Call for feedback on the Platform on Sustainable Finance's draft proposal for an extended taxonomy to support economic transition

Question 1. Which environmental performance levels should the taxonomy distinguish, with a view to help the environmental transition?

Please select all of those that you would prioritise:
Please select as many answers as you like

☒ Substantial contribution

☐ Intermediate performance

☒ Significantly harmful - but can improve to sustainability

☒ Significantly harmful - but can improve not to do significant harm

☒ Significantly harmful - but cannot improve sufficiently to avoid doing no significant harm

☐ No significant impact

Question 2. How could policies ensure that recognising the transition from significantly harmful to intermediate performance will not slow down the transition to green activities (that evidence shows we need to accelerate)?

Please select all that you agree with:
Please select as many answers as you like

☐ Not relevant

☒ Distinguish different levels of environmental performance clearly throughout the taxonomy and in other instruments

☐ Recognise only improvements from and to a well-defined level of environmental performance, rather than recognising activities sitting in a given level of performance below substantial contribution

☐ Require continued improvement beyond the relevant investment plan

☒ Require associated entity level transition strategy to understand the credibility of the intermediate transition.

☒ Recognise multiple ways of transition depending on type of Technical Screening Criteria.

☐ Other safeguards would be needed

Question 3. Do you consider that recognising/naming the significant harm performance level would be important?

☒ Yes

☐ No

☐ Don't know / no opinion / not applicable

Question 3.1 Please select the answer you agree with:

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☐ voluntary disclosures and guidance are sufficient

☐ voluntary reporting is not effective, the mandatory solution is needed urgently

☒ agree with the staged approach in the report to first work with voluntary disclosures/ guidance and in a later stage introduce mandatory reporting

☐ Don't know / no opinion / not applicable

'Significantly harmful' taxonomy

Question 4. In your view what would be the advantages and disadvantages of a 'significantly harmful' taxonomy as designed by the Platform (i.e. accompanied by an assessment of the existing and needed EU policy and legislative initiatives aimed at incentivising finance for urgent transition away from significantly harmful activities, for building climate-resilience and to support greening of the whole economy)?

Advantages – a 'significantly harmful' taxonomy would:
Please select as many answers as you like

☒ increase the transparency of environmental performance levels of activities

☒ improve the communication of transitions and transition plans on activity level

☐ help companies to develop strategies and investment plans for moving away from significantly harmful performance levels and meeting environmental objectives

☒ help markets define and develop instruments for financing the transition

☒ enhance risk management frameworks

☐ help policymakers to provide subsidies for decommissioning

☐ other

Please elaborate on your answer on the of advantages a 'significantly harmful' taxonomy. Could advantages be further enhanced? If so how?
1000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Currently, the sustainability status of activities is subject to constant and inherently subjective discussions among stakeholders. A 'significantly harmful' taxonomy could **help to obtain more clarity about which performance levels are not acceptable** in the transition to a climate-neutral and sustainable economy and potentially which activities need to be ultimately abandoned or decommissioned. As such, a "significantly harmful" taxonomy can contribute to **improving planning capabilities** of undertakings and investors.

For investors, a "significantly harmful" taxonomy could play a key role in **emphasizing the added value of shareholder engagement** and more broadly, of investment strategies aiming at improvement of the environmental performance of investee companies. Influence by investors can be instrumental to reshaping entrepreneurial strategies in order to adapt manufacturing processes and business operations of companies and to facilitate transition to more sustainable business models.

Disadvantages – a 'significantly harmful' taxonomy would:
Please select as many answers as you like

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☒ be a departure from the positive spirit of the green taxonomy

☒ negatively impact the ability of companies to raise finance for transition

☒ accelerate transition risks and risks creating "stranded asset by legislation"

☐ negatively impact banks with high shares of lending to certain companies both among retail customers and on the wholesale markets

☒ disadvantage EU companies vs non-EU jurisdiction

☒ increase complexity, reporting burden and affect usability of the taxonomy

☐ other

Please elaborate on your answer on the of disadvantages a 'significantly harmful' taxonomy. How could they be addressed?

