



# The EU Taxonomy and the First Delegated Act

26 May 2021

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# The Taxonomy Regulation

22.6.2020

EN

Official Journal of the European Union

L 198/13

**REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**

**of 18 June 2020**

**on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088**

**(Text with EEA relevance)**

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 114 thereof,

Having regard to the proposal from the European Commission,

# The four basic conditions

For the purposes of establishing the degree to which an investment is environmentally sustainable, an economic activity shall qualify as environmentally sustainable where that economic activity:

**(a) Contributes substantially**  
to at least one of the six  
environmental objectives as defined  
in the Taxonomy Regulation



**(b) Does not significantly harm**  
any of the other five  
environmental objectives



**(c) Complies with  
minimum  
safeguards**

**(d) Complies with a set of  
Technical Screening Criteria**

**The “actual  
Taxonomy”**  
*(adopted in Delegated  
Acts, developed by the  
European Commission  
on the basis of the  
recommendations of  
the Platform)*

# The six environmental objectives



# An example of criteria

## Production of electricity from hydropower

*Shortened and simplified from first delegated act (for illustrative purposes only)*

	<b>Climate change mitigation</b>
<b>SUBSTANTIAL CONTRIBUTION</b>	<b>Life cycle emissions lower than 100gCO<sub>2e</sub>/kWh or Power density above 5 W/m<sup>2</sup></b>

	<b>Climate change adaptation</b>	<b>Water and marine resources</b>	<b>Circular economy</b>	<b>Pollution prevention and control</b>	<b>Biodiversity and ecosystems</b>
<b>DO NO SIGNIFICANT HARM CRITERIA</b>	<ul style="list-style-type: none"> <li>- Reducing material physical climate risks</li> </ul>	<ul style="list-style-type: none"> <li>- For existing hydropower: mitigation measures implemented + monitoring</li> <li>- For new plants: no deterioration nor compromise to achieve good status</li> </ul>	n/a	n/a	<ul style="list-style-type: none"> <li>- Environmental impact assessment carried out and mitigation measures implemented</li> <li>- Appropriate assessment in/near biodiversity-sensitive areas</li> </ul>

# Two key concepts: Substantial contribution and do no significant harm

Very different levels of ambition

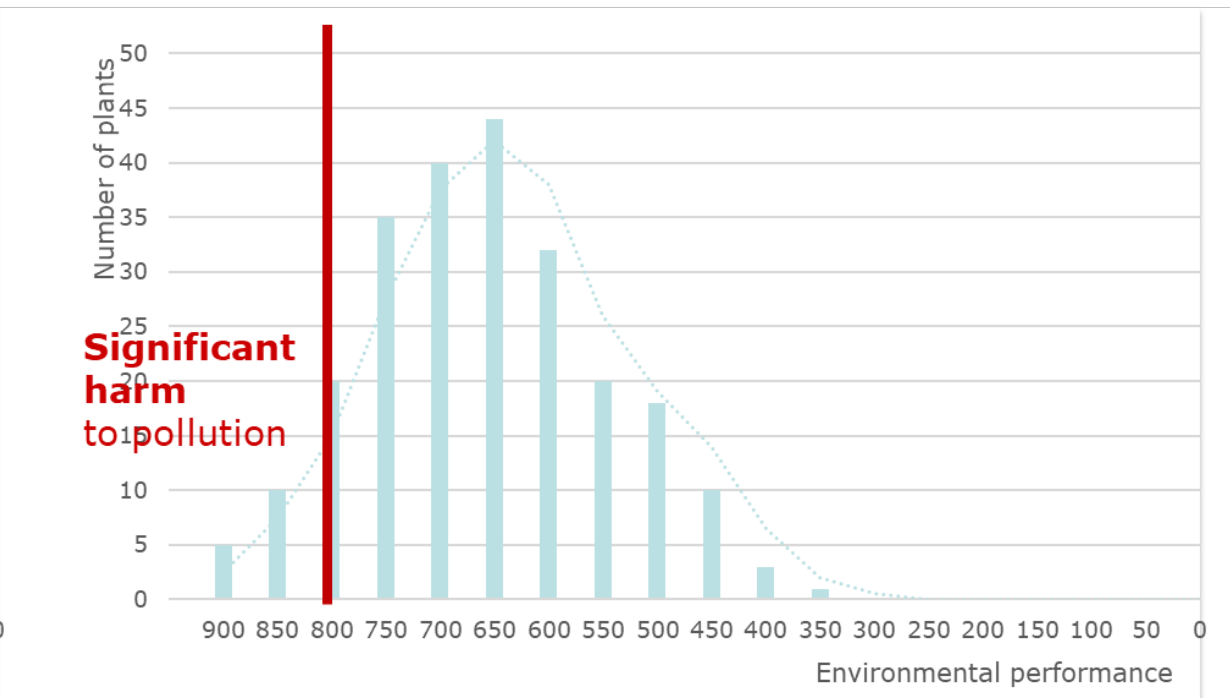
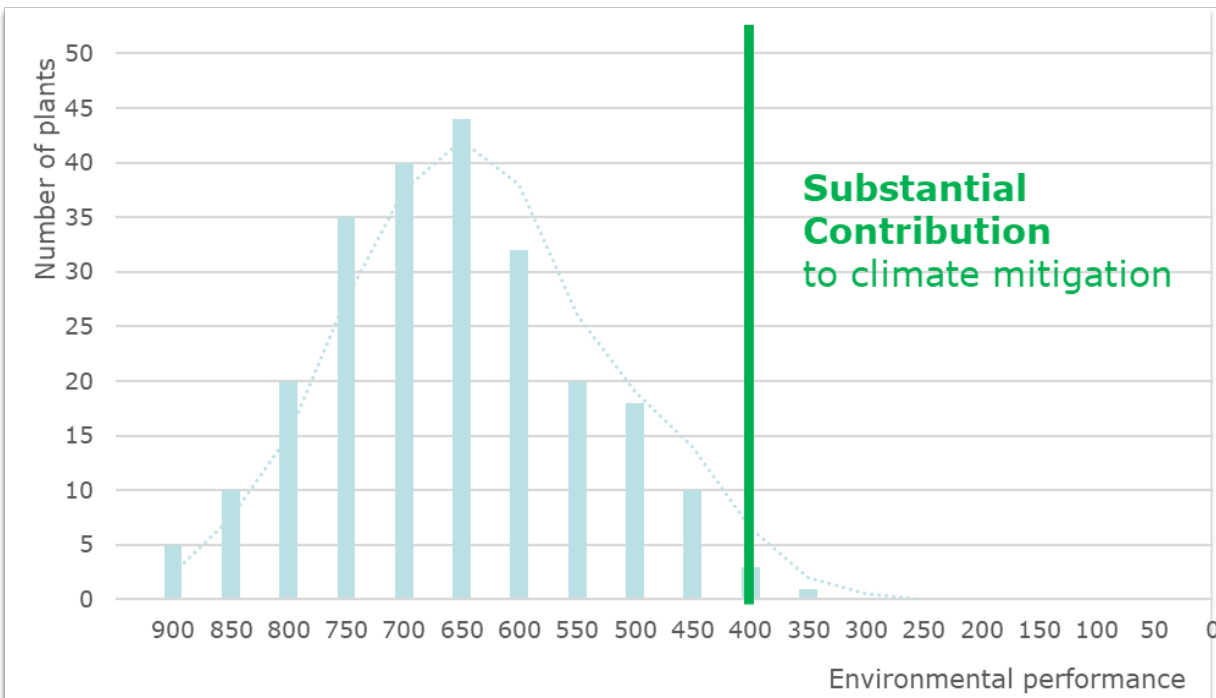


