

## EU taxonomy

### Background

Since 2015, the European institutions have been committed to encouraging sustainable investments and redirecting financial flows to "make them consistent with a pathway to low greenhouse gas emission and climate change resilient development" (Paris Agreement, Article 2.1.c). At the end of 2016, the European Commission appointed the High-Level Expert Group (HLEG) on Sustainable Finance with a mandate to recommend financial reforms on which to base the EU strategy on sustainable finance. The group, composed of members and observers from banking, insurance, asset management, stock exchanges, financial industry associations, international institutions and civil society began work in January 2017 and delivered their final report in January 2018. The report includes eight key recommendations and several cross-cutting and sector-specific recommendations to align the financial system with sustainability goals.

In March 2020, the European Commission's Technical Expert Group on Sustainable Finance (TEG) published its [final report](#) on green taxonomy aiming at standardising sustainable activities while proposing a common vocabulary for European actors to avoid any risk of greenwashing.

In order to meet the EU's climate and energy targets for 2030 and reach the objectives of the [European Green Deal](#), it is fundamental to direct investments towards sustainable projects and activities. The current COVID-19 pandemic has reinforced the need to redirect capital flows towards sustainable projects in order to make our economies, businesses and societies, in particular health systems, more resilient against climate and environmental shocks and risks with clear co-benefits for health.

To achieve this, a common language and a clear definition of what is 'sustainable' is needed. This is why the [action plan on financing sustainable growth](#) called for the creation of a common classification system for sustainable economic activities, or an "EU taxonomy".

### What is the EU taxonomy

The EU taxonomy is a classification system, establishing a list of environmentally sustainable economic activities. The taxonomy is a standardised classification for assessing the sustainability of 70 economic activities, representing 93% of the EU's greenhouse gas (GHG) emissions, at different levels:

- Activities that are already considered low-carbon and compatible with the Paris Agreement (e.g. low-carbon transport);
- Activities that could contribute to the transition to a net-zero economy in 2050 but are not yet on a carbon neutral path (e.g. building renovation);
- Activities that enable the 'greening' or emission reduction of other activities, such as the development of technologies that lead to substantial emission reductions in other sectors (e.g. wind turbine plant).

The aim is to highlight the sectors of activity where it is preferable to invest to enable Europe to achieve carbon neutrality by 2050. This objective is part of the European Green Deal, which puts climate change at the forefront of the continent's agenda by proposing three main objectives:

- Achieving zero net carbon emissions by 2050
- Decoupling growth from resource use
- Preserving biodiversity and reducing pollution

The EU taxonomy is an important enabler to scale up sustainable investment and to implement the European Green Deal.

Notably, by providing appropriate definitions to companies, investors and policymakers on which economic activities can be considered environmentally sustainable, it is expected to create security for investors, protect private investors from greenwashing, help companies to plan the transition, mitigate market fragmentation and eventually help shift investments where they are most needed.

Moreover, The Commission has prepared an IT tool that will facilitate the use of the taxonomy by allowing users to navigate easily through the taxonomy.

### **Taxonomy Regulation and delegated acts**

The [EU Taxonomy Regulation 2020/852](#) was published in the Official Journal of the European Union on 22 June 2020 and entered into force on 12 July 2020. It establishes the framework for the EU taxonomy by setting out four overarching conditions that an economic activity has to meet in order to qualify as environmentally sustainable.

The Taxonomy Regulation establishes six environmental objectives:

1. Climate change mitigation
2. Climate change adaptation
3. The sustainable use and protection of water and marine resources
4. The transition to a circular economy
5. Pollution prevention and control
6. The protection and restoration of biodiversity and ecosystems

The Taxonomy Regulation identifies environmentally sustainable economic activities based on technical screening criteria that are set out in the Commission's *delegated acts* developed under this Regulation.

### **Who is targeted?**

The Green Taxonomy targets two types of actors:

- Those who publish information for their stakeholders and in particular their investors, i.e. the large organisations that are already required to provide a declaration of extra-financial performance (DPEF) under the Non-Financial Reporting Directive
- Those who use this information: financial market actors, financial supervisory institutions (such as central banks) and all Member States when establishing public measures, standards or labels for green financial products or green bonds.

### **How to be eligible to the European Green Taxonomy?**

In order to be aligned with the taxonomy, the economic activities of organisations must contribute to at least one of the six environmental objectives defined by the TEG and not undermine the other objectives:

1. Climate change mitigation: the impact of an organisation on the environment
2. Climate change adaptation: the impact of the environment on an organisation
3. Sustainable use and protection of water and marine resources
4. Transition to a circular economy, waste prevention and recycling
5. Pollution prevention and reduction
6. Protection of healthy ecosystems

### **Timeline and next steps :**

- March 2020: Publication of text with details of criteria for the first two climate change mitigation and adaptation targets

- Adoption of the text at the end of 2020 in relation to the criteria for the first two objectives and entry into force from 31 December 2021.
- March 2021 - a new draft delegated act with two annexes ([annex I](#); [annex II](#)) on the classification of green investments has been published by the Commission and is under discussion. It specifies under which conditions an activity can be included in the taxonomy.
- On 21 April the European Commission adopted a comprehensive package of measures. The package includes the following elements:
  - The EU Taxonomy Climate Delegated Act: it provides a list of economic activities that contribute to meeting the EU's environmental objectives. The College of Commissioners reached a political agreement on the text. The Delegated Act will be formally adopted at the end of May. Though, the Act will be scrutinised by the EP and Council.
  - A proposal for a Corporate Sustainability Reporting Directive (CSRD) : it aims to improve the flow of sustainability information in the corporate world. It will make sustainability reporting by companies more consistent, so that financial firms, investors and the broader public can use comparable and reliable sustainability information. The legislative proposal will now be forwarded to the EP and Council.
  - Six amending Delegated Acts on fiduciary duties, investment and insurance advice will ensure that financial firms, e.g. advisers, asset managers or insurers, include sustainability in their procedures and their investment advice to clients. These amendments will be scrutinised by the EP and Council. [EC background documents and press release](#)
- On 4 June 2021 the European Commission adopted the first delegated act – the [Climate Delegated Act](#) – that defines the technical screening criteria for economic activities with significant contribution to climate change and adaptation (these are the first two environmental objectives listed above). Another delegated act concerning the technical screening criteria for the remaining four environmental objectives – the *Environmental Delegated Act* – has yet to be developed and adopted.
- On 6 July 2021 the European Commission adopted 3 measures to boost sustainable finance:
  - The EC launched a [Sustainable Finance Strategy](#) setting out six sets of actions to tackle climate change, and other environmental challenges, while increasing investment – and the inclusiveness of small and medium-sized enterprises (SMEs) – in the EU's transition towards a sustainable economy.
  - The EC proposed a Regulation on a voluntary [European Green Bond Standard \(EUGBS\)](#). This proposal will create a high-quality voluntary standard available to all issuers to help financing sustainable investments. Green bonds are already used to raise financing in sectors such as energy production and distribution, resource-efficient housing, and low-carbon transport infrastructure. But there is potential to raise the environmental ambition of the green bond market. The EUGBS will set a 'gold standard' for how companies and public authorities can use green bonds to raise funds on capital markets to finance ambitious investments, while meeting tough sustainability requirements and protecting investors from greenwashing.
  - The EC adopted a [Delegated Act](#) supplementing Article 8 of the EU Taxonomy Regulation, which obliges financial and non-financial companies to provide information to investors about the environmental performance of their assets and economic activities. Markets and investors need clear and comparable sustainability information to prevent greenwashing. The new Delegated Act sets out the content, methodology and presentation of information to be disclosed by large financial and non-financial companies on the share of their business, investments or lending activities that are aligned with the EU Taxonomy. This Delegated Act has been transmitted for scrutiny by the EP and the Council for a period of 4 months, extendable once by 2 months. [EC background documents and press release](#)

## What is at stake for the toll motorway companies ?

The inclusion of an activity in the taxonomy should encourage private investment. In addition, Socially Responsible Investment (SRI) is developing on the idea that taking into account social and environmental criteria allows for a better identification of successful companies in the medium and long term. The inclusion of the activities of motorway concession companies in the scope of the taxonomy could facilitate compliance with the transparency obligations placed on investors: if the activity in which the investment is made falls within the scope of the taxonomy, the investor (asset owner or asset manager) will be able to determine exactly what the green share of his portfolio is (the share of the turnover of the underlying assets that contributes to the transition).

It should be noted that the exclusion of the activities of motorway concession companies from the scope of the taxonomy regulation would not have direct negative consequences (such as sanctions) and that their inclusion would take place on a voluntary basis, based on an initiative of the motorway companies. This inclusion, while giving rise to the advantages mentioned above, would not be without constraints. Indeed, companies that fall within the scope of the taxonomy will have to provide environmental and social data, based on accounting standards similar to those that apply to financial information.

At this stage, it is not clear which activities fall within the scope of the taxonomy. The regulatory framework is complex (it goes far beyond the taxonomy Regulation and its delegated acts) and still incomplete (delegated acts are still to be adopted). Moreover, the test for determining whether an activity is included in the taxonomy is very technical.

It is therefore not possible to determine with certainty whether motorway companies will be able to benefit from the advantages arising from the application of the taxonomy regulation. The inclusion of some of the activities of the toll road operators in the scope of the taxonomy would undoubtedly constitute an important argument in support of the role of the motorway sector in the context of the ecological transition.

## ASECAP Taskforce on Taxonomy

To better understand the issues at stake, ASECAP has set up a Taskforce on Taxonomy that brings together experts from ASECAP members. The kickoff meeting will take place in digital format on 29 September. During this meeting, Axelle Vermote, Policy Officer at the European Commission's DG MOVE, Unit B.2 Transport Investment, will explain what taxonomy is about and how the EU Taxonomy Regulation will be implemented, its application in our sector in investment projects planned in view of Green Deal policy.

Sources : *EC website*

*EU TEG on Sustainable Finance. Technical Report. Taxonomy: Final report of the Technical Expert Group on Sustainable Finance, March 2020*

*EU TEG on Sustainable Finance. Taxonomy report. Technical Annex Updated methodology & Updated Technical Screening Criteria, March 2020*