1000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

There is a risk that a "significantly harmful" taxonomy will **damage the competitiveness of the EU economy**. Significantly harmful activities that are unable to transition might be spun off and sold to non-European investors, potentially below value, without any positive effect on climate. In many parts of the world, production of energy from coal and lignite is still being expanded and such expansion is likely to continue as long as such activities remain profitable. Hence, classification as "significantly harmful" must be accompanied by policy measures coordinated at international level that would provide for a just pricing mechanism for carbon emissions.

Another risk is that **economic activities or technologies might be immediately considered unsustainable and loose access to market financing**, even if they are still needed for some transition years to contribute to broader economic and societal stability. Complexity of the already sophisticated taxonomy framework would also increase.

Two types of significantly harmful activities

The report distinguishes two types of significantly harmful activities:

- **those that are 'always significantly harmful' (no technical option to transition to an environmental performance not causing significant harm)**

- **and those that can transition out of causing significant harm**

Question 5. Do you agree with the following statements?

Please check all boxes that you agree with:
Please select as many answers as you like

☒ Always significantly harmful activities should be distinguished from those activities that have a potential to transition out of significant harm

☒ Criteria should be added under the green taxonomy to recognise as green the closure / decommissioning for such always significantly harmful activities

☒ Mandatory reporting on turnover from and capex/opex related to always significantly harmful activities should be introduced

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Question 6. Do you consider recognising/naming the intermediate performance level useful to encourage mitigating significant harm?

☒ Yes

☐ No

☐ Don't know / no opinion / not applicable

Please explain your answer to question 6:

1000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We consider it **useful to define the intermediate performance level in order to set the threshold for a minimum level of transformation** and to encourage transforming activities out of the "significant harm" space.

The introduction of different performance levels and the planned review of the "do not significant harm" approach should be seen as the opportunity to reduce the level of complexity of the current DNSH criteria that are considered a major hindrance to practicability. Data for the DNSH assessment are almost entirely lacking today and even in future can be expected only for EU companies or some non-EU issuers active in the EU markets. Without such data and with only a limited possibility to use estimates, however, the taxonomy will not be able to exploit its potential for steering investments towards sustainable activities.

Question 7. For activities that are in the intermediate performance space (in between significant harm and substantial contribution):

a) should all turnover from such activities be recognised as intermediate turnover, and all opex as intermediate opex?

☒ Yes

☐ No

☐ Don't know / no opinion / not applicable

Please explain your answer to question 7. a):

1000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

It seems logical that if the level of environmental performance of an activity remains in the intermediate performance space, all turnover and opex should be counted towards this category.

b) should all capex be recognised as 'intermediate capex' irrespective of whether or not it improves environmental performance of the activity and by how much?

☐ Yes

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☒ No

☐ Don't know / no opinion / not applicable

Please explain your answer to question 7. b):
1000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We would welcome a **more differentiated treatment of capex** depending on the specific improvement targets and measures to facilitate transition as outlined in the transition plan. In case a company has a credible and robust time-bound transition plan for improvement of the environmental performance to a level that would qualify as "significant contribution" and such plan adheres to certain quality standards, capex related to investments in transition should be recognised as green, at least after first intermediate targets have been met and the overall feasibility of the transition plan demonstrated in practice.

Intermediate transition

The report recommends to recognise 'intermediate transition', differentiated from green transition.

Question 8. What do you think are the essential conditions for recognising such intermediate transitions for activities that can make a substantial contribution to the given environmental objective:
Please select as many answers as you like

☒ a) that the activity reaches the intermediate performance level, in other words does not do significant harm to that particular environmental objective
☒ b) in addition, that the activity continues to improve its environmental performance in order to stay in that intermediate performance level and not to do significant harm even if in the future the criteria are tightened.
☒ c) in addition, that the activity continues to improve its environmental performance in order to reach substantial contribution (green) in the future
☐ d) in addition, that the activity does no significant harm to other environmental objectives
☒ e) in addition, that the activity does no significant harm to any of the other environmental objectives, with the exception of adaptation (because failing to meet the do no significant harm criteria to adaptation means only a harm on the activity itself)

You selected option b) in question 8.