**Make a substantial positive contribution**



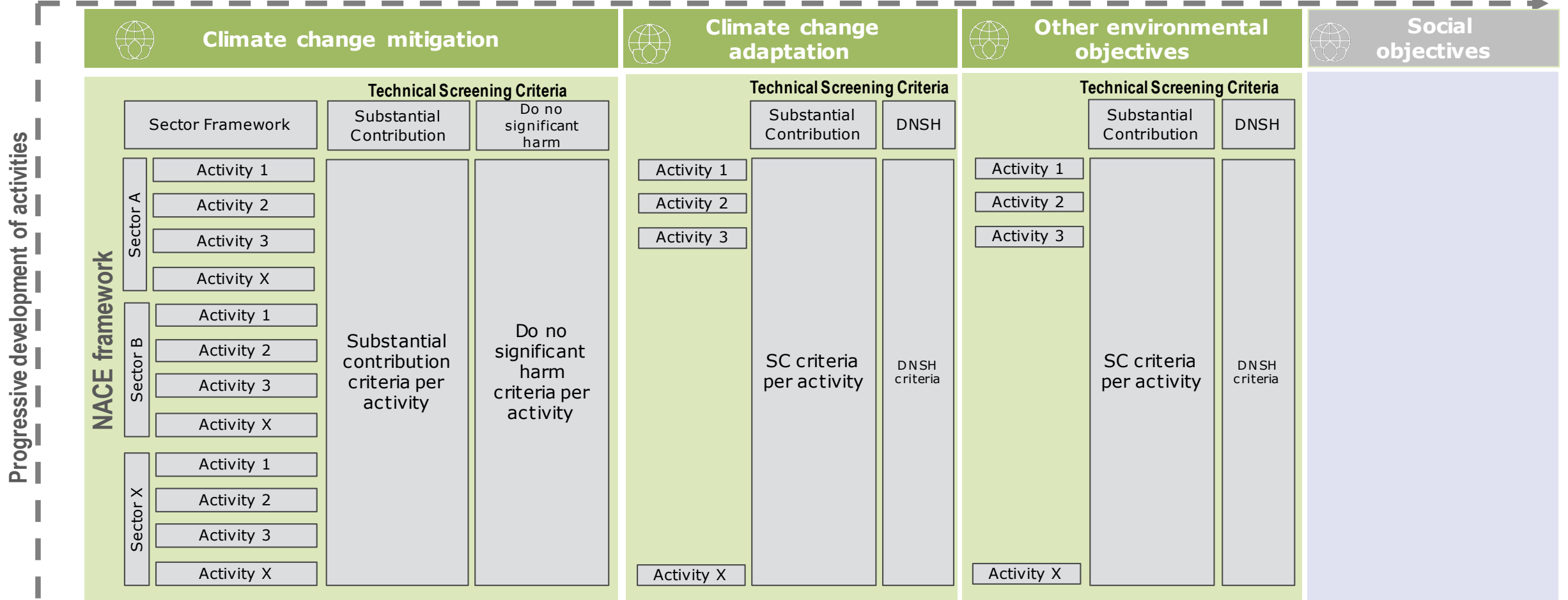
**Avoiding significant harm**

*Purely illustrative example*



# The EU taxonomy – what could it look like?

Progressive development of environmental (and eventually social) objectives



# The Taxonomy Regulation – Mandatory disclosures

## The Taxonomy Regulation mandates three user obligations



**Financial market participants** offering financial products in the EU, including occupational pension providers  
**Article 5 – Article 7**

