

European Commission - Banking and Finance

Call for feedback on TEG report on EU Taxonomy

In March 2018 the European Commission published its [action plan: financing sustainable growth](#). Action 1 of the Commission's action plan calls for the establishment of an EU classification system for sustainable activities, or Taxonomy. The European Commission followed through on this action in May 2018 with a [proposal for a regulation on the establishment of a framework to facilitate sustainable investment](#) (taxonomy regulation).

In addition, a [technical expert group on sustainable finance \(TEG\)](#) was set up by the European Commission in July 2018 to assist in with the implementation of four key actions of the action plan, including the development of an EU taxonomy.

Within the framework of the proposed taxonomy regulation, the TEG has been asked to develop recommendations for technical screening criteria for economic activities that can make a substantial contribution to climate change mitigation or adaptation, while avoiding significant harm to the four other environmental objectives:

1. sustainable use and protection of water and marine resources;
2. transition to a circular economy, waste prevention and recycling;
3. pollution prevention control; and (4) protection of healthy ecosystems.

On 18 June 2019, the TEG published its [technical report on EU taxonomy](#). The report sets out the basis for a future EU taxonomy in legislation. The report contains:

- technical screening criteria for 67 activities across 8 sectors that can make a substantial contribution to **climate change mitigation**;
- a methodology and worked examples for evaluating substantial contribution to **climate change adaptation**;
- guidance and case studies for **investors preparing to use the taxonomy**.

This report builds on the [work that the TEG published in December last year](#) together with a call for feedback on the proposed criteria for these "first round" activities. The TEG has also engaged with over 150 additional experts in the past months to develop technical screening criteria for the 'second round' of climate change mitigation activities and climate change adaptation activities.

In addition to its technical report, the TEG has also published a [supplementary report on using the taxonomy](#). This provides investors and companies with a concise and clear explanation of why the taxonomy is needed, what it looks like, and its ease of use.

Call for feedback

The TEG is inviting stakeholders to provide feedback on (parts of) its technical report through the online questionnaire. **The deadline for providing feedback is Friday 13 September close of business.**

In the online questionnaire, you will be able to select on which parts of the report you want to provide feedback to, including a selection of the 67 individual activities that make a substantial contribution to climate change mitigation and the different elements of each activity.

Next steps

The TEG mandate has been extended until the end of this year. The TEG will use this time to:

- assess the feedback from stakeholders on its technical report;
- refine and further develop some incomplete aspects of the proposed technical screening criteria for substantial contributions and avoidance of significant harm;
- develop further guidance on implementation and use of the taxonomy.

At the end of its mandate, the TEG will make further recommendations to the European Commission on the need to adjust and complement their work on an EU taxonomy.

The TEG's recommendations are designed to support the European Commission in the development of future delegated acts, as proposed in the taxonomy regulation.

Please note: In order to ensure a fair and transparent feedback process **only responses received through our online questionnaire will be taken into account** and included in the report summarising the responses. Should you have a problem completing this questionnaire or if you require particular assistance, please contact ec-teg-sf@ec.europa.eu.

Useful documents and links:

- [More on EU taxonomy](#)
- [Technical report on EU taxonomy](#)
- [Supplementary report on using the taxonomy](#)
- [Specific privacy statement](#)

1. Information about you

*Are you replying as:

- a private individual
- **a private organisation or a company**
- a public authority or an international organisation
-

*Where are you based and/or where do you carry out your activity?

Brussels, Belgium

*Field of activity (if applicable):

at least 1 choice(s)

- Accounting
- Auditing
- Banking
- Credit rating agencies
- Insurance
- Pension provision
- Investment management (e.g. hedge funds, private equity funds, venture capital funds, money market funds, securities)
- Market infrastructure operation (e.g. CCPs, CSDs, Stock exchanges)
- Social entrepreneurship
- **Other**
 - **Investors protection**
- Not applicable

*Sector (if applicable):

at least 1 choice(s)

- A Agriculture, forestry and fishing
- B Mining and quarrying
- C Manufacturing
- D Electricity, gas, steam and air conditioning supply
- E Water supply; sewerage, waste management and remediation activities
- F Construction
- H Transportation and storage
- I Accommodation and food service activities
- J Information and communication
- **K Financial and insurance activities**
- L Real estate activities
- M Professional, scientific and technical activities
- N Administrative and support service activities
- Public administration and defence; compulsory social security
- P Education
- Q Human health and social work activities
- Not applicable

2. Climate change adaptation

1. Do you consider that the qualitative criteria for adaptation apply equally to all sectors?

- **Yes**
- No
- Don't know / no opinion / not relevant

Please explain your answer:

2000 character(s) maximum

BETTER FINANCE welcomes the TEG technical report.

As a preliminary general comment, BETTER FINANCE wants to stress that it is a user-side not for profit NGO specialized in finance and is a publicly recognized international independent expert in that field. However, it is not specialized in environmental matters, and even less in climate change activities. Therefore, we trust the EC has gotten valuable and tested input from scientific specialists on how to determine which economic activities are deemed favourable to climate change and other environmental issues (not to forget S and G parts). BETTER FINANCE also trusts the EC that this assessment is purely based on scientific and factual evidence, and not on ideological or emotional approaches. Otherwise, the necessary trust from EU citizens as individual savers and investors would be quickly lost, and this would be catastrophic.

We believe that the proposed qualitative criteria can be applied to all sectors. This approach can facilitate the use of the taxonomy. However, it is difficult to understand how these criteria are prioritized and which of them are more relevant for climate adaptation in a specific sector. We believe that particular attention should be given to specific geographic vulnerabilities and the degree to which a system is exposed to climatic variation. We believe that a case by case approach should be taken into consideration.

