

Foreword

“The future is built on exponentially expanding knowledge, which by its very nature is also subject to natural and social limits. Long-term sustainability is therefore the leading challenge of the new era ahead of us, and the process of convergence, guided by new visions, can only be organised around this idea.” This is the basic thesis of the new sustainable economics, which says that a transformation of ideas on par with the Renaissance and Reformation has already begun in the world. With this issue on environmental sustainability and the green transformation of the economy, the Financial and Economic Review joins this revolution of thinking on sustainability which is unfolding before our very eyes.

The focus on sustainability and the green transition is justified by the fact that it is now clear that growth cannot be forced at the expense of nature, and that a transformation of the economy as a whole, including the financial system, is essential. This fundamental change needs to be reflected in economic thinking, first by focusing on issues related to long-term sustainability. A green revolution requires a new paradigm, in which sustainability aspects are taken into account in accordance with their weight and importance, both in theory and in practice.

All of the articles in this issue focus on environmental sustainability. In the column *Our Vision*, we explore one of the most topical issues from a central bank perspective: the relationship between monetary policy and the green transition. *Pál Péter Kolozsi, Balázs István Horváth, Judit Csutiné Baranyai* and *Veronika Tengely* show in their work that a new monetary policy approach is emerging at the global level, but it is not yet clear how central banks can exactly participate in the green transition. The most relevant related questions are presented in the analysis, such as how price stability, which is the most important objective of central banks, is affected by climate change and the green economic transformation; what follows from the potential conflict between the goals of the green transition and price stability, and what challenges are being faced as a result by central banks that also have the goal of sustainability in mind.

Among the studies published, the contribution by *Gábor Hajnal, Alexandr Maxim Palicz* and *Sándor Winkler* examines the impact of energy certification on supply-side housing prices and lending rates, with a particular focus on whether a significant price premium can be identified for green properties based on new housing projects in Budapest, and whether banks are willing to finance residential buildings with more advanced energy technologies at lower interest rates. *Bálint Várgedő* describes the impact of carbon shocks on the probability of default in the Hungarian banking system in the context of climate risk stress tests. The advantage of the methodology presented in this study lies in its ability to estimate the magnitude of

macroeconomic shocks and the transition differences across sectors, and its ease of integration into stress testing procedures. *Gábor Szigel* analyses the carbon intensity of bank-financed loan portfolios and concludes that countries with lower income and price levels are disadvantaged due to certain aspects of the methodology. *Viktória Deák, Nikolett Törös-Barczel, Norbert Holczinger* and *Ferenc Szebelédi* examine and present sustainable investments in the insurance sector, which is particularly relevant given the recent increase in the number of unit-linked products that aim to contribute to some kind of sustainability goal. *Balázs J. Csillag, Marcell P. Granát* and *Gábor Neszveda* investigated how ESG scores affect future returns when media coverage of environmental issues intensifies. *László Bokor's* essay reviews the regulatory environment and market situation for ESG bonds and their funds from the perspective of sovereign risks. In their essay, *Gergely Manasses, Éva Paulik* and *Attila Tapaszi* review the trends, characteristics and current regulation of existing green-bond impact reports, and describe the challenges of evaluating impact reports, based on the literature and practical experience. The feature article by *Balázs Sárvári* describes the trends and dilemmas of green financial capacity development from the perspective of the scarcity of expert capacities, also covering international good practices in capacity development and the related activities of the Magyar Nemzeti Bank (the Central Bank of Hungary). Our book reviews and conference reports also focus on the green theme, highlighting the most important new publications and the most relevant and recent scientific conferences.

There are more and more signs that the green transformation cannot be delayed. The editorial team of the Financial and Economic Review believes that the time has come to lay the foundations for our future and to take the first decisive steps towards a green, sustainable economic and financial transformation, as a green transformation of the economy is not an option, but the only viable path. The present publication reflects this conviction, clearly demonstrating that our journal is an intellectual workshop that is ready to use the tools of science to actively work towards making the green transition not just a slogan, but a reality that can be felt in economic and financial life as soon as possible.

I wish all those interested a stimulating and useful read.

Barnabás Virág
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of the Financial and Economic Review,
Deputy Governor of the Magyar Nemzeti Bank