

Sustainable finance: EU Taxonomy

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Background: Action Plan on Financing Sustainable Growth

Strategy

-  **1 Reorienting capital flows** towards sustainable investment
-  **2 Mainstreaming Sustainability** into risk Management
-  **3 Fostering transparency and Long-termism**

Actions

-  **1 Establish EU Sustainable Taxonomy**
-  **2 Create Standards and Labels**
-  **3 Foster Investment in Sustainable Projects**
-  **4 Incorporate Sustainability in Investment Advice**
-  **5 Develop Sustainability Benchmarks**
-  **6 Integrate ESG in Ratings and Market Research**
-  **7 Clarify institutional investors and asset managers duties**
-  **8 Incorporate sustainability in prudential requirements**
-  **9 Strengthen Sustainability Disclosure & Accounting**
-  **10 Foster Sustainable Corporate Governance**

Source: [European Commission: Action Plan on Financing Sustainable Growth \(2018\)](#).

Translating global challenges into investment tools

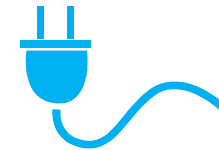
2030 targets in line with UN 2030 Agenda, the SDGs and the Paris Agreement



Minimum **40%** cut in greenhouse gas emissions compared to 1990 levels



At least a **32%** share of renewables in final energy consumption



At least **32,5%** energy savings compared with the business-as-usual scenario

Public money

The yearly investment gap to meet these targets is estimated to be between € 175 to 290 billion.

Private money

Six environmental objectives

1. Climate change mitigation
2. Climate change adaptation
3. Sustainable use and protection of water and marine resources
4. Transition to a circular economy, waste prevention and recycling
5. Pollution prevention and control
6. Protection of healthy ecosystems

Example: Electricity generation criteria

Substantial contribution

Operate at
<100g CO₂e / kWh



Do no significant harm








Comply with EU laws
on water, pollution,
protecting
ecosystems



Minimum social safeguards

Comply with ILO
conventions

Taxonomy so far: 67 activities in 7 sectors

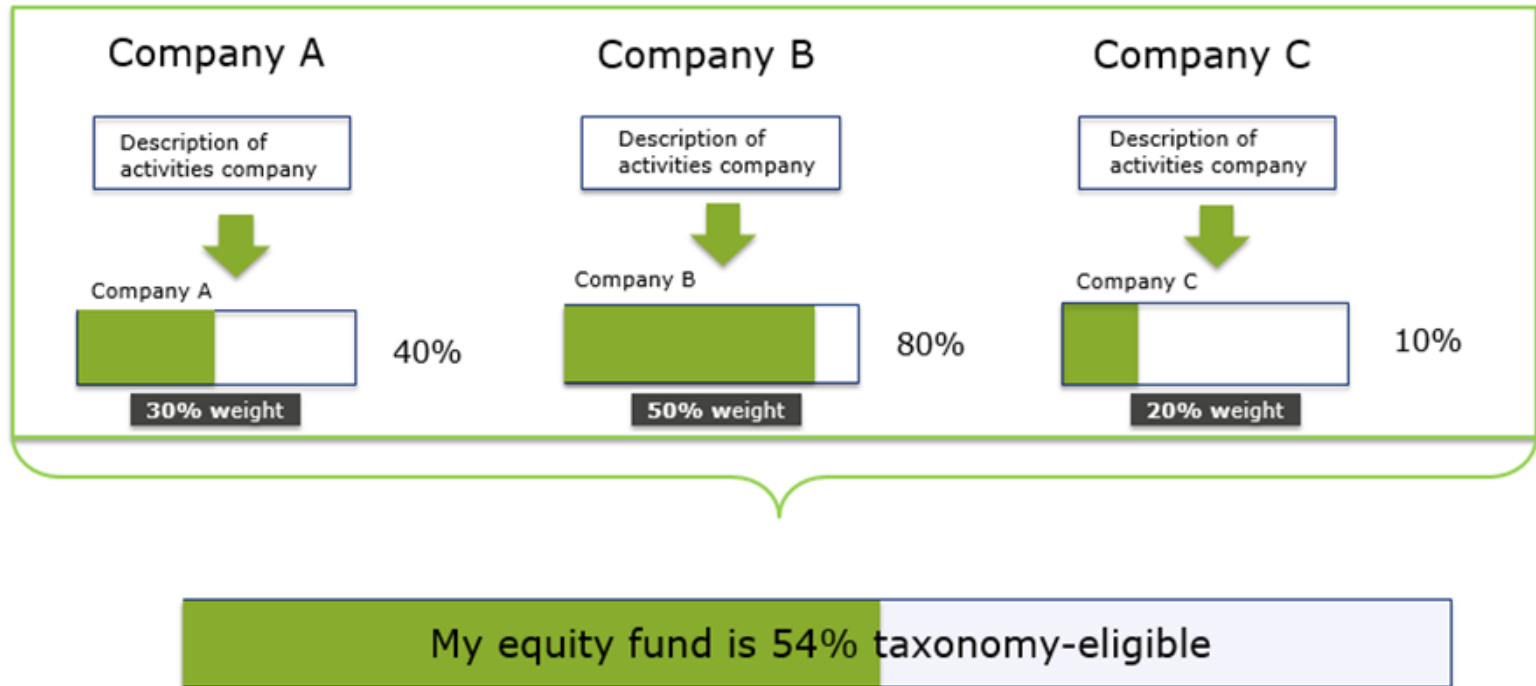
	Agriculture and forestry
	Manufacturing
	Electricity, gas, steam and air conditioning supply
	Water, sewerage, waste and remediation
	Transport
	Information and Communication Technologies (ICT)
	Buildings