2. Should the qualitative criteria be different?

- Yes
- No
- Don't know / no opinion / not relevant

If yes, why and how?

Please provide a brief rationale for the proposed change as well as links to published journals or articles as evidence.

Explanation:

3000 character(s) maximum

We agree with the proposed criteria however some additional improvements can be made. Adaptation "of" an economic activity and adaptation "by" an economic activity need to be measurable and quantifiable not only from an environmental perspective. For example, the BASE Evaluation Criteria for Climate Adaptation (BECCA) can be considered in order to improve the assessment¹.

Additional criteria:

Effectiveness: concrete evaluation of adaptation outcomes also in terms of cost effectiveness.

Efficiency: A cost/benefit analysis of adaptation activities are converted into results, including the economic, environmental, socio-economic benefits. However, it is important to separate ex-ante and post-ante adaptation measures

¹ https://base-adaptation.eu/sites/default/files/BASE_Policy_3_June_2015_0.pdf

Equity: Equitable distribution of benefits as widely as possible with attention to most vulnerable groups. (Social impact of the taxonomy). A particular attention and priority should be addressed towards supporting most vulnerable groups. For example, attention received by the most vulnerable population group within the target population can be considered a criterion of measurement.

Robustness: adaptation measures can be considered robust if they can be sustained over a long-time horizon and under different climatic, social and economic changes. In this case, potential benefits can be reached even without climate change. These measures are intervention with a beneficial impact also in situation in which the uncertainty regarding the future impact cannot allow for better targeting policy responses.

Links to evidence:

1000 character(s) maximum

BASE Evaluation Criteria for Climate Adaptation (BECCA) : https://base-adaptation.eu/sites/default/files/BASE_Policy_3_June_2015_0.pdf (Page 2-8).

Monitoring and evaluation of climate change adaptation: Methodological approaches:
https://www.researchgate.net/publication/281279330_Monitoring_and_evaluation_of_climate_change_adaptation_Methodological_approaches

3. Are the illustrative templates provided in the Technical report useful for indicating the potential application of the criteria?

- Yes
- **No**
- Don't know / no opinion / not relevant

Please explain what other information would be useful:

3000 character(s) maximum

BETTER FINANCE agrees with the templates provided in the Technical report. However, additional standards should be included in order to assess the impact of the adaptation activities. Defined indicators should be developed case by case considering sectorial and geographical specificities. This will give the possibility to monitor the results of the adaptation activities against these indicators. It is not clear how the results of adaptation monitored on the long period are assessed. Specific monitoring criteria should be developed in order to observe the relevance and effectiveness of adaptation projects on the long-term.

4. Would any additional data or tools would improve the usability of the Adaptation qualitative screening criteria?

- **Yes**
- No

- Don't know / no opinion / not relevant

If yes, what additional data or tools?

Addressing long-time horizon:

The adaptation criteria are developed to assess the green activities in a certain point in time. There is not a backward-looking which does not provide a clear indication of how the company plans will evolve in time. Therefore, it is essential to assess if the company will be green also in the future and not only in the present.

As pointed out in the OECD ENVIRONMENT WORKING PAPER No. 74 - *"Since attribution for adaptation monitoring and evaluation becomes even more challenging when programmes are implemented over a long period, assessing contribution to a general direction of change may be more feasible and useful than establishing direct casual attribution"*².

It is necessary to develop a monitoring system and periodic collection of data over the long-term duration of economic activities of the company. The assessment needs to be based on modelling, and scientific data analysis and not on a subjective approach. In addition, this analysis needs to take into consideration the physical characteristics of the ecosystem allowing the creation of indicators that qualify the long-term challenges and trends in that specific environment.³

Are there areas of potential harm that TEG should consider for DNSH criteria for the activities that make a substantial contribution to adaptation objectives?

- Yes
- No
- Don't know / no opinion / not relevant

If yes, please explain:

3000 character(s) maximum

3. Usability of the taxonomy

1. Do you expect to use the Taxonomy in your business activities in the short term (1-3 years) or long term (4 years or more)?

- Yes
- No

²

https://www.researchgate.net/publication/281279330_Monitoring_and_evaluation_of_climate_change_adaptation_Methodological_approaches

³ Ibid

- Don't know / no opinion / not relevant

If yes, please indicate when (short term or long term) and specify the activities for which you will use the Taxonomy.

2000 character(s) maximum

2. Can the Taxonomy be made more useful for disclosures related to your specific financial product? This question covers only financial products where disclosure obligations are foreseen by the Taxonomy proposal.

- Yes
- No
- Don't know / no opinion / not relevant

3. Which specific financial product(s) did you have in mind?

- Portfolio management
- UCITS funds
- Alternative investment funds
- Insurance-based Investment Products
- Pension products and pension schemes

3. Can the Taxonomy be made more useful for your investment decisions in different asset classes

- Yes
- No
- Don't know/no opinion/not relevant

If yes, Which asset class(es) did you have in mind?

- Public equity
- Corporate bonds
- Green bonds
- Private equity
- Real estate
- Project finance
- Green loans
- Other assets

4. Is it sufficiently clear when the entire activities of a company or other entity should be considered as Taxonomy eligible (revenues or turnover) and when only expenditures by companies or other entities should be considered Taxonomy eligible?

- Yes

- No
- Don't know / no opinion / not relevant

If no, it is not sufficiently clear, please specify how this could be made clearer.

5. What practical tools or measures could be developed to facilitate the implementation of the taxonomy by financial actors?

Please specify what these tools would be used for and provide sufficient explanation on how they can help to implement the taxonomy:

2000 character(s) maximum

6. What practical tools or measures could be developed to help non-financial companies assess what share of their economic activities is taxonomy-eligible?

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