



BANKING AND FINANCE

Feedback on the usability of the taxonomy

Fields marked with * are mandatory.

Introduction

Disclaimer:

This invitation for feedback is part of DG FISMA, DG ENV, DG CLIMA and DG ENER ongoing work to develop the taxonomy, for which the Commission has set up the TEG. The [action plan on financing sustainable growth](#) – action 1 – requests the group to develop the taxonomy on the basis of broad consultation of all relevant stakeholders. This feedback process is not an official Commission document nor an official Commission position. Nothing in this feedback process commits the Commission nor does it preclude any policy outcomes.

The proposed regulation (in Article 4 on use of the criteria for environmentally sustainable economic activities) envisages two specific uses of the taxonomy:

1. **Member States** when setting out “requirements on market actors in respect of financial products or corporate bonds that are marketed as 'environmentally sustainable'”;
2. **Financial market participants** “when marketing financial products as environmentally sustainable investments, or as investments having similar

characteristics, will have to disclose how and to what extent the criteria have been used to determine the sustainability of the product.” To comply with the regulation, the information disclosed by financial market participants should enable investors to identify:

- “the percentage of holdings pertaining to companies carrying out environmentally sustainable economic activities”; and
- “the share of the investment funding environmentally sustainable economic activities as a percentage of all economic activities”.

For financial market participants, these are disclosure requirements. The taxonomy is not a mandatory list of activities in which to invest. Funds targeting environmental objectives are not limited to investing in taxonomy-compliant activities. Moreover, the taxonomy can also be used on a voluntary basis by any financial institution. The taxonomy should also encourage companies to raise funds for projects that meet the criteria of the taxonomy.

Considering the above, and also the wider aims and objectives of the taxonomy ([see taxonomy approach explained](#)), potential users of the taxonomy are invited to respond to the feedback questions.

The deadline for providing feedback is 22 February 2019 cob.

More information:

- [on this feedback process](#)
- [on the protection of personal data regime for this workshop registration form](#)

1. Information about you

* Are you replying as:

- ☐ a private individual
- ☒ an organisation or a company
- ☐ a public authority or an international organisation

* Name of your organisation:

Austrian Federal Economic Chamber

Contact email address:

The information you provide here is for administrative purposes only and will not be published

up@wko.at

* Is your organisation included in the Transparency Register?

(If your organisation is not registered, [we invite you to register here](#), although it is not compulsory to be registered to reply to this feedback process. [Why a transparency register?](#))

- ☒ Yes
☐ No

* If so, please indicate your Register ID number:

10405322962-08

* Type of organisation:

- | | |
|---|---|
| <input type="radio"/> Academic institution | <input type="radio"/> Media |
| <input type="radio"/> Company, SME, micro-enterprise, sole trader | <input type="radio"/> Non-governmental organisation |
| <input type="radio"/> Consultancy, law firm | <input type="radio"/> Think tank |
| <input type="radio"/> Consumer organisation | <input type="radio"/> Trade union |
| <input type="radio"/> Industry association | <input checked="" type="radio"/> Other |

* Please specify the type of organisation:

The Austrian Federal Economic Chamber (WKÖ) is the legal representative of the entire Austrian business community and represents all Austrian companies – some 517,000 businesses drawn from the areas of Crafts and Trade, Industry, Commerce, Banking and Insurance, Information and Consultancy, Tourism and Leisure, Transportation and Communication. 99.6% of our members are small or medium enterprises.

* Where are you based and/or where do you carry out your activity?

Austria

* Field of activity (*if applicable*):

at least 1 choice(s)

- ☐ Accounting
☐ Auditing
☐ Banking
☐ Credit rating agencies
☐ Insurance
☐ Pension provision
☐ Investment management (e.g. hedge funds, private equity funds, venture capital funds, money market funds, securities)
☐ Market infrastructure operation (e.g. CCPs, CSDs, Stock exchanges)
☐ Social entrepreneurship
☒ Other
☐ Not applicable

* Please specify your activity field(s) or sector(s):

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* Sector (*if applicable*):

at least 1 choice(s)

- ☐ A Agriculture, forestry and fishing
- ☐ B Mining and quarrying
- ☐ C Manufacturing
- ☐ D Electricity, gas, steam and air conditioning supply
- ☐ E Water supply; sewerage, waste management and remediation activities
- ☐ F Construction
- ☐ H Transportation and storage
- ☐ I Accommodation and food service activities
- ☐ J Information and communication
- ☐ K Financial and insurance activities
- ☐ L Real estate activities
- ☐ M Professional, scientific and technical activities
- ☐ N Administrative and support service activities
- ☐ O Public administration and defence; compulsory social security
- ☐ P Education
- ☐ Q Human health and social work activities
- ☒ Not applicable



Important notice on the publication of responses

* Contributions received are intended for publication on the Commission's website. Do you agree to your contribution being published?

