

# 15<sup>th</sup> meeting of the Member States Expert Group on sustainable finance

## Meeting Report

**26 February 2021, 13.00-18.00**

### **1. Welcome by the Commission**

The Commission introduced the agenda and the speakers for the updates. The Commission highlighted that the work of the Platform on Sustainable Finance regarding transition financing is still ongoing.

### **2. Update on the forthcoming Platform advice on transition financing**

The Chair of the Platform on Sustainable Finance, presented the work of the Platform's Taskforce set up for the report on transition financing, which will feed into the work of the Commission, such as the Chapeau Communication accompanying the DAs on Taxonomy, or the Renewed Sustainable Finance Strategy. The Taskforce is exploring whether to extend the Taxonomy to non-significant impact activities and significantly harmful activities, and how the EU Taxonomy and the other initiatives could further promote transition.

Some MS raised the that compliance with the technical screening criteria should be realistic, and incentivise the industry without penalising those that are making the efforts to comply. The question was raised why transitioning activities were not incorporated in the Taxonomy or the DA. Other MS highlighted the need to have comparable and standardised activities for companies and voluntary reporting, as well as a company narrative around the efforts made for meeting the criteria.

### **3. Update on the draft delegated act, including a communication document accompanying the publication**

The Commission updated the MSEG on the process and the challenges identified for the Delegated acts after close scrutiny of stakeholders' feedback. The Commission gave an overview of the main criticism that emerged from the public feedback and of the provisional actions foreseen for each sector, respecting the principles of the Taxonomy Regulation. The Commission announced that a Communication document will accompany the delegated act.

MS expressed their views, in particular on agriculture, hydropower, nuclear, forestry, bioenergy. Some MS recalled that the technical screening criteria should be aligned with best scientific evidence and recommendations from the TEG. Moreover, other MS expressed their views on natural gas and transitional aspects for buildings and research.

#### **4. Renewed Sustainable Finance Strategy**

The Commission presented a summary of the feedbacks submitted by MS on the policy actions presented during the previous MSEG meeting and a tentative prioritisation of policy fields based on those comments. Then, the Commission gave an overview of the elements building the Renewed Strategy, in view of the strengthening the foundations of the 2018 Action Plan and the need to address emerging issues.

The majority of MS showed support for the policy actions and sub-items presented and underlined the need for building the Strategy on the existing SF framework, by strengthening the Taxonomy among other tools. Some highlighted the need to address all aspects of ESG, i.e. complete S&G in an integrated way, coherently with the SF framework, and to define a long-term goal in line with the EGD to have measures aligned with 2050 targets.

One MS did not support the use of taxonomy in the public sector and another the revision of the prudential regulation and green supporting factor. Other MS emphasized the need to focus more on the recovery process, underlining that moving away from unsustainable activities would not delay the recovery and burden on costs of crisis.

#### **5. ESAs' update on the advice on the draft Delegated Act under Article 8**

The ESAs presented their advice to the Commission for the purposes of the future delegated act under Article 8 of the Taxonomy Regulation that relates to disclosures by undertakings subject to the Non-Financial Reporting Directive on whether and how their activities align with the taxonomy.

Some MS asked the ESAs to summarise the feedback received to the consultations on their draft advices. Other MS asked ESAs to clarify their position on banks' exposures to sovereign bonds and how banks could manage to assess their green ratio to sovereign exposures for the disclosure obligations.

#### **Conclusions**

The Commission concluded that the next MSEG meeting will take place on 24<sup>th</sup> March. During this meeting, the chair of the Platform will present the final advice of the Platform on the financing transition. We will also discuss the revised draft delegated act (the most significant issues) and the Renewed Sustainable Finance Strategy.