

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

August 2021, The Netherlands

The Dutch answers to the questionnaire are displayed by *this format*.

QUESTIONNAIRE

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?

☒ *Yes, I agree to my response being published under the name of the public authority (we do not wish our individual names to be publicly published with our response)*

☐ No, I do not want my response to be published

IDENTIFICATION FORM:

☒ I am giving my contribution as

1. Academic/research institution
2. Business association
3. Company/business organisation
4. Consumer organisation
5. EU citizen
6. Environmental organisation
7. Non-EU citizen
8. Non-governmental organisation (NGO)
9. *Public authority*
 - a. 1. International or European organisation
 - b. 2. National or Local Government or Ministry*
 - c. 3. Regulatory authority, Supervisory authority or Central bank
 - d. 4. Other public authority
10. Trade union
11. Other

☒ For everyone who answers 2 or 3 : Organisation size

1. Micro (1 to 9 employees)
2. Small (10 to 49 employees)
3. Medium (50 to 249 employees)
4. Large (250 or more)

☒ First name and last name

? Name of your organisation

Ministry of Economic Affairs and Climate Policy (EZK)

Ministry of Finance

? Email (this won't be published)

[REDACTED]

? 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:

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

- ☐ Austria
- ☐ Belgium
- ☐ Bulgaria
- ☐ Croatia
- ☐ Cyprus
- ☐ Czech Republic
- ☐ Denmark
- ☐ Estonia
- ☐ Finland
- ☐ France
- ☐ Germany
- ☐ Greece
- ☐ Hungary
- ☐ Iceland
- ☐ Ireland
- ☐ Italy
- ☐ Latvia
- ☐ Liechtenstein
- ☐ Lithuania
- ☐ Luxembourg
- ☐ Malta
- ☐ Norway
- ☐ Poland
- ☐ Portugal
- ☐ Romania
- ☐ Slovakia

- Slovenia
- Spain
- Sweden
- Switzerland

o The Netherlands

- United Kingdom
- Other country - Please specify your country:

Field of your activity?

- **Financial Activity**
 - 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
- **Non-Financial Activity (NACE)**
 - Agriculture, forestry and fishing
 - Mining and quarrying
 - Manufacturing
 - Electricity, gas, steam and air conditioning supply
 - Water supply; sewerage, waste management and remediation activities
 - Construction
 - Transportation and storage
 - Accommodation and food service activities
 - Information and communication
 - Real estate activities
 - Professional, scientific and technical activities
 - Administrative and support service activities
 - Public administration and defence; compulsory social security
 - Education
 - Human health and social work activities

Other – Government

Additional question for companies / business organisations (For everyone who answers 2 or 3 in the 1st question)

Does your company / business organisation have any activities covered by the Taxonomy Climate Delegated Act?

Not applicable

- Yes
- No
- Don't know
- Prefer not to say

If yes: what level do those activities of your company/business organisation that the Taxonomy Climate Delegated Act covers reach?

- Substantial contribution to climate change mitigation
- Doing no significant harm to climate change mitigation
- None of the above thresholds
- Don't know
- Prefer not to say

Questions on the draft report:

1. Which *environmental performance levels* should the taxonomy distinguish, with a view to help the environmental transition? Choose all of those that you would prioritise:

- a. Substantial contribution
- b. Intermediate performance
- c. Significantly harmful - but can improve to sustainability*
- d. Significantly harmful – but can improve not to do significant harm*
- e. Significantly harmful - but cannot improve sufficiently to avoid doing no significant harm*
- f. No significant impact

2. How could policies ensure that recognising the transition from significantly harmful to intermediate performance will not slow down the transition to green activities (that evidence shows we need to accelerate)? Check all that you agree with.

- b. Not relevant
- c. Distinguish different levels of environmental performance clearly throughout the taxonomy and in other instruments*
- d. Recognise only improvements from and to a well-defined level of environmental performance, rather than recognising activities sitting in a given level of performance below substantial contribution*
- e. Require continued improvement beyond the relevant investment plan*
- f. Require associated entity level transition strategy to understand the credibility of the intermediate transition.*
- g. Recognise multiple ways of transition depending on type of Technical Screening Criteria.
- h. Other safeguards would be needed

Explanation answer e:

In the Netherlands we already have some policies on continuous requirements on the improvement of investment plans. One example is a reporting requirement of companies to prove how they are minimizing their emission of substances of very high concern (SVHC). We believe it is useful to apply this type of policies to a broader extent, e.g. by including it in the general taxonomy.

3. Do you consider that recognising/naming the *significant harm performance level* would be important?

☒ Yes

☐ No

Follow-up question: If yes, please select the answer you agree with:

1. voluntary disclosures and guidance are sufficient

2. voluntary reporting is not effective, the **mandatory solution** is needed urgently

3. agree with the **staged approach** in the report to first work with voluntary disclosures/ guidance and in a later stage introduce mandatory reporting

4. In your view what would be the advantages and disadvantages of a ‘significantly harmful’ taxonomy as designed by the Platform (i.e. accompanied by an assessment of the existing and needed EU policy and legislative initiatives aimed at incentivising finance for urgent transition away from significantly harmful activities, for building climate-resilience and to support greening of the whole economy)? Check all that apply.

Advantages – a ‘significantly harmful’ taxonomy would:

☒ *Increase the transparency of environmental performance levels of activities.*

☒ *Improve the communication of transitions and transition plans on activity level.*

☒ *Help companies to develop strategies and investment plans for moving away from significantly harmful performance levels and meeting environmental objectives.*

☒ *Help markets define and develop instruments for financing the transition.*

☒ *Enhance risk management frameworks.*

☒ *Help policymakers to provide subsidies for decommissioning.*

☒ Other:

Please, elaborate on your answer. Could advantages be further enhanced? If so how?

Contribution to national and European environmental goals

An extension of the taxonomy greatly increases the chance to achieve the national as well as the European and other international environmental goals in time. This should be the main narrative of the general taxonomy. We support the extension and the methodology of the Platform to first start implementing the criteria for the sectors that have the biggest impact on reducing emissions. We believe that an acceleration in the most impactful sectors as well as an increase in sustainable financial investments can be realized to a large extent by implementing such a general taxonomy. The urgent need for a transition to a sustainable economy relies on frameworks such as the general taxonomy, since it is insufficient to only support green economic activities; in order to achieve our goals, member states need to be able to identify which parts of their economies are considered the most harmful based on the most recent scientific standards and steer the economic activities away from those.

Creating a level playing field

In the current taxonomy the administrative costs of reporting are incurred in financing sustainable activities. The financing of activities that are not sustainable are not faced with any additional administrative costs. This creates a competitive disadvantage. The financing of non-sustainable activities is relatively cheaper in terms of

administrative costs than sustainable activities. A significantly harmful taxonomy would introduce a similar administrative burden for both types of activities and therewith provide more transparency across the market and level the playing field.

Disadvantages – a ‘significantly harmful’ taxonomy would:

- ☐ Be a departure from the positive spirit of the green taxonomy.
- ☒ *Negatively impact the ability of companies to raise finance for transition.*
- ☒ *Accelerate transition risks and risks creating “stranded asset by legislation”.*
- ☐ Negatively impact banks with high shares of lending to certain companies both among retail customers and on the wholesale markets.
- ☒ *Disadvantage EU companies vs non-EU jurisdiction on the short term.*
- ☒ *Increase complexity, reporting burden and affect usability of the taxonomy.*
- ☐ Other

Please, elaborate on your answer. How could disadvantages be addressed?

Clear timeframes and administrative burdens (on SMEs)

Administrative burdens on SME should be carefully monitored and weighed. Precise and scientifically approved technical screening criteria will help to set clear boundaries on when economic activities are eligible for sustainable financing. However multiple separate taxonomies (i.e. the green, general and social taxonomy) might not be cost-efficient for economic entities in comparison to the benefits of sustainable finance. Financial supervisors are now faced with a long list of separate activities that would represent sustainable economic activities, but are left in the dark of when these criteria are tightened. A clear timeframe for the transition period during which the criteria of economic activities will be tightened in the future is needed.

Accelerating transition risks

A ‘significantly harmful’ taxonomy could accelerate transition risks and could create ‘stranded assets by legislation’. The taxonomy should be used to facilitate an orderly transition over time and should not result in activities becoming stranded assets from one day to another. The taxonomy should also be presented as a tool to guide the transition, not as a list of activities that can or cannot be invested in. Additionally, a taxonomy for significantly harmful activities could be used as a tool to prevent transition risks as well, since it should be able to clearly articulate the long term path towards our sustainability goals.

5. The report distinguishes two types of significantly harmful activities: those that are ‘always significantly harmful’ (no technical option to transition to an environmental performance not causing significant harm), and those that can transition out of causing significant harm.

Do you agree with the following statements? (Please check all boxes that you agree with)

- ☒ ***Always significantly harmful activities should be distinguished from those activities that have a potential to transition out of significant harm***

❑ Criteria should be added under the green taxonomy to **recognise as green the closure / decommissioning** for such always significantly harmful activities

❑ **Mandatory reporting on turnover from and capex/opex related to always significantly harmful activities should be introduced**

6. Do you consider recognising/naming the *intermediate performance level* useful to encourage mitigating significant harm?

- Yes

- No

7. For activities that are in the *intermediate performance* space (in between significant harm and substantial contribution):

a. Should all turnover from such activities be recognised as ***intermediate turnover***, and all opex as ***intermediate opex***?

- Yes

- No

b. Should all capex be recognised as ***'intermediate capex'*** irrespective of whether or not it improves environmental performance of the activity and by how much?

- Yes

- No

8. The report recommends to recognise 'intermediate transition', differentiated from green transition. What do you think are the essential conditions for recognising such intermediate transitions for activities that can make a substantial contribution to the given environmental objective:

A. that the activity reaches the intermediate performance level, in other words does not do significant harm to that particular environmental objective

B. in addition, that the activity continues to improve its environmental performance in order to stay in that intermediate performance level and not to do significant harm even if in the future the criteria are tightened.

If this answer is selected, follow-up question: The criteria for ensuring that the activity will improve to reach substantial contribution should include to (check all boxes you think should apply):

- ☐ have a transition plan in place
- ☐ set a deadline for the transition
- ☐ have the transition plan validated by the Board
- ☐ publish the transition plan
- ☐ audit the transition plan
- ☐ disclose how the intermediate transition fits within the entity level transition strategy
- ☐ *other: as explained for question 2e on page 4, in the Netherlands we already have some policies on continuous requirements on the improvement of investment plans. One example is a reporting requirement of companies to prove how they are minimizing their emission of substances of very high concern (SVHC). We believe it is useful to apply this type of policies to a broader extent, e.g. by including it in the general taxonomy.*

C. in addition, that the activity continues to improve its environmental performance in order to reach substantial contribution (green) in the future

If this answer is selected, follow-up question: The criteria for ensuring that the activity will improve to reach substantial contribution should include (check all boxes you think should apply):

- ☐ have a transition plan in place
- ☐ set a deadline for the transition
- ☐ have the transition plan validated by the Board
- ☐ publish the transition plan
- ☐ audit the transition plan
- ☐ other

D. in addition, that the activity does no significant harm to other environmental objectives

E. in addition, that the activity does no significant harm to any of the other environmental objectives, with the exception of adaptation (because failing to meet the do no significant harm criteria to adaptation means only a harm on the activity itself)

9. Do you have other suggestions for extending the taxonomy framework for significantly harmful activities, intermediate performance, intermediate transition? [open answer]

Answer:

We support the Platform's proposed methodology that labels the (un)sustainability of economic activities red, orange or green, as it is a very clear symbolization of which activities should definitely end (red), which are considered as transitional (yellow/amber), and which activities at a certain moment in time are sustainable (green). We think that setting clear timeframes and ambitious deadlines with (intermediate) targets for the yellow/amber category is an important addition to this model. The recently introduced category of 'intermediate performance' (IP) is a welcome addition, because, essentially, its central driver is to stimulate sectors and companies to move away from harmful activities (even within the transitional space). However, clarity and complexity remain an issue. We recognize the need to acknowledge even the smallest movements away from the harmful activities, but adding such a category would likely ask for strict monitoring and very clear distinctions on the borders of the SH/DNSH/SC spaces to verify whether the investments are in fact moving into the right direction. We prefer a system like the clear traffic light signaling as is proposed in the draft of the general taxonomy. This is the most straightforward way. Finally, the taxonomy framework should incentivize the most ambitious possible transition pathways towards sustainability. activities, meaning that recognizing intermediary performance activities as such should not disincentivize economic actors to move from unsustainable to sustainable activities right away.

10. In your view what would be the advantages and disadvantages of a 'no significant (environmental) impact' taxonomy? Check all that apply and add anything you think is missing. Advantages – a 'no significant environmental impact' taxonomy would:

- a. help the ESG analysis
- b. be beneficial for SME's to access finance
- c. be beneficial for SME's to access green finance (if it can allow for / incentivise greening even within the NSI space, where there is such possibility)
- d. ensure banks can report green lending to SMEs and continue to develop these markets
- e. allow easier access to finance for larger companies in these sectors
- f. other: is of a low priority, but could be a useful addition in the future.

Please, elaborate on your answer. Could advantages be further enhanced? If so how?

Focus on main impact of taxonomy

We support the thorough and detailed taxonomy that the Platform is developing with regards to multiple dimensions. However, we believe the taxonomy should, at this stage, focus on the most important aspects and uses it is being designed for. It is our believe that the taxonomy should mainly focus on stimulating the financial sector to become green, which is an essential part in reaching the national and European climate goals for the EU member states. The 'no significant (environmental) impact' (NSI) category has, in our view, the lowest priority in the taxonomy framework and should be developed only if the other categories (SC, SH, DSNH, etc.) are well-defined and implemented. We expect that the NSI category could become important for the taxonomy framework in the future, but we would like to emphasize that at this stage minimal effort should be put into developing this category.

Disadvantages – a 'no significant environmental impact' taxonomy:

- a. be too complex to manage, as a framework
- b. imply burdensome reporting obligations
- c. risk disadvantaging 'no significant impact activities' vis-à-vis intermediate contribution activities that are likely to be more polluting
- d. other

Please, elaborate on your answer. How could disadvantages be addressed?

11. Can you give examples of activities which you think would be considered as NSI?

12. If there was to be an extension of the taxonomy to address NSI activities, should it be a requirement for companies or investors wishing to report activities under the NSI taxonomy to first participate in an environmental labelling or certification scheme (such as EMAS) to validate minimum levels of environmental performance?

- ☐ Yes, reporting of activities should stay voluntary but conditional upon such a certification/labelling
- ☒ *No, reporting of activities should stay voluntary but there should not be any certification/labelling as a condition*

13. Do you consider it would be helpful if the Platform prepared non-binding guidance on NSI activities which could be published by the Commission for voluntary use by taxonomy users?

- ☐ Yes
- ☒ *No*

Follow-up question to those who select Yes: If you agree, what should be the scope of such guidance, for instance in relation to minimum standards of environmental performance? [open answer]

14. Are you in favour of a phased approach where NSI could be recognised as a generic category (through guidance) without L1 change?

- ☐ Yes, it is a priority
- ☒ *Yes but it should be done in future only*
- ☐ No

15. Prior to any L1 change (if at all), do you consider that the Platform should recommend to include some NSI activities in the taxonomy by e.g. creating a generic category for 'green' service providers under the adaptation or other objectives?

- ☐ Yes
- ☒ *No*