

EU taxonomy regulation

A first draft delegated act for activities that can make a substantial contribution to the objectives of climate change mitigation and adaptation under the EU taxonomy regulation of 18 June 2020 was published for feedback by the Commission between 20 November and 18 December 2020.

CEFIC has participated in this feedback consultation period. Their concerns are mainly that the criteria are too ambitious, do not cover a sufficient part of the existing market, and contain what they see as some technical inconsistencies:

- *excessive ambition of thresholds for production of Hydrogen from low carbon technologies and chlorine manufacturing;*
- *use of EU emissions trading system (ETS) benchmarks as criteria which would exclude large parts of the market today (specifically on steam crackers and aromatics sectors);*
- *refine the screening criteria for chemical and mechanical recycling in the technical annexes to encompass more activities;*
- *inconsistencies between criteria for biomass regarding the use of food and feed crops for manufacturing and energy generation;*
- *third-party verification of greenhouse gas emissions life cycle analysis (LCA): costly and time consuming;*
- *clarification of terms and consistency between different activities.*

Main messages

- To meet the European Green Deal objectives, the draft EU taxonomy criteria often need to go beyond the usual practices of businesses and beyond what is required by applicable law.
- The EU taxonomy is not a mandatory list of activities in which investors are obliged to invest if they want to invest in "green" assets or projects.
- It remains up to each investor to decide where to invest. The EU taxonomy will however provide guidance on those economic activities that substantially contribute to our climate and environmental objectives.
- The taxonomy regulation also requires that the criteria for economic activities to qualify should be coherent with EU law, avoid market distortion and be designed to facilitate their usability.
- The Commission is currently reviewing the feedback received on the delegated act, taking into account the opinions and suggestions provided by the stakeholders who participated in this process and reviewing the feedback against the criteria of the regulation.
- Once adopted, this delegated act will enter into force

Background

Developing an EU-wide taxonomy for environmentally sustainable activities is a cornerstone of the EU's sustainable finance strategy. It has received a lot of attention from financial institutions, companies but also governments.

The EU taxonomy regulation of 18 June 2020¹ establishes the framework for the EU taxonomy by setting out four overarching conditions that an economic activity has to meet in order to qualify as environmentally sustainable.

The taxonomy regulation establishes 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 draft 'taxonomy delegated act on climate change mitigation and adaptation' aims to address an important gap in the market by providing a common understanding of what is 'green' or environmentally sustainable. In essence, the EU taxonomy will be a list of economic activities that make a substantial contribution to the EU's climate and broader environmental objectives, starting with climate change mitigation and adaptation.

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¹ 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.