

# EU TAXONOMY: THE NECESSARY CONDITION FOR BETTER FINANCING THE GREEN DEAL

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# WHAT IS TAXONOMY?

- TAXONOMY comes from Greek *taxis*, meaning arrangement or division and *nomos* meaning laws. It is the **science of classification**.
- It provides a **conceptual framework** for discussion, analysis or information retrieval
- Good taxonomy should be **simple, easy to remember and easy to use**

# THE BIGGEST CHALLENGE OF OUR TIME

## An European Green Deal

- Transform the EU into a modern, resource-efficient and competitive economy
- No net emissions of greenhouse gas by 2050
- Economic growth **decoupled** from resource use
- No person and no place left behind
- **Enough financing to ensure the change**
- Need of a conceptual framework to direct green and sustainable investments

# THE EU TAXONOMY

The tool to consider an activity environmentally sustainable

- The EU taxonomy is a **complex system to classify which parts of the economy may be marketed as sustainable investments.**
- It includes economic activities, as well as detailed environmental criteria that **each economic activity must meet to earn a green label**

# THE AIM OF THE EU TAXONOMY

The tool to reach the objectives of the European Green Deal

- create security for investors
- protect private investors from greenwashing
- help companies to plan the transition
- mitigate market fragmentation
- scale up sustainable investments to help achieve the Green Deal objectives.

# THE EU TAXONOMY LEGISLATION

## A Regulatory package to Support the European Green Deal

- It includes the main legislation (the Taxonomy Regulation) to set the principles completed by Delegated Acts to clarify the criteria
- It shapes a common language for green investments that investors can apply internationally when projects have a « **substantial positive impact on the climate and the environment** »
- It includes a « **Green list** » to classify sustainable activities

# THE TAXONOMY REGULATION

## Six Environmental Objectives

- Climate change mitigation
- Climate change adaptation
- The sustainable use and protection of water and marine resources
- The transition to a circular economy
- Pollution prevention and control
- The protection and restoration of biodiversity and ecosystems

# THE TAXONOMY REGULATION

## Economic Conditions

At the **core of the Taxonomy Regulation is the definition of a sustainable economic activity**. This definition is based on two criteria

- Contribute to **at least one** of six environmental objectives listed in the Taxonomy
- **Do no significant harm** to any of the other objectives, while respecting basic human rights and labour standards



# DELEGATED ACTS

## Targueting specific technical screening criteria

- Delegated acts **supplement the principles set out** in the taxonomy regulation
- Delegated acts determine which economic activity can qualify for different environment objectives
- Criteria for climate mitigation and adaptation adopted end of 2021
- Criteria for protection of water and marine resources, transition to a circular economy, pollution and prevention and contrôle, protection and restauration of biodiversity and ecosystem adopted by end of 2022.
- Specific Delegated Acts for Nuclear and Gas Activities applied since January 2023

# NUCLEAR AND GAS ACTIVITIES

## Whether or not to include nuclear energy in the EU taxonomy

- **Under strict conditions**, specific nuclear and gas energy activities are included in the list of economic activities covered by the EU taxonomy and apply since January 2023.
- The criteria for the specific gas and nuclear activities are in line with EU climate and environmental objectives and will help **accelerate the shift from solid or liquid fossil fuels**, including coal, towards a climate-neutral future.
- The complementary delegated act builds on several studies carried out by the Commission to get an informed opinion



# ***TAXONOMY COMPASS***

# TAXONOMY COMPASS

Allowing users to navigate easily through its contents

- The EU Taxonomy Compass provides a **visual representation** of the contents of the EU Taxonomy
- It enables users to check **which activities** are included in the EU Taxonomy (taxonomy-eligible activities), to **which objectives** they substantially contribute and **what criteria** they have to meet
- It will **always be up-to-date**

# BENEFITS OF A HIGH TAXONOMY SCORE

Objective to lower the cost of capital

- To help banks to borrow to companies at a **lower lower interest rates** if they operate **more sustainably**.
- With a high taxonomy score, investors may be able to:
  1. Access lower-cost capital
  2. Increase investor attractiveness
  3. Demonstrate **Environment, Social, Governance (ESG) performance** to stakeholders
  4. Issue Green Bonds
  5. If listed, be included in mutual funds labelled as sustainable/green

# THE PLATFORM ON SUSTAINABLE FINANCE

## An advisory body

- Assist with the preparation of the delegated acts by the Commission
- Will develop EU Taxonomy further
- Constituted by experts from private and public sector (max 57 members, appointed in a personal capacity with relevant proven knowledge and experience)
- Balance of various stakeholders (organisation representative of private stakeholders, civil society, academia and research institutes).
- European Environment Agency (EEA) and European Investment Bank Bank (EIB) are also represented

# THE FUTURE OF EARTH

## Do we understand the Challenge?

- No evident reduction of dirty emissions so far
- No evidence of slowing down the increase of temperatures
- Population still fast increases
- Difficulties to implement a green energy transition  
Unbalanced efforts requested to the 5 Continents
- Water scarcity more and more problematic
- Air quality continues deterioration
- Deforestation still not managed
- Not everybody takes care, etc...

# WRAPP UP

- EU TAXONOMY IS JUST A TOOL TO CLARIFY AND TO SET A COMMON LANGUAGE
- IT IS A MOVING TARGET WHICH NEED REGULAR UPDATES AND ENRICHMENTS
- GUARANTEE TRANSPARENCY, FAIRNESS AND INCLUSIVITY FOR THE FINANCING OF GREEN AND SUSTAINABLE PROJECTS
- NEED TO COMPLEMENT EU TAXONOMY WITH A SOCIAL TAXONOMY
- IT IS CRUCIAL TO KEEP THE EU SOUVERAINTY ON THE EUROPEAN GREEN DEAL

**TIME IS TICKING FOR ENVIRONMENT AND CLIMATE CHANGE ISSUES**

**THERE IS NO PLANET B**



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