- How and to what extent the Taxonomy was used in determining the sustainability of the underlying investments;
- To what environmental objective(s) the investments contribute; and
- The proportion of underlying investments that are Taxonomy-aligned, as a percentage of the investment, fund or portfolio.



**Large companies** who are already required to provide a non-financial statement under the Non-Financial Reporting Directive  
**Article 8**

The proportion of turnover aligned with the EU taxonomy;  
CAPEX and, if relevant, OPEX aligned with the EU taxonomy.

→ KPIs for financial companies will be established in a separate delegated act



**The EU and Member States**  
**Article 4**

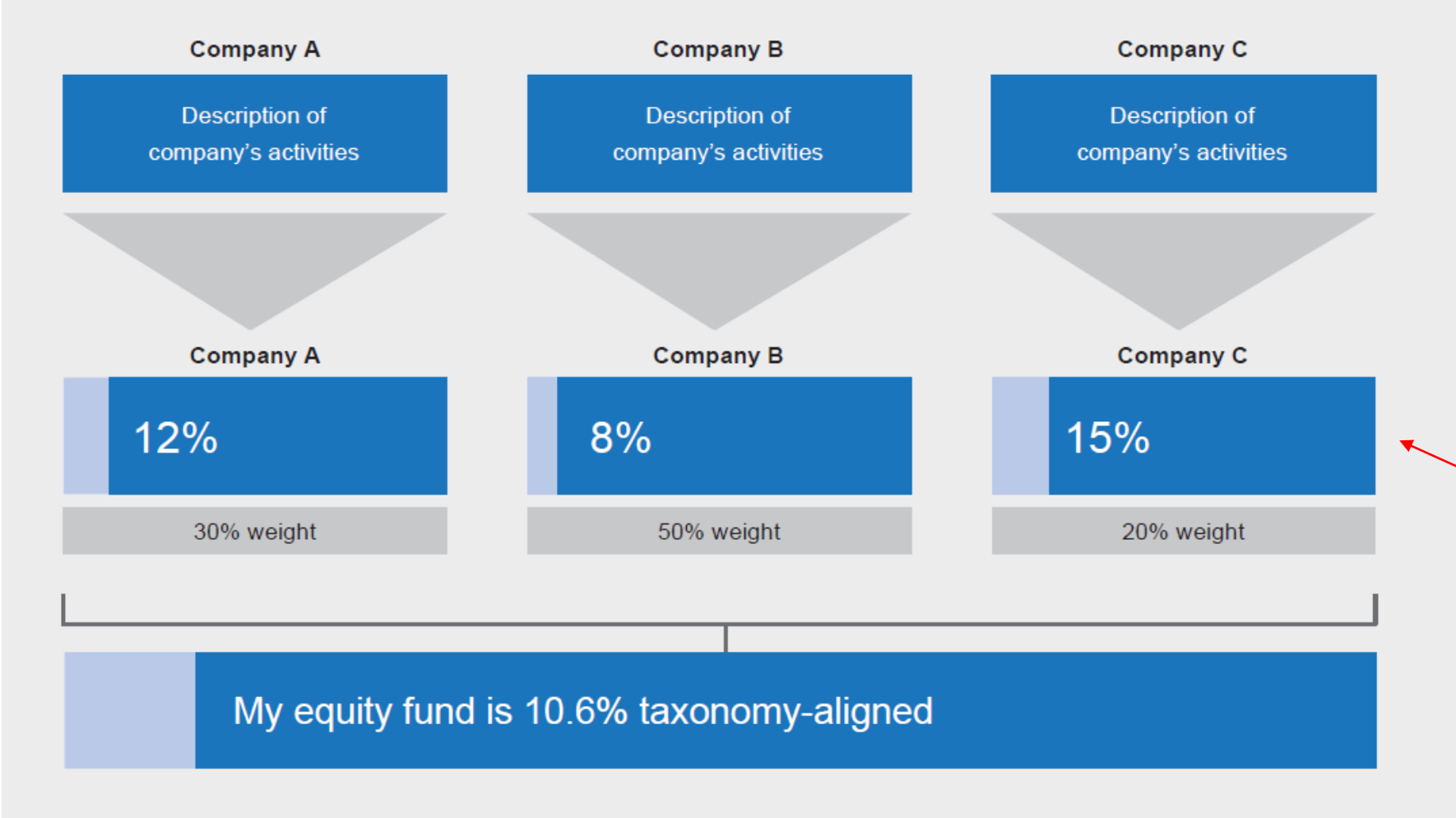
When setting out measures on standards or labels for green financial products or green (corporate) bonds



