255)                     | 0.622                                      | 0.649          | 0.172                      | 92.369         |
| Italy             | 363.213                              | 125.550                 | (26.729)                    | 11.060                                     | 1.592          | 2.403                      | 503.818        |
| Netherlands       | 35.711                               | 11.860                  | (2.737)                     | 5.017                                      | 0.767          | 0.306                      | 53.661         |
| Poland            | 5.921                                | 1.662                   | (0.333)                     | 0.105                                      | 0              | 0                          | 7.688          |
| Sweden            | 11.432                               | 42.374                  | (9.315)                     | 0.088                                      | 0.167          | 0.002                      | 54.063         |
| <b>TOTAL EU-6</b> | <b>547.244</b>                       | <b>208.995</b>          | <b>(45.019)</b>             | <b>19.772</b>                              | <b>3.252</b>   | <b>2.941</b>               | <b>782.204</b> |

## Cross-country:

- ✓ Across countries, green bonds exhibit the strongest potential in relation to the dominance of bonds in life insurance portfolios
- ✓ Then come listed equity solutions
- ✓ Alternative investments (real estate, PE and infrastructure) have constrained potential due to their limited current weighting in life insurance portfolios

## Country-specific:

- ✓ In Sweden, the asset allocation in life insurance is tilted towards equity. Therefore, the market potential for green bond funds is limited (2% of the EU-6 total) compared to the market potential for green equity solutions (about 20%).

**Remark:** renewable energy thematic equity funds are capped at 20% of total allocation to stocks due to their lack of sector diversification. Their market potential overlaps with that for low carbon equity funds. Consequently, they do not participate to the sum of total market potential.

# Market potential for investments held through pension funds

**Methodology:** to estimate the market potential for green financial solutions, we compute the product of the holdings of conventional financial products by the percentage of people interested in switching to the relevant green alternatives according to the quantitative survey (see figures in section IV.2)

| In Bn euros        | Assets held via pension funds |                         |                             |                         |                |                            | TOTAL            |
|--------------------|-------------------------------|-------------------------|-----------------------------|-------------------------|----------------|----------------------------|------------------|
|                    | Green bond funds              | Low carbon equity funds | (RE thematic equity funds)* | Green real estate funds | Green PE funds | Green infrastructure funds |                  |
| <b>Belgium</b>     | 30.500                        | 37.210                  | (7.848)                     | 1.007                   | 0.709          | 0.423                      | 69.849           |
| <b>Spain</b>       | 54.469                        | 35.957                  | (7.912)                     | 3.543                   | 2.393          | 1.519                      | 97.881           |
| <b>Italy</b>       | 72.077                        | 43.461                  | (9.253)                     | 11.864                  | 8.982          | 5.006                      | 141.39           |
| <b>Netherlands</b> | 422.041                       | 307.043                 | (70.868)                    | 76.868                  | 47.856         | 32.273                     | 886.081          |
| <b>Poland</b>      | 2.054                         | 31.476                  | (6.302)                     | 0.121                   | 0.089          | 0.053                      | 33.793           |
| <b>Sweden</b>      | 137.204                       | 173.051                 | (38.042)                    | 16.035                  | 11.641         | 6.553                      | 344.484          |
| <b>Total EU-6</b>  | <b>718.344</b>                | <b>628.198</b>          | <b>(140.225)</b>            | <b>109.437</b>          | <b>71.671</b>  | <b>45.828</b>              | <b>1,573.478</b> |

**Remark:** renewable energy thematic equity funds are capped at 20% of total allocation to stocks due to their lack of sector diversification. Their market potential overlaps with that for low carbon equity funds. Consequently, they do not participate to the sum of total market potential.

## Cross-country:

- ✓ Across countries, in pension funds market potential are of the same magnitude for green bonds and listed equity green solutions
- ✓ Total market potential for alternative green investments represent around a third of such a potential

## Country-specific:

- ✓ For all green financial products held through pension funds, the estimates for Sweden are significant, accounting between 15% and 30% of the EU-6 total, reflecting the relatively stronger share of pension funds within households' financial wealth in Sweden compared to other European countries (excluding the Netherlands).
- ✓ Nevertheless, estimates here should be considered with a particular caution as the current asset allocation of pension funds in Sweden was presented with poor granularity



A faint, light-colored outline map of the United States is visible in the background of the top half of the slide.

# Wrap-up message

# Wrap-up message

## Cross-country

- ✓ A general lack of knowledge but an interest for and a positive attitude towards sustainable finance (solutions)
- ✓ A high level of heterogeneity in beliefs and motivations across people, with some regularities:
  - ✓ Between 40% and 60% of retail investors want to have impact
  - ✓ The most common profile is the “I want it all” profile
- ✓ A limited ownership of green financial solutions
- ✓ A very frequent attitude-behavior gap regarding the financing of the green energy transition, to be connected to the lack of knowledge, information costs and a low level in trust
- ✓ A large variety of perceptions of what “impact funds” are but a more consensual perception about what they should be
- ✓ Despite the recent takeoff, an untapped potential for many green retail investment or borrowing solutions
  - ✓ Due to current asset allocations of financial investments held in direct or via intermediaries, market potentials are most often highest for deposits in green saving accounts and green bond funds

## Country-specific

- ✓ In Sweden, results of the quantitative survey lead to a paradoxical portrait of respondents
- ✓ On the one hand, we could observe some reservation with regard to sustainable finance:
  - ✓ A lower fraction consider important to align their savings with their values or to have impact through their savings
  - ✓ In terms of sustainability profiles, a lower fraction (48% vs an EU-6 average of 53%) is interested into having impact while the fraction of respondents only interested in financial returns is maximal (20% vs 12% for the EU-6 average)
  - ✓ A less frequent intention to affect companies’ climate policies through voting
- ✓ On the other hand, respondents report:
  - ✓ to be more interested than the EU-6 average to finance the green energy transition
  - ✓ to be more interested in green financial alternatives
  - ✓ ... and to already own more sustainable/green financial products
- ✓ A plausible interpretation could be that Sweden is relatively advanced regarding the promotion of sustainable finance and such a level of maturity (unfortunately) involves polarization or sustainability fatigue within the population

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**Author: Mickael Mangot**

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