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Joint statement for

A Taxonomy Delivering Sustainable Growth in Europe

We, the signatories, represent sectors of major importance for European economic development and wealth. We provide highly skilled jobs to Europeans and invest in innovative solutions, renewable and efficient technologies that make the transition to a competitive, low carbon and circular economy in Europe possible. Doing so, we help fight climate change and lead the way towards a more sustainable world.

We welcome efforts to mobilise the financial sector in accelerating the move towards a prosperous and sustainable Europe in 2050. To achieve this, a stable, fair and favourable investment framework in Europe will be key. In that regard, the European Commission's Sustainable Investment Regulation proposal (so-called 'Taxonomy Regulation') is an important and necessary step and the draft report recently tabled by the Technical Expert Group (TEG) (mandated by the Commission) sets out a first basis to define what sustainable investments are. Yet the TEG report is insufficient and needs serious improvements to provide the clarity, objectivity and predictability needed in order to accelerate investments in sustainable solutions, guarantee affordable financing, safeguard energy supply security at acceptable cost, but also boost innovation and competitiveness in Europe. To this end, **the Sustainable Investment Regulation and derived Taxonomy should apply the following key principles**:

- **The future Taxonomy should help implement the adopted EU legislation**, including the EU energy, climate and circular economy legislation as well as other sectoral legislations. Given that the Taxonomy will likely start applying as of 2023, businesses, governments and financial market participants should not be faced with different targets, standards or thresholds that could disrupt markets, distort competition and result in excessive costs linked to burdensome implementation. Coherence should also be ensured with the existing investment classifications, for example the Principles for Responsible Investment Reporting Framework and/or the European Investment Bank's Energy Lending Policy. Flexibility should however be left to investors and businesses that wish to go beyond the Taxonomy as part of their investment strategies.

- **The future Taxonomy's criteria and thresholds should be impact assessed prior to their application,** to avoid unintended consequences for the sectors in which they will apply. The draft

TEG report presents important inconsistencies as well as technical and methodological flaws that could prevent investors from making fully informed decisions on their investments. Therefore, the future Taxonomy should be above all internally consistent and conducive to a level playing field that allow businesses and investors to invest in sustainable solutions that meet their varying needs. Metrics and thresholds are essential elements in EU legislation and should thus not be defined in delegated acts that do not allow their proper prior impact assessment and scrutiny by EU Member States and stakeholders.

- **The future Taxonomy's criteria and thresholds should also be developed and assessed by EU Member States and stakeholders. This should be done before they start applying**, in line with the Commission's Better Regulation agenda. In this regard, we have noted the lack of industrial representation in the TEG, the short consultation time on the TEG report as well as the lack of communication and coordination between the various working groups dealing with different aspects of the TEG report. The Sustainable Finance Platform will be instrumental to involve all relevant parties, beyond financial market participants, and develop a Taxonomy that delivers for investors, the economy and the environment.

- **The future Taxonomy should be technology neutral and lead to investment in innovation, infrastructure and solutions that help achieve the EU goals cost-effectively.** The TEG report privileges some technologies and solutions over others. For example, not all activities are subject to a Life Cycle Emissions analysis. Some sectors face stricter requirements than the 2030 EU energy and climate goals despite their sustainability benefits (e.g. cogeneration or bioenergy), when other activities need to apply today's EU legislation (e.g. space heating and domestic hot water systems). Some solutions are also not properly considered (e.g. the value of heat and gas networks, including for storing renewable energy). A holistic approach looking at all solutions that contribute to meeting the EU energy, environmental, climate and circular economy goals is required to ensure a neutral approach and a level-playing field.

- **The future Taxonomy should adopt a transitional, evidence-based and pragmatic approach**, which reflects today's technological development, available renewable and highly efficient low-carbon solutions significantly contributing to the transition, as well as current energy mixes and existing infrastructure. EU countries will have different starting points entailing varying investment needs. Europe's transition to a cleaner society will not take one single form nor will it happen all in one day. Above all, no one should be left behind. Investments considered 'sustainable' today should also not become 'unsustainable' overnight because they are not listed or do not fit the Taxonomy definition. This is key to ensure regulatory certainty and economic stability.

- **The future Taxonomy should better tackle environmental sustainability but also the social and economic pillars of sustainability.** Focusing mainly on carbon emissions reduction, the TEG report needs to tackle better concepts such as circular economy, resource efficiency and energy efficiency for their significant environmental and health benefits (e.g. lower ecological and resource depletion, better air quality) as well as economic benefits (e.g. independent, secure and reliable supply of raw materials and energy, reduced dependence on imports, improved competitiveness). Not doing so risks compromising the very notion of (all-around) sustainability, which is essential to make fully informed and successful investment decisions for the future. On the contrary, integrating those dimensions into the Taxonomy would render it more comprehensive and better aligned with other major EU policy priorities, including fostering reindustrialisation and employment in Europe, and help make the move to a sustainable society an economic success for Europe.

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