# Financial metrics for the purpose of disclosing against the EU taxonomy (for climate change mitigation)

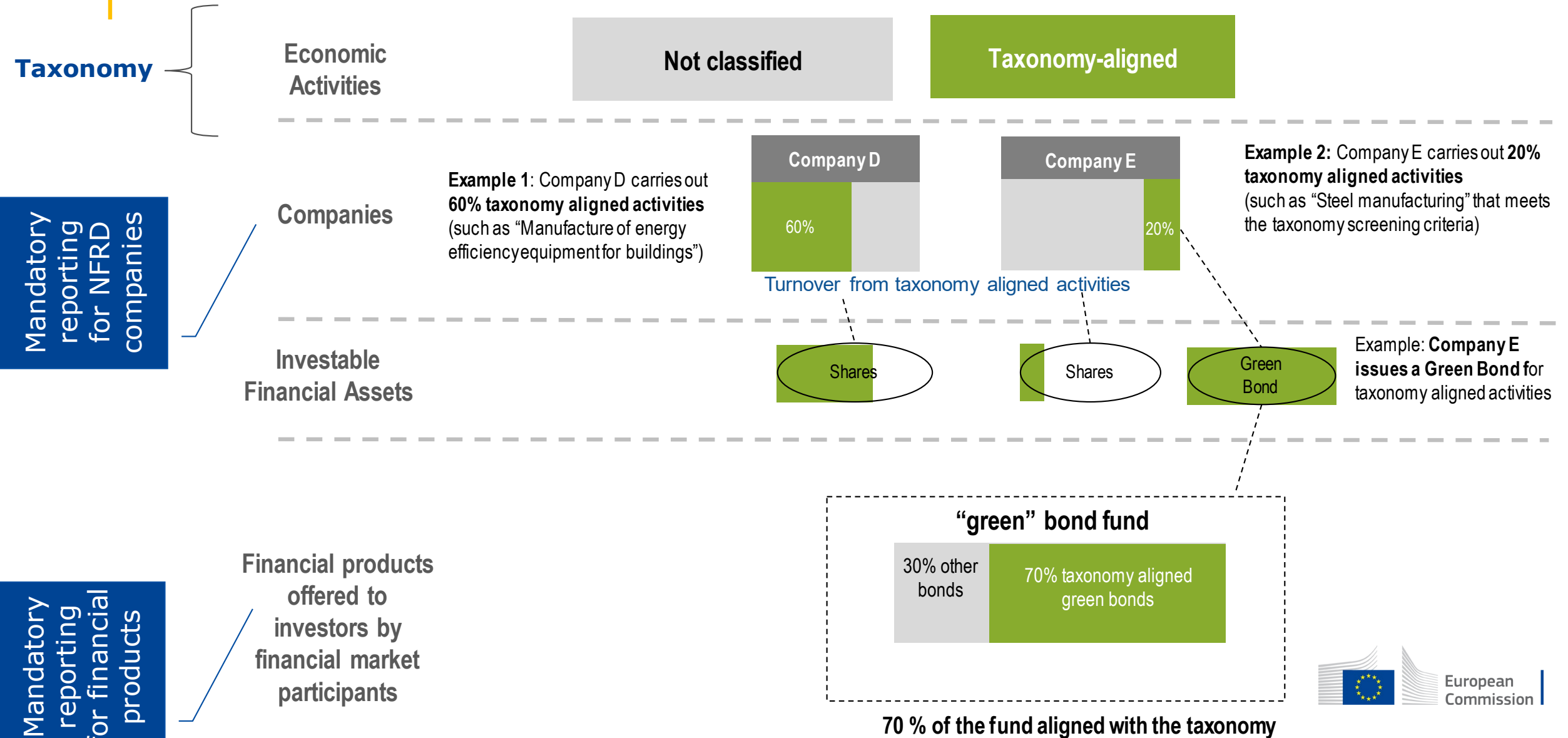
	<b>Use</b>
<b>Turnover</b>	Determining the share of taxonomy aligned activities.
<b>Capex / Opex</b>	Investments/Expenses related to taxonomy aligned activities (including steps towards meeting Taxonomy criteria)

