

## Feedback on the draft Delegated Acts on climate mitigation and climate adaptation supplementing the EU Taxonomy Regulation

18 December 2020

The EU Taxonomy is the cornerstone of the EU sustainable finance agenda and is essential to ensure a consistent approach to help identify sustainable financial products and services. A clear, science-based and sufficiently ambitious classification system to define environmentally sustainable economic activities is key to reorient capital flows towards truly sustainable investments and meet the EU's objective to reach climate neutrality by 2050.

We very much welcome efforts of the European Commission and the Technical Expert Group (TEG), subsequently replaced by the Platform on Sustainable Finance, to develop a robust set of criteria to assess the degree of the alignment of financial products, and their underlying economic activities, against the EU Taxonomy. We believe that the TEG did a great job in striking the right balance between the necessary ambition and the economic and industrial reality. Incorporation of the transitional and enabling activities is of particular importance to navigate the transition to a climate-neutral economy.

We acknowledge that the draft Delegated Acts on the climate taxonomy are largely based on the recommendations of the TEG. However, we regret that they **fail to represent the same level of the climate and environmental ambition and scientific neutrality**. Together with other 130 organisations representing millions of citizens in Europe and the global South, we are **strongly advocating for an EU sustainable taxonomy rooted in climate and environmental science**. In this respect, we are calling on the European Commission to:

- Refrain from re-introducing the economic activities that were rightly excluded (fossil fuels, including gas and incineration).
- Provide for more ambitious screening criteria for the economic activities that the following sectors must meet to qualify as Taxonomy compliant: 1) bioenergy, 2) hydropower, 3) forestry, 4) inland water transport, 5) biofuels and biogas in transport, and 6) hydrogen.
- Remove sea and coastal water transport and livestock from the list of economic activities that can qualify as Taxonomy eligible.

For more details, please see the **joint civil society [statement](#): “Ten Priorities for the Climate Taxonomy”**, which we fully endorse.

In addition, Finance Watch supports the **recommendations of the Platform on Sustainable Finance** on the Taxonomy Delegated Acts, and in particular to:

- Ensure that the **criteria for “substantial contribution”** of the EU Taxonomy are **sufficiently ambitious** and aligned with the sustainability objectives of the European

Union. The Platform notes that while aligning criteria to definitions and methodologies embedded in EU law is welcome in principle, existing EU law is not always sufficiently precise or ambitious to meet the “substantial contribution” requirements of the Taxonomy Regulation. Therefore, substantial contribution criteria of the EU Taxonomy should often go beyond existing regulatory minima within economic sectors.

- Clarify conditions under which some economic activities not meeting the technical screening criteria can be considered as **“transition activities”** and therefore recognised as Taxonomy-aligned. **This is of particular importance as transition activities are at the heart of the transformative power of the Taxonomy.**
- Tackle issues with regard to the **application of NACE codes**. This includes addressing lack of appropriate alignment of NACE codes with the EU Taxonomy and a need for some flexibility in the application of activity boundaries / codes in early deployment of the Taxonomy. The Platform recommends that the EU considers updating NACE codes to ensure an alignment with the Taxonomy and to better reflect market needs and, **most importantly, that the activity description be the ultimate reference for identifying, and reporting on, Taxonomy-aligned activities.**
- **Reformulate technical screening criteria to ensure their usability.** This includes 1) better defining substantial contribution to climate change adaptation; 2) expanding the scope of enabling activities which can make a substantial contribution to climate change adaptation; 3) harmonising GHG emissions accounting methodologies across the Taxonomy, and assessing the suitability of existing methodologies for economic activity LCA calculations. The platform also makes important suggestions on how to **better formulate technical screening criteria for several specific activities.**
- Ensure a proportional calibration of provisions regarding application of the Taxonomy to **SMEs and households**, especially in the context of developing the forthcoming Delegated Acts regarding on the content and presentation of Taxonomy disclosures under Article 8 of the Taxonomy Regulation.
- In addition, we support the Platform’s **recommendations** for the Commission to consider while reviewing feedback on the Delegated Acts to **ensure credibility, consistency and predictability** of the technical screening criteria.

For detailed recommendations, please refer to the Platform’s feedback on the Delegated Acts.