The criteria for ensuring that the activity will improve to reach substantial contribution should include to:
Please select as many answers as you like

☒ have a transition plan in place
☒ set a deadline for the transition
☒ have the transition plan validated by the Board
☒ publish the transition plan
☒ audit the transition plan

☒ disclose how the intermediate transition fits within the entity level transition strategy

☒ other

Please specify to what else should the criteria include, in relation with option b) in question 8.:

1000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Definition of a deadline for transition should be considered as a target date. Assumptions underlying such target date and dependencies from some external factors beyond the company's influence sphere should be clearly disclosed.

From investors' perspective, it is more relevant to set clear intermediate targets and disclose a transition pathway as well as governance measures in place to oversee transition. Companies should also define a fall-back scenario in case the transition plan fails and regularly report on their progress in implementing the transition plan.

You selected option c) in question 8.

The criteria for ensuring that the activity will improve to reach substantial contribution should include to:

Please select as many answers as you like

☒ have a transition plan in place

☒ set a deadline for the transition

☒ have the transition plan validated by the Board

☒ publish the transition plan

☒ audit the transition plan

☒ other

Please specify to what else should the criteria include, in relation with option c) in question 8.:

1000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Definition of a deadline for transition should be considered as a target date. Assumptions underlying such target date and dependencies from some external factors beyond the company's influence sphere should be clearly disclosed.

From investors' perspective, it is more relevant to set clear intermediate targets and disclose a transition pathway for as well as governance measures in place to oversee transition. Companies should also define a fall-back scenario in case the transition plan fails and regularly report on their progress in implementing the transition plan.

Question 9. Do you have other suggestions for extending the taxonomy framework for significantly harmful activities, intermediate performance, intermediate transition?

1000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

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In order to achieve a positive momentum in terms of transition, an extended taxonomy must be designed in a very prudent manner. **Only indisputably harmful activities that are incapable of transition should be marked as significantly harmful in any circumstances** after thorough consideration and a public debate. These activities should be **clearly distinguished from other activities that are at the "significantly harmful" performance level, but that can improve their environmental performance**. In order to incentivise transitioning efforts, an extended taxonomy should provide a **positive label for investments** to move activities out of "significantly harmful" space.

A "significantly harmful" taxonomy should avoid the risk of negative impacts on raising capital for financing transition and of disadvantaging EU companies. Moreover, it is necessary to **outline pathways for the expected tightening of evolution of technical criteria** in order to ensure predictability for companies and investors.

'No significant (environmental) impact' taxonomy

Question 10. In your view what would be the advantages and disadvantages of a 'no significant (environmental) impact' taxonomy?

Check all that apply and add anything you think is missing:

Advantages – a 'no significant environmental impact' taxonomy would:
Please select as many answers as you like

☒ help the ESG analysis

☐ be beneficial for SME's to access finance

☐ be beneficial for SME's to access green finance (if it can allow for / incentivise greening even within the NSI space, where there is such possibility)

☐ ensure banks can report green lending to SMEs and continue to develop these markets

☐ allow easier access to finance for larger companies in these sectors

☐ other

Please elaborate on your answer on the advantages of a 'no significant (environmental) impact' taxonomy. Could advantages be further enhanced? If so how?
1000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Development of a "no significant (environmental) impact" (NSI) taxonomy is a **question of prioritisation**. Investors would generally welcome more clarity about which activities are considered not critical in terms of environmental performance, i.e. should not be treated as harmful to the environmental objectives of the EU Taxonomy. Further **non-binding guidance on sectors and activities where no significant impact could be assumed would definitely be helpful** for portfolio analysis and construction as well as communication with clients. A detailed development of a "no significant impact" taxonomy with a binding legal status, on the other hand, should be carefully considered, also in view of the huge complexity of the overall taxonomy framework and increasing reporting burden for companies and investors.