([see specific privacy statement](#))

- ☒ Yes, I agree to my response being published under the name I indicate (*name of your organisation /company/public authority or your name if your reply as an individual*)
- ☐ No, I do not want my response to be published

2. Questions

1. Do you believe the taxonomy will provide a clear indication of what economic activities should be considered environmentally sustainable?

Please refer to:

- [example sheet: Energy production \(geothermal\)](#)
- [full list of 1st round climate mitigation activities, screening criteria and questions](#)

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

Please explain your answer to question 1:

2000 character(s) maximum

There is significant mismatch between the structure of the system criteria&metrics in the examples provided in the consultation document as compared to the structure in the draft regulation. The draft regulation establishes 6 objectives (Art 5) and for each objective there are two sets of criteria, one set for "contributions" (Art 3 a) and one set for "harm" (Art 3 b). By example, the set of criteria on "mitigation" related to "contribution" defines 8 criteria in Article 6 a) to h). We would expect to find proposals for metrics for each of the 8 criteria provided by Article 6, including an assessment, which criterion might not be applicable to a specific sub-sector. There is no balance in between criterions for "contribution" and "harm". An explanation and alignment is necessary, based on a comprehensive impact assessment.

As designed, the taxonomy is likely to lead to unintended consequences and exclude activities or low-carbon solutions that contribute to the significant reduction of emissions and enable energy transition. Taxonomy should also include carbon intensive sectors and ask questions how their strengths could be leveraged to competitively and sustainably serve the market needs of the future. Disregarding the key principle of technology neutrality will lock-in innovation in carbon-intensive sectors. It must be avoided that a wide range of carbon-intensive assets may become "stranded". As drafted, the taxonomy does not have enough flexibility to evolve with the energy transition and does not provide enough clarity on the definition of economic activity. By producing a list of "acceptable economic activities", the taxonomy per definition risks to leave out relevant technologies that could positively contribute to the energy transition.

Our recommendation is to consider flexibility in the criteria, also to account for country differences. The definition of "sustainable/green activity" can have different meanings in various (national) contexts.

2. Do you expect any practical challenges within your organisation to classify an economic activity according to the taxonomy?

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

Please explain your answer to question 2:

2000 character(s) maximum

The regulatory framework for the taxonomy has not yet been agreed between the European Parliament and the Council. It is difficult to say how the taxonomy of the TEG and the legal basis will fit together at this point. For the "do not significantly harm" assessment, Article 12.1 (a) of the draft Regulation states "leads to significant greenhouse gas emissions". Any kind of manufacturing, which is in transition to a deeply decarbonised operation mode, will continue to emit GHG during this transition phase (albeit decreasing in leaps or constantly). This will become extremely important for the very CO₂- and energy-intensive activities (f.e. steel, chemicals and cement). Solutions should be developed and implemented, which provide that activities in transition and which contribute to a decarbonized operation mode are not assigned "significantly harming"-status under Article 12.1 (a) of the draft Regulation.

Other challenges: the lack of clarity in definitions, use of inconsistent terminology (f.e. green vs. sustainable etc.), lack of clarity on the screening criteria and how they will evolve.

Challenges around the data that stakeholders will need to aggregate (f.e. detail of data, consistency with current legislation and frameworks, local and regional circumstances, benefits of the ability to provide context).

The challenge to identify and assess single projects, which are integrated in traditional industrial processes, must be addressed, as otherwise innovative technologies, which can contribute to the development towards a lower carbon economy might have to be stopped by the industry due to financial and/or regulatory burdens.

3. For financial market participants: will the proposed structure and format of the Taxonomy enable you to comply with potential future disclosure obligations?

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

What changes would you propose?

2000 character(s) maximum

Intermediaries can only comply with future disclosure obligations, if the system of taxonomy is clear and easy to handle. The taxonomy should be a voluntary and harmonized guideline without limiting flexibility for national and sector-specific circumstances. Red tape must be avoided.

4. Is the proposed taxonomy approach sufficiently clear and usable for investment purposes?

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

What changes would you propose?

