Programme

**Moderator:** Sandrine Dixon-Declève, Co-President of Club of Rome  
Member of the EU Platform on Sustainable Finance

1. **Introduction – overview of subgroup 3 progress**
   
   Nancy Saich, Chief Climate Change Expert, EIB  
   Rapporteur of Subgroup 3, EU Platform on Sustainable Finance

2. **Panel discussion**

3. **Moderated Q&A with audience**

4. **Closing remarks**
   
   Sandrine Dixon-Declève & Nancy Saich

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**Our Panel**

- **Hans Biemans**, Head Green and Social Bonds, ING and Chairman of the EBF Taxonomy Working Group
- **Ivan Faiella**, Coordinator G20 Sustainable Finance, Banca d’Italia
- **Matthias Kopp**, Director Sustainable Finance, WWF
- **Zuzana Krejcirikova**, Director of Public Affairs, CEZ Group
- **Magdalena Kuper**, Vice-President legal, German Asset Management Association
Chair: Nathan Fabian (PRI)

57 members & 10 observers
Appointed members from a range of sectors, including industry, academia & civil society

Technical Working Group
Advise on technical screening criteria
Rapporteur: Marzia Traverso (Institute of Sustainability in Civil Engineering at RWTH Aachen University)
Co-rapporteur: Ben Allen (The Institute for European Environmental Policy, IEEP)

Subgroup 2
Advise on Regulation review
[Postponed]

Subgroup 3
Advise on extension of Taxonomy to significantly harmful and low impact activities
Rapporteur: Nancy Saich (European Investment Bank, EIB)

Subgroup 4
Advise on extension of Taxonomy to social objectives
Rapporteur: Antje Schneeweiß (AKI - Arbeitskreis Kirchlicher Investoren in der evangelischen Kirche in Deutschland, EKD)

Subgroup 5
Advise on data availability & usability of criteria
Rapporteur: Helena Vines-Fiestas (BNP Paribas)

Subgroup 6
Monitoring capital flows to sustainable investments
[Postponed]
Subgroup 3 – Extension of the Taxonomy

8 members + 4 observers
(broad based representation including financial sector regulators, financial market participants, non-financial companies, civil society representatives, think tanks, EU organisations*)

Deliverable: a report assessing possible use cases for developing a Taxonomy for economic activities that:

- significantly harm (SH) environmental sustainability, or
- have no significant impact (NSI) on environmental sustainability.

The group will look into use cases for a significantly harmful or low impact taxonomy and will recommend on whether and how the taxonomy framework can and should be extended to cover such activities.

*Members of subgroup 3 listed at: https://ec.europa.eu/transparency/regexpert/index.cfm?do=groupDetail.groupDetail&groupId=3731
Our activities to date

Tight timeline – Delivery of initial ideas by May 2021

- **Conceptual design** of an extended taxonomy to significantly harmful, no significant impact and a complete taxonomy, including implications of covering all 6 environmental objectives.

- **Literature review** of what others have said about an extended taxonomy

- Identification of **potential actors** who would make use of an extended taxonomy

- Development of **Use Cases** for different actor groups

- **Support to Transition Taskforce** by focusing on transition for companies and financial market actors
Literature on extended Taxonomy beyond green

Some key findings

- In literature there are **business cases for both SH and NSI taxonomy**
- Use of **colour palette metaphor** is common in literature, e.g. “brown” and “shades of green”
- Strong **case for an expanded taxonomy made by central banks** and regulators with a mandate of financial and price stability
- Claims that a definition of significantly harmful activities will be **needed to meet COP26 ambition** to put in place foundations for sustainable finance.
- Market trend data suggest that **SH investments are growing relatively rather than declining**, e.g. in project finance for fossil fuels, whilst global annual subsidies for fossil fuels are approximately double those for renewables
- Taxonomy seen as a **tool to identify market pricing failures and to identify potential risks** (environmental performance and financial) of economic activities
- Literature and our own research shows that all Taxonomy definitions need to **take account of the dynamic nature of transition**
Extending the EU Taxonomy

Types of activities in the Taxonomy Regulation

1. Activities that in and of themselves contribute substantially to one of the six environmental objectives

2. Transitional activities where there are no technologically and economically feasible low-carbon alternatives, but that support the transition to a climate-neutral economy

3. Enabling activities that enable other activities to make a substantial contribution to one or more of the objectives

4. Power generation activities from solid fossil fuels explicitly excluded in Taxonomy Regulation

5. Significantly harmful activities

6. No Significant Impact activities

EU Taxonomy

? Extended Taxonomy?
Visualising an extended Taxonomy

1. Economic activities not covered by Taxonomy as no Substantial Contribution possible and Significant Harm in all cases

2. Prioritised economic activities with potential significant impact

3. Activities to be covered by Taxonomy Regulation in future

4. Activities that might be classified as No Significant Impact

- **Substantial Contribution (SC) Activities** (including transitional & enabling)
- **In between activities with risk of confusion**
- **Significantly Harmful (SH) activities**

SG3 has identified that this area of other activities causing SH might need to be considered

This area of activities is NOT the same as No Significant Impact

Sizes of Box 3 and Box 4 are unknown
The Taxonomy and its criteria are dynamic

This graphic represents a high impact sector/activity with a transition to net zero by 2050. The graphic would look different for a low impact activity or for some other environmental objectives. SC and DNSH criteria tighten over time.

- **W** – the activity/plant is not meeting the Do No Significant Harm (DNSH) criteria
- **X** – the activity/plant has a performance level between DNSH and Substantial Contribution (SC)
- **Y** – the activity/plant is performing better than the SC criteria
- **Z** – this is a low carbon/low impact technology – when this is widely available, SC criteria may drop to Z at the next criteria revision date
Actor groups who might make use of an Extended Taxonomy

- Regulators
- Central banks
- Supervisor, financial stability authority
- Government as regulator or policy maker

- EU Commission
- Credit Rating agencies
- ESG rating agency
- Index providers

- Institutional investors
- Retail Investors
- Impact investors
- Insurance companies
- Credit insurance companies
- (Public) Export Credit Agencies
- Fund managers
- Banks

- Government as project developer
- Local authorities / public sector
- Non financial corporates
- SMEs

- CSOs
- Consumers
- Researchers
- Environmental assessment for trade
- Communities
Panel Discussion

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**Panellists:**
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- Ivan Faiella, Coordinator G20 Sustainable Finance, Banca d’Italia
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Participants are invited to submit their questions via Twitter using the hashtag
#SustainableFinanceEU
Concluding Remarks

Nancy Saich
Chief Climate Change Expert, EIB
Rapporteur of Subgroup 3, EU Platform on Sustainable Finance

Sandrine Dixon-Declève
Co-President of Club of Rome
Member of the EU Platform on Sustainable Finance