

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

Additional information

First of all, we do find it problematic to launch the consultation during the summer holiday season, giving stakeholders only one month to respond. The platform risks not receiving comprehensive stakeholder input necessary to thoroughly being able to assess the implications of an extension of the taxonomy. This is especially regrettable against the background that an extension towards a significantly harmful taxonomy would constitute a shift away from the original outset of the taxonomy as an incentivizing framework (see below for more explanation). Comprehensive stakeholder input is therefore all the more important.

Secondly, we believe that the resources of the platform as well as of the EU legislator should at the moment focus on making the already adopted taxonomy work properly, before reflecting on extending it. Currently, not a single delegated act has entered into force to specify the implementation of the Taxonomy Regulation and technical screening criteria for only two out of six environmental objectives are adopted by the European Commission. At the same time, companies are required to report according to the taxonomy as from 1 January 2022. Supporting European companies in their enormous implementation efforts should be a top priority to make the taxonomy before deliberating on a taxonomy extension.

This is not to say that we reject the discussion on an extended taxonomy at all. We just believe that the platform as well as the EU legislator should first draw conclusions from the experiences gained of the application of the taxonomy before discussing its extension. Issuers as well as the market in general need to be acquainted to the new reporting framework, whose impacts can only be assessed over time. We thus think that any extension should only be considered after the first full reporting period under the current taxonomy, after which the effectiveness, positive as well as negative impacts of the environmental taxonomy as to what degree its application really enables industry to increase its sustainability performance need to be evaluated.

Thirdly, deliberations by the platform of extending the taxonomy to a significantly harmful taxonomy stands in contrast to the decision by the European co-legislators when they voted for

the taxonomy in its current state. The co-legislators, especially the European Parliament, discussed comprehensively in 2019, whether a significantly harmful approach should be followed and finally voted against it. Because of the clear decision of the European legislator, a re-opening of the discussion on the topic seems undue.

Fourth, the consultation on the proposed extension of the Taxonomy to harmful activities and intermediate activities/transitions could cause concerns for the following reasons:

- a) We strongly recommend maintaining the current positive approach of the Taxonomy. It benefits Europe's environmental and climate targets, as it enables and incentivizes companies to transform their business activities and related jobs in a socially acceptable and sustainable manner. Only a positive approach in the Taxonomy will support the transformation to a more sustainable real economy: steering investments in the right direction is a more promising approach than penalizing companies for their decisions in the past.

As previously mentioned, any extension of the Taxonomy at present could lead to adverse consequences for companies in transition. For example, possible disinvestments from entire sectors should be avoided as it might disturb the development of sustainable technologies. Access to funding and ability of companies to innovate for more sustainable solutions must not be hindered. All possible ways for the transformation towards a net-zero economy must be used granting companies also a certain level of flexibility as it must be avoided that companies are driven out of the EU and incentivized to pursue less sustainable businesses in third countries abroad.

- b) A significantly harmful taxonomy could create a misleading public perception on companies, which could be detrimental to their reputation and ultimately to their business. It would lead to unjustified naming and shaming of sectors/companies that are interested to step up their sustainability performance and would not take into account the efforts companies in Europe already today undertake to transform into more sustainable business activities.
- c) It is to be avoided that a future extended taxonomy adds significant complexity to the system (e.g. on the CSRD/SFDR framework) and unproportionate reporting burdens for companies with no clear added value – while the approach in itself cannot grasp the complexity of defining an activity as sustainable in the first place given the interrelated factors and trade-offs.