Example Taxonomy activity – climate change mitigation

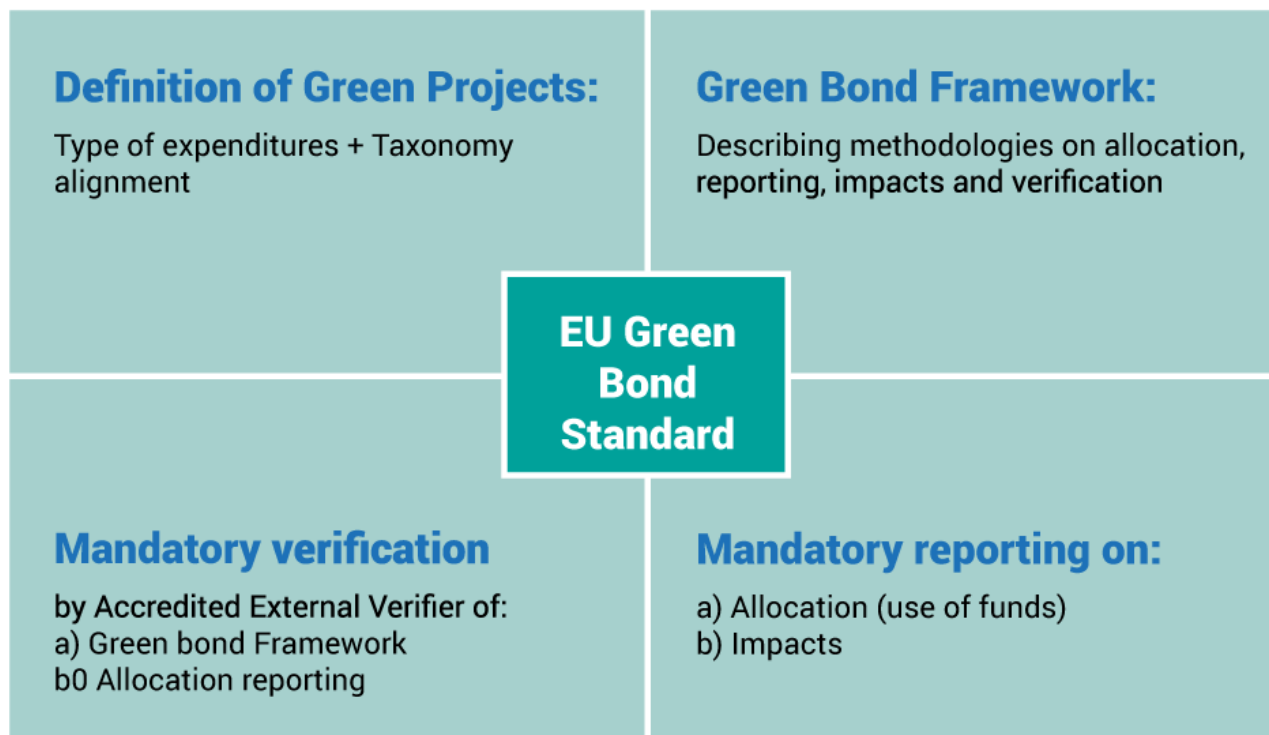
- Passenger cars with tailpipe emissions intensity of less than 50g CO₂/km are considered to make a substantive contribution to **climate change mitigation**. This includes zero tailpipe emissions cars (hydrogen, fuel cell, electric vehicles).
- This threshold should drop to 0g from 2026 onwards.
- To avoid significant harm to **other environmental objectives**, the production facility should manage material physical risks on a best efforts basis, avoid undermining others' adaptation efforts, and ensure compliance with existing EU regulation on hazardous waste and end of life treatment of vehicles (circular economy) and pollution.



Investor example



EU Green Bond Standard



Taxonomy development

EU Taxonomy development has two parallel tracks:

Political: Level 1 text defines framework, objectives, scope, application, timelines and ongoing governance.

Technical: TEG developing recommended technical screening criteria for individual economic activities, to feed into Level 2 (delegated acts).

