

Event 14.1.2021 - Taxonomy Delegated Act: WWF suggestion to link this issue to the taxonomy legislative review – main messages from stakeholder

We are quite concerned with the risk that the Parliament and/or the Council could reject the Delegated Act on climate change, and would like to make a suggestion for the way forward.

Many stakeholders criticize the binary approach of the current taxonomy ('green' / rest). This binary feature has led many industries to:

- put a massive pressure to enter the 'green' category at all costs, pushing to weaken the Delegated Act's criteria and thresholds on climate change – threatening the very credibility and added value of the EU science-based taxonomy as a whole (for example if the fossil gas threshold was finally weakened to please the industry, many proactive taxonomy supporters like NGOs would become forced to go publicly against the final Act);
- attack the narrow scope of the taxonomy and ask to create an additional category of activities that are less ambitious environmentally-wise than the 'green' category but better than business as usual, to 'enter' the taxonomy in another way.

Importantly, the Commission is required in parallel to review the Level 1 regulation by the end of 2021 (as per Art 26), in order to potentially expand the taxonomy to more categories, including harmful activities and low impact activities. The Platform on sustainable finance was already mandated to discuss this issue and make recommendations to the Commission in Spring 2021 (in its Subgroup 3 led by Nancy Saich EIB, that WWF is part of).

We believe that it has become critical to link the two issues of the Delegated Act and of the potential expansion of the taxonomy, in order to smooth the endorsement of the Delegated Act itself in the short term. Indeed, creating more categories to the taxonomy will reassure several stakeholders, and partly reduce the pressure on the Delegated Act's specific criteria and thresholds related to the current 'green only' taxonomy.

We noticed that some policy makers in Parliament and Council are *not* aware of the Level 1 regulation review process by end 2021: to raise their awareness on this issue, the Commission should rapidly present this Level 1 regulation review process.

On this basis, if the Commission was proposing, in the next two months, an informal pre-agreement with the Council and the Parliament to expand the taxonomy to a new category of activities that are not green nor harmful but 'in between', we believe that it would help to have the Delegated Act endorsed by the Parliament and Council. This category cannot be named as 'transitional activities', as they are already defined in Art 10 of the regulation as part of the 'green' category; it could be named 'medium activities' instead, to avoid confusion.

It should be noted that technically, this category of 'in between' activities *already exists 'by default'* for several activities: the substantial contribution threshold (to define the 'green' activities) and the Do No Significant Harm threshold (to exclude harmful activities) are the two boundaries for this category, as shown in the attached draft charts discussed in the Subgroup 3 of the Platform. The missing element is primarily the formalization of this category in the Level 1 regulation: would this be addressed, the Platform could rapidly develop technical recommendations for many activities with a potential 'fast track' approach.

Given the sensitivity of the Delegated Act and the crucial importance to have it endorsed by the Council and Parliament while improved/not weakened content-wise by the Commission, we hope that you will take this issue into account.