# Use of the EU taxonomy: equity fund example



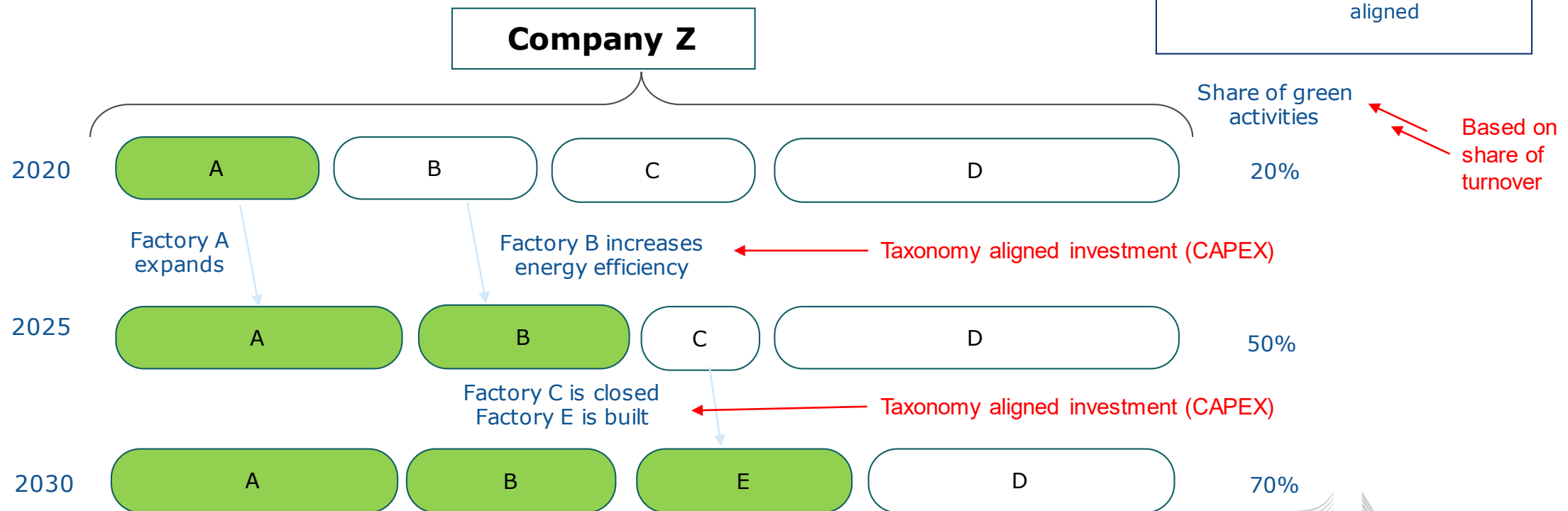
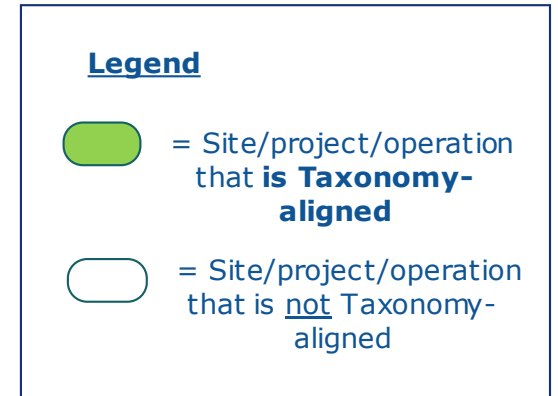
Based on share of turnover from taxonomy aligned activities

# Use of the EU taxonomy: Green Bond example



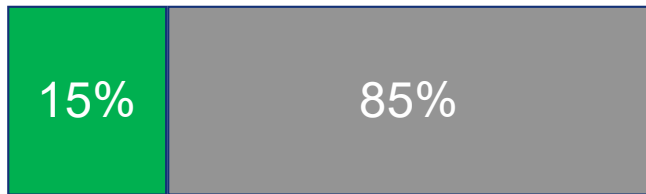
# Use of the Taxonomy by companies – how does it help companies to transition?

- By defining green economic activities, not companies
- The Taxonomy enables companies to transition by gradually increasing their share of green activities



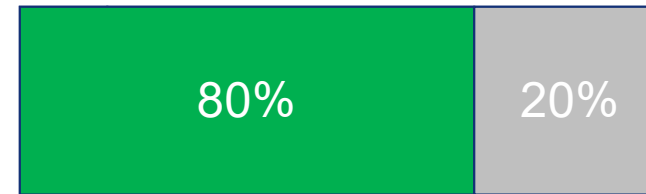
# Use of the Taxonomy by companies – Capex/Opex

Company X



Turnover from taxonomy aligned activities

→ Gives a picture of how sustainable the company is at the moment

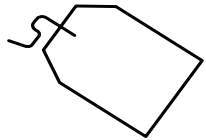


CAPEX related to taxonomy aligned activities

→ Indicates the “direction of travel”

(and, if relevant, OPEX)

# The taxonomy is ...



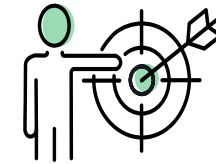
## A “dictionary-style” tool

Provides clarity on what is an environmentally sustainable activity and under which circumstances.



## A measuring tool

Measures the degree of sustainability of an investment and the share of environmentally sustainable activities in a company



## A transition tool

Helps investors and companies to plan and report on the transition. It sets the objectives and the direction of travel for different economic activities.