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Disadvantages – a 'no significant environmental impact' taxonomy would:
Please select as many answers as you like

☒ be too complex to manage, as a framework

☒ imply burdensome reporting obligations

☐ risk disadvantaging 'no significant impact activities' vis-à-vis intermediate contribution activities that are likely to be more polluting

☒ other

Please elaborate on your answer on the of disadvantages a 'no significant (environmental) impact' taxonomy. How could they be addressed?
1000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

A detailed development of a "no significant impact" taxonomy with a binding legal status should be carefully considered. In view of the urgency of distinguishing performance levels that are significantly harmful to the environmental objectives as well as measures to incentivise an orderly transition, a **binding taxonomy for NSI activities should not be considered a priority**. Another issue to be accounted for is the huge complexity of the overall taxonomy framework and the constantly increasing reporting burden for companies and investors. One could even argue that an NSI taxonomy will be redundant in case the "significant contribution" and "significant harm" criteria with the intermediate space will be developed for all relevant activities and sectors.

Question 11. Can you give examples of activities which you think would be considered as NSI?
1000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 12. If there was to be an extension of the taxonomy to address NSI activities, should it be a requirement for companies or investors wishing to report activities under the NSI taxonomy to first participate in an environmental labelling or certification scheme (such as EMAS) to validate minimum levels of environmental performance?

☐ Yes, reporting of activities should stay voluntary but conditional upon such a certification/labelling

☐ No, reporting of activities should stay voluntary but there should not be any certification/labelling as a condition

⊠ Don't know / no opinion / not applicable

Please explain your answer to question 12:
1000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 13. Do you consider it would be helpful if the Platform prepared nonbinding guidance on NSI activities which could be published by the Commission for voluntary use by taxonomy users?

⊠ Yes
☐ No
☐ Don't know / no opinion / not applicable

Question 13.1 If you consider it would be helpful, what should be the scope of such guidance, for instance in relation to minimum standards of environmental performance?
1000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Investors would generally welcome more clarity about which activities are considered not critical in terms of environmental performance, i.e. should not be treated as harmful to the environmental objectives of the EU Taxonomy. Further **non-binding guidance on sectors and activities where no significant impact could be assumed would definitely be helpful** for portfolio analysis and construction as well as communication with clients.

Please explain your answer to question 13:
1000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 14. Are you in favour of a phased approach where NSI could be recognised as a generic category (through guidance) without L1 change?

☐ Yes, it is a priority
⊠ Yes but it should be done in future only
☐ No
☐ Don't know / no opinion / not applicable

Please explain your answer to question 14:

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1000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Further **non-binding guidance on sectors and activities where no significant impact could be assumed would definitely be helpful** for portfolio analysis and construction as well as communication with clients. On the other hand, development of a detailed "no significant impact" taxonomy with a binding legal status should be carefully considered. In view of the urgency of distinguishing performance levels that are significantly harmful to the environmental objectives as well as measures to incentivise an orderly transition, a **binding taxonomy for NSI activities should not be considered a priority**. Another issue to be accounted for is the huge complexity of the overall taxonomy framework and the constantly increasing reporting burden for companies and investors. One could even argue that a NSI taxonomy will be redundant in case the "significant contribution" and "significant harm" criteria with the intermediate space will be developed for all relevant activities and sectors.

Question 15. Prior to any L1 change (if at all), do you consider that the Platform should recommend to include some NSI activities in the taxonomy by e.g. creating a generic category for 'green' service providers under the adaptation or other objectives?

☐ Yes
☐ No
☒ Don't know / no opinion / not applicable

Please explain your answer to question 15:
1000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Additional information

Should you wish to provide additional information (e.g. a position paper, report) or raise specific points not covered by the questionnaire, you can upload your additional document(s) below. Please make sure you do not include any personal data in the file you upload if you want to remain anonymous.

The maximum file size is 1 MB.
You can upload several files.
Only files of the type pdf,txt,doc,docx,odt,rtf are allowed