

Topic : Sustainable Finance/ EU Taxonomy

Brief description and main aims:

In order to honour the EU's commitments within the Paris Agreement from 2015, the European Commission set up an Action Plan on Sustainable Financing in March 2018. The latter comprises amongst others a *Regulation on the establishment of a framework to facilitate sustainable investment* also known as taxonomy. The latter is destined to address the investment gap as regards the achievement of the EU's sustainability goals. Different national approaches as to what can be labelled as environmentally sustainable as well as greenwashing impede cross-border investment flows. Hence, a common language/methodology about what can be considered as environmentally sustainable should be developed. The objective consists in creating uniform criteria to assess the degree of sustainability of economic activities in order to determine the degree of environmental sustainability of a financial product.

The taxonomy shall be used whenever a financial product is being labelled as environmentally sustainable. The Regulation foresees criteria based on which the degree of sustainability of an economic activity is assessed. In order to elaborate these specific criteria a Technical Expert Group (TEG) has been set up. The Commission's proposal also entails the establishment of a Platform on Sustainable Finance. It will take the form of a typical Commission expert Group and replace the TEG while having similar tasks, i.e. advising the European Commission on the specific criteria.

Why FIEC is dealing with this topic :

The construction sector plays a prominent role in the most recent TEG report and will probably be targeted by future reports. Several construction activities having the potential to mitigate climate change are covered in this report: construction of transport infrastructure; construction of water projects; construction of new buildings; renovation of existing buildings; individual renovation measures, installation of renewables on-site and professional, scientific and technical activities, acquisition of buildings.

Apart from its initial use for financial products, the taxonomy might be applied in future EU legislation such