## Set out in EU law

- Respect the empowerment and requirements in the Taxonomy Regulation



## Evidence- and science-based

- Robust conceptual framework and methodology



## Dynamic

- Criteria need regular update  
- The sets of activities covered for each objective need to become more comprehensive over time

# The first EU Taxonomy delegated act



Brussels, **XXX**  
C(2021) 2800/3

**COMMISSION DELEGATED REGULATION (EU) .../...**

**of **XXX****

**supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives**

(Text with EEA relevance)

{SWD(2021) 152} - {SWD(2021) 153}

[https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852/amending-and-supplementary-acts/implementing-and-delegated-acts\\_en](https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852/amending-and-supplementary-acts/implementing-and-delegated-acts_en)



# The “climate Taxonomy”



1. Climate change **mitigation**



2. Climate change **adaptation**



3. Sustainable use and protection of water and marine resources



4. Transition to a **circular economy**



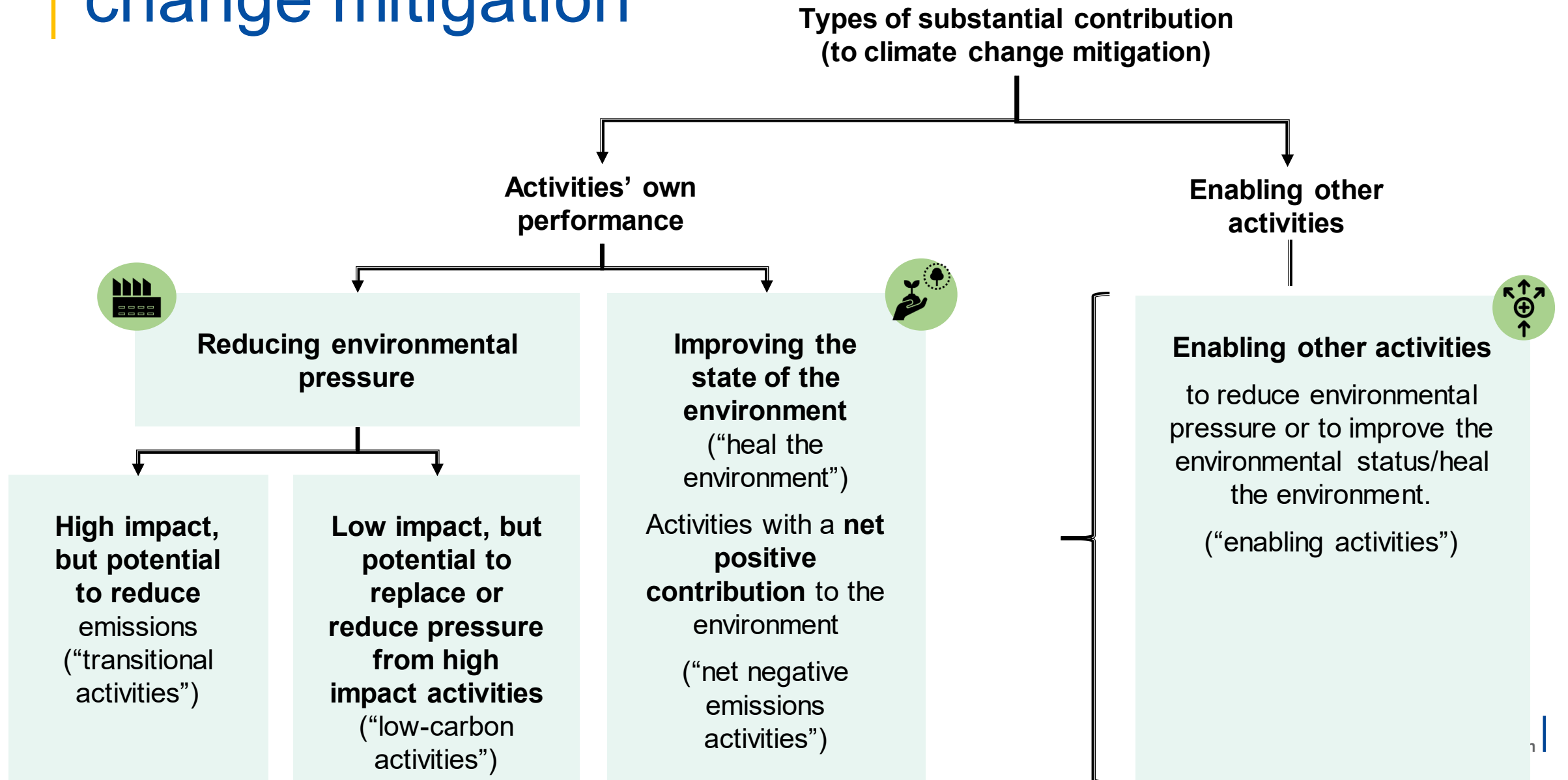
5. **Pollution** prevention and control



6. Protection and restoration of **biodiversity and ecosystems**



# Type of substantial contribution – climate change mitigation

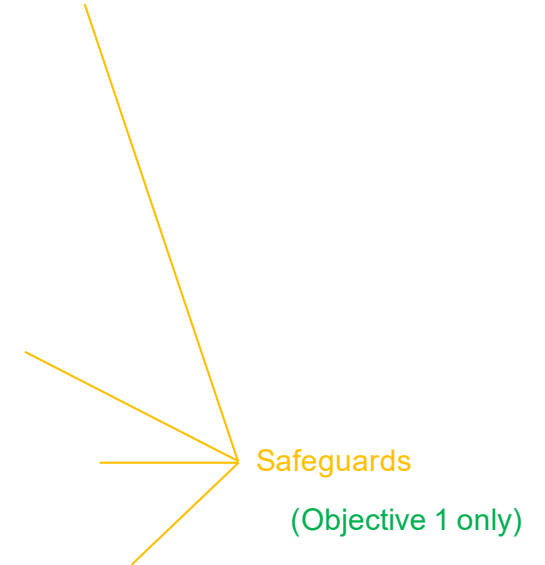


# Taxonomy Regulation - transitional activities

**Art.10.2:** “An economic activity for which there is *no technologically and economically feasible low carbon alternative* shall be considered to contribute substantially to **climate change mitigation** [...]

where that activity:

- (i) has greenhouse gas emission levels that correspond to the **best performance** in the sector or industry;
- (ii) does **not hamper** the development and deployment of low-carbon alternatives; and
- (iii) does not lead to a **lock-in** in carbon-intensive assets considering the economic lifetime of those assets.



*Example from TEG report:*

*Manufacturing of cement (emissions lower than 0.498 tCO<sub>2</sub>e per tonne of cement)*

*Criteria will be tightened over time.*

# Taxonomy Regulation – enabling activities

**Art.16:** “An economic activity shall be considered to contribute substantially to **one or more of the environmental objectives** set out in Article 9

For all objectives 1-6

by **directly enabling** other activities to make a substantial contribution to one or more of those objectives,

and where that activity:

- (a) does not lead to a **lock-in** in assets that undermine long-term environmental goals, considering the economic lifetime of those assets;
- (b) has a substantial **positive environmental impact** on the basis of lifecycle considerations.

Safeguards

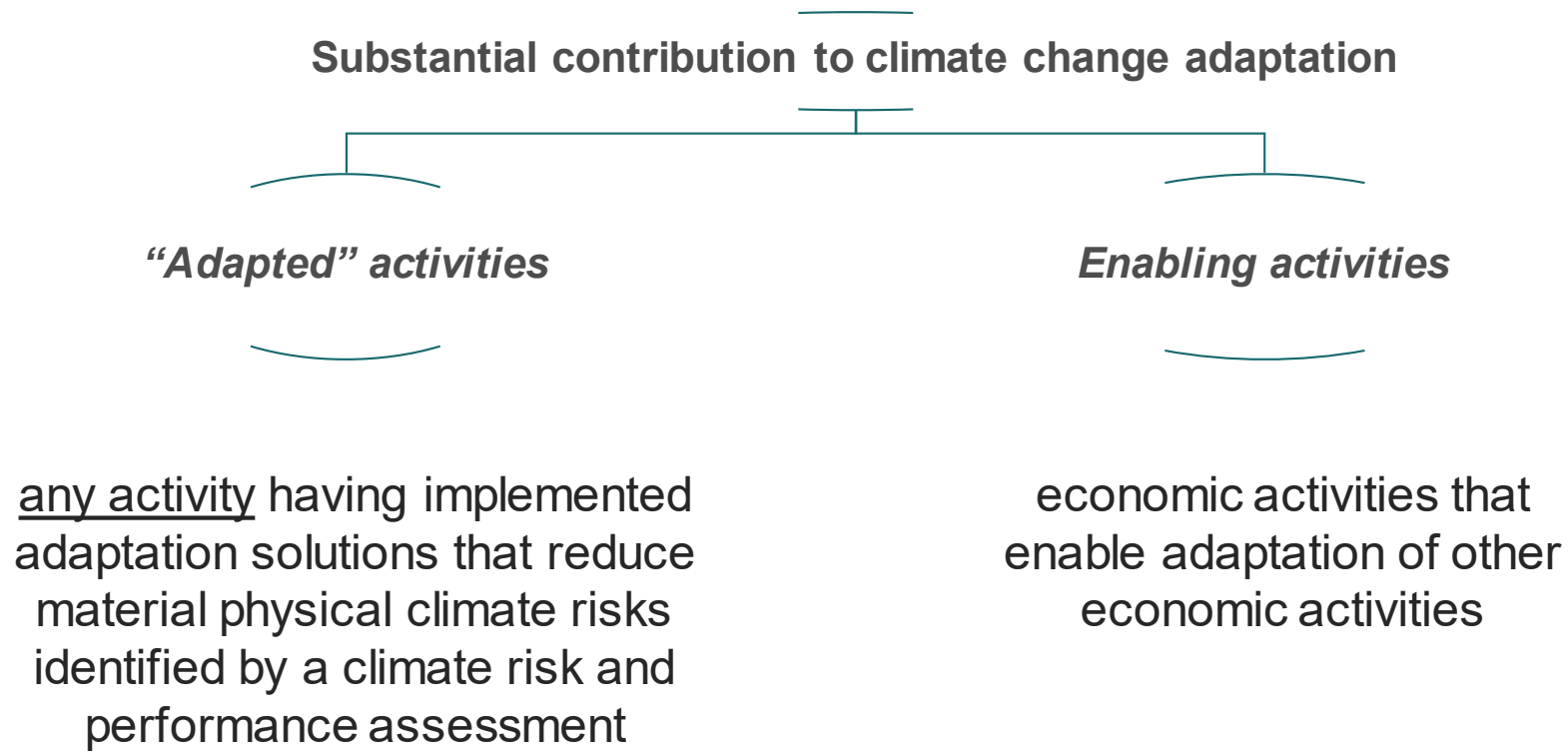
*Example from TEG report*

*Manufacture of high efficiency windows (U-value better than 0.7 W/m<sup>2</sup>K)*

# Overview of activities covered for substantial contribution to climate change mitigation

Environmental protection and restoration activities	1 activity	Example: restauration of wetlands
Manufacturing	16 activities (11 transitional manufacturing activities and 5 enabling activities)	Example: manufacture of cement
Energy	25 activities	Example: electricity generation from wind
Water, sewerage, waste, remediation	12 activities	Example: anaerobic digestion
Transport	17 activities	Example: passenger rail transport
Information and communication technologies	2 activities	Example: data centres
Construction/Buildings	7 activities	Example: construction of new buildings
Professional, scientific and technical activities	2 activities	Example: research and development

# Types of substantial contribution - climate change adaptation



# Overview of activities covered for substantial contribution to climate change adaptation (1/2)

Environmental protection and restoration activities	1 activity	Example: restauration of wetlands
Manufacturing	16 activities	Example: manufacture of cement
Energy	25 activities	Example: electricity generation from wind
Water, sewerage, waste, remediation	12 activities	Example: anaerobic digestion
Transport	17 activities	Example: passenger rail transport
Information and communication technologies	3 activities	Example: data centres
Construction/Buildings	7 activities	Example: construction of new buildings

# Overview of activities covered for substantial contribution to climate change adaptation (2/2)

Professional, scientific and technical activities	2 activities (2 enabling)	Example: Research, development and innovation into nature based solutions
Financial and insurance Activities	2 activities (2 enabling)	Example: Non-life insurance: underwriting of climate-related perils
Education	1 activity	Example: Education
Human health and social work activities	1 activity	Example: Residential care activities
Arts, entertainment and recreation	3 activities	Example: Libraries, archives, museums and cultural activities

# Level of ambition for substantial contribution to the two climate objectives

- Alignment with goals of the **Paris Agreement** and **long term EU climate targets**, for both climate change mitigation and adaptation
  - **Climate-resilient, climate-neutral EU by 2050**
  - **1.5°C temperature increase goal**
  - **-55% GHG emissions (on 1990 levels) by 2030** (“the critical decade”)



# Do-no-significant-harm (DNSH) criteria

Ambition level and principles



EU legal requirements generally considered minimum requirements



When environmental impact is significant → DNSH criteria based on requirements stemming from EU legislation (for example BATAELs according to the Industrial Emissions Directive) and/or national requirements [where relevant] to ensure usability



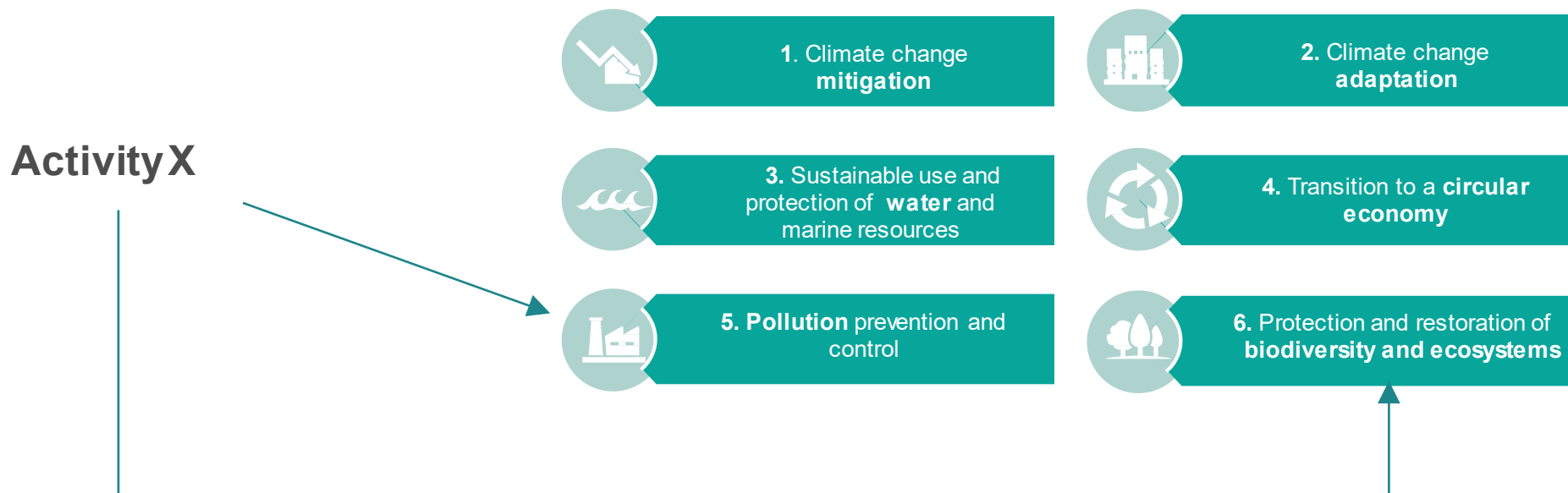
When environmental impact is significant but no requirements for the economic activity in EU environmental legislation (e.g. circular economy) → develop criteria



# Setting do-no-significant-harm (DNSH) criteria

DNSH criteria to the other five environmental objectives have been put forward only **where a given economic activity presents a risk of significant harm to a given objective**

*Example: if activity X is only at risk of causing significant harm only to objectives 5 (pollution) and 6 (biodiversity), DNSH criteria are needed only for those two objectives.*





# Thanks