2000 character(s) maximum

The current approach would potentially preclude many areas of investment that could help reduce GHG emissions and significantly contribute to the transformation of Europe's economy into a more sustainable system.

Further, we recommend applying the following recommendations:

The Taxonomy should avoid "one-size fits all" approach, as there are different local and regional circumstances which can significantly impact the meaning of the "sustainable activity". New screening criteria can help to fit taxonomy to different local circumstances and therefore will significantly improve its efficiency;

A more technology neutral approach is needed to take advantage of all available technologies. Natural gas can be applied f.e. to power and heating sectors, bringing reduction of CO₂ by 60%, and significant reduction in terms of NO_x, SO_x and PM. Application of LNG/CNG to road and marine transport can help the EU to achieve its ambitious emissions reduction target in these fields. Hydrogen can be transported in the future via the gas network, stored in gas storages and used, after adjustments, in Combined Cycle Gas Turbines [P. Chiesa and G.Lozza Using Hydrogen As Gas Turbine Fuel] supporting transition towards cleaner future.

Moreover, technology of Power-2-Gas will ensure the cost-efficient way to store surplus of energy produced from RES. According to a study of ECOFYS, storing energy in natural gas storage facilities can be much more affordable than storing it in batteries. Thus, the natural gas infrastructure is suited for energy storage in an energy system with a higher share of intermittent renewable energy.

5. Would the use of the taxonomy require any additional resources (for example in human resources or information technology)?

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

Please specify what additional resources and if possible, give an indication of the expected costs (e.g. as a % of turnover or operating costs):

2000 character(s) maximum

The more need for reporting and expertise around the ESG topics and the more specific and detailed the requirements get, the natural consequence would be that more effort will be needed in people, resources, IT systems etc. to comply with the proposed taxonomy.

Banking/financing sector: To check if an economic activity is sustainable will cause additional staff costs. First intermediaries have to check and later on they have to give advice about the ESG-criteria. This will of course increase the time of consultation. In addition to that documents have to be redone and the IT-system adapted.

For financial market participants or investee companies any disclosure requirements stemming from the use of taxonomy and/or deployment of the screening criteria must not become unmanageable.

Any future reporting requirements should be in line with existing laws and frameworks, for all stakeholders involved.

6. Please provide any additional comments on the design and/or usability of the taxonomy, including proposals for improvement:

2000 character(s) maximum

Investments in up-scaling projects to industrial scale through first-of-a-kind installations are crucial, which requires access to finance, the awareness of benefits and long-term predictable policy frameworks. Regarding the taxonomy industrial value-creation chains must be fully represented in the system, as well as considered and evaluated holistically. A purely binary consideration between “green” or “brown” activities does not represent current industrial realities and societal needs, thus is rejected. It is not easily possible to apply the taxonomy rules down the hierarchy of assets. It will be quite difficult to evaluate an asset regarding a certain percentage of sustainability. Taxonomy must be a flexible approach that prevents prescriptive and rigid categories which does not jeopardize innovation and the dynamic evolution of technologies. There is no one-size-fits-all solution. The taxonomy must not be misused as punitive instrument. It is key to take into account if an activity is in transition to a carbon lean configuration and operation, including preparatory large-scale innovation projects and specific timelines and pathways of its transition. Thus, taxonomy criteria should be objective to adapt to market needs as well as progression toward energy transition while ensuring planning security. The current conflicting nature of sustainability criteria risks penalizing the willingness and readiness of companies to launch “green” initiatives when part of their activities would be considered as potentially harmful. We call for a technology-neutral approach. Additional reporting duties or disproportionate cost increases for the real economy are rejected as well as companies should not be forced to disclose strategic and forward-looking information additionally to existing standards. Main criteria should be clarified in the regulation itself and not in delegated acts, in line with the better regulation principles (especially affected businesses must be involved).

Useful links

[More on the Transparency register \(http://ec.europa.eu/transparencyregister/public/homePage.do?locale=en\)](http://ec.europa.eu/transparencyregister/public/homePage.do?locale=en)

[Feedback process details \(https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/sustainable-finance-taxonomy-feedback-and-workshops_en.pdf#usability\)](https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/sustainable-finance-taxonomy-feedback-and-workshops_en.pdf#usability)

Specific privacy statement (https://ec.europa.eu/info/files/sustainable-finance-taxonomy-feedback-and-workshops-privacy-statement_en)

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