

What is green in Europe? Completing the EU Taxonomy

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**Quadrilateral 2021. Second Session. Panel II: ESG
Zoom meeting 3 June 2021**

EU Taxonomy and climate change (CC):

- On-going completion of the EU Taxonomy for CC mitigation and adaptation.
- Sustainability of an activity. Overall usefulness.
- Coverage and activities to be decided upon later. Low Green Asset Ratio.

Taxonomy. Delegated Act CC.

For EU Taxonomy Regulation (EU TR) **to apply in practice:**

- Commission adopts science-based technical screening criteria (Criteria)
- They cover each of the six environmental objectives (2 x CC, waters, pollution, circular economy, biodiversity) :
- Now, just 2 (CC).
- Criteria indicate in detail what it means for an economic activity to substantially contribute to an objective **AND** to not do significant harm to the other.
- For this, Commission Delegated Regulations supplementing the EU TR.

Adopted 21 April 2021. To apply from 1 January 2021 (on-going scrutiny by Council and EP).

Taxonomy. Sustainable Activity.

But more is needed: ***environmentally sustainable activity*** means:

- contributing to the objectives;
- no harm;
- compliance with technical criteria;
- **AND compliance with social standards** (on-going but pending (ca. year-end!)).

Environmentally sustainable activity means that the investment in this activity is environmentally sustainable. So far, these are not mandatory but *encouraged*.

Taxonomy. Overall usefulness.

For the EU, having a solid, science-based list of environmental sustainable activities is immensely valuable for the European Green Deal and the channeling of public investment under the Deal and the anti-covid effort (Next Generation EU and New Multiannual (7 years) Budget).

For companies, it accompanies them in their transition towards sustainable business models (EU horizons: 2030: 55% reduction of GHG emissions (65% in Germany after May 2021 Constitutional Court judgement) and 2050: net zero GHG emissions).

Taxonomy. Coverage. GAR.

Sector coverage: forestry, manufacturing, energy, water supply, transport, construction; information / communication; professional, scientific, technical.

Material coverage. Criteria cover: the activities of ca. 40% of EU-domiciled listed companies in sectors amounting to 80% of EU GHG emissions.

Pending (new delegated or complementary delegated legal acts). Nuclear, Agriculture, Natural Gas. Forestry and bioenergy, not yet finalised.

Green bank lending in EU: European Banking Authority. May 2021.

Proxy. Green Asset Ratio. 7.9%.

(institutions' assets financing activities that are environmentally sustainable according to the EU taxonomy, such as those consistent with the European Green Deal and the Paris agreement goals (EBA)).