Legal obligations – large companies

Large companies who are already required to provide a Non-Financial Statement under the [Non-Financial Disclosure Directive](#) will also be required to disclose how and to what extent their activities are aligned with the Taxonomy. Specifically for non-financial companies, the following information is required:

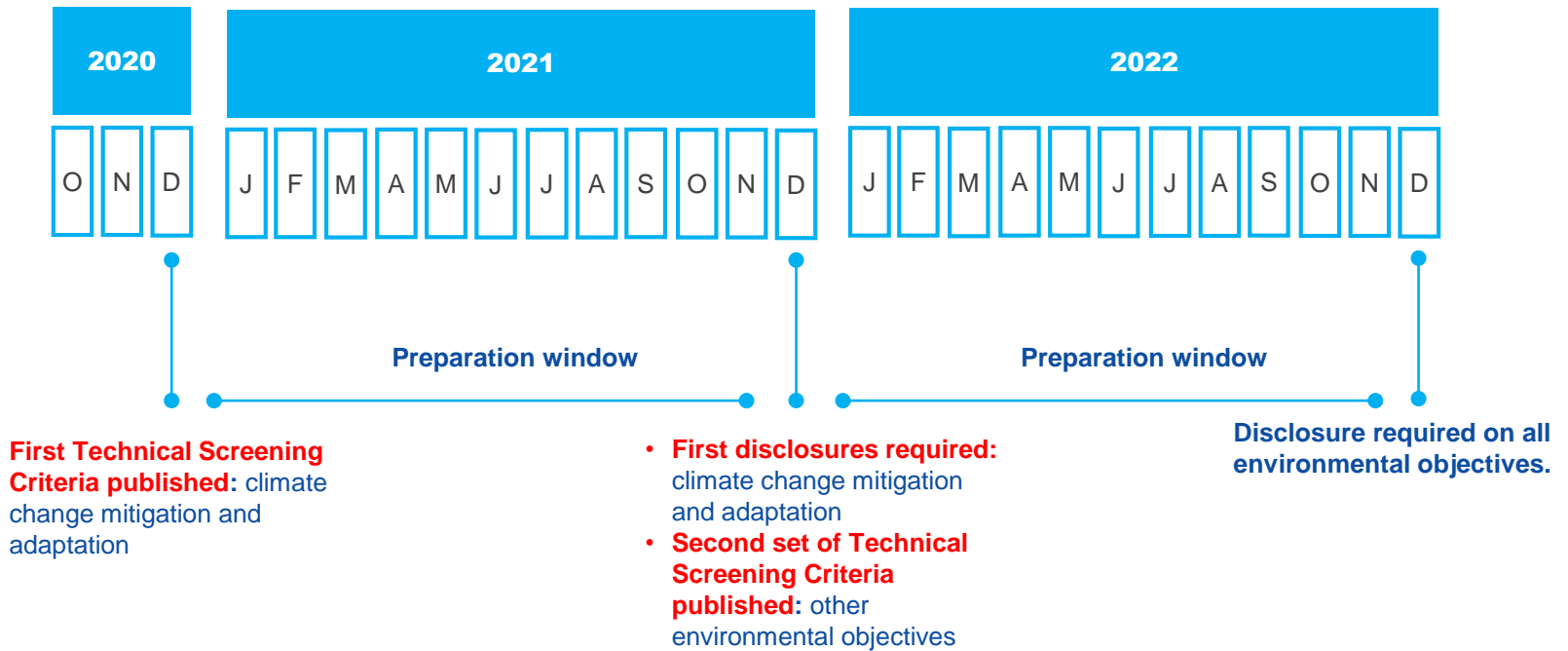
- The proportion of turnover/revenues aligned with the taxonomy; and
- CAPEX and if relevant, OPEX aligned with taxonomy.

Legal obligations - investors

Financial products offered in the European Union will be required to make reference to the Taxonomy. The requirement differs depending on the type of fund, as defined in the [regulation on sustainability-related disclosures in the financial sector](#).

Type of fund	Obligation
Targeting sustainable investment as its objective (Article 9 of sustainability disclosures regulation)	Disclose against the taxonomy
Promoting environmental characteristics alone or in combination with other characteristics (Article 8)	Disclose against the taxonomy if environmental characteristics are promoted, otherwise comply or explain.
All other funds (Article 7)	Comply or explain.

Implementation timeline



The European Green Deal

Overarching goals	<ul style="list-style-type: none">• Climate law & updated targets• New adaptation strategy• New commitments on circular economy, water, pollution and biodiversity
Real economy	<ul style="list-style-type: none">• Decarbonise energy• Renovate buildings• Industry innovation• Cleaner public and private transport• Farm to fork• Just transition mechanism
Public sector	<ul style="list-style-type: none">• Sustainable Europe Investment Plan – public budgets & InvestEU• Review Taxonomy application to non-InvestEU public sector.
Private finance	<ul style="list-style-type: none">• Sustainable Europe Investment Plan (private financing - €279bn)• Revised Sustainable Finance Action Plan• Revision of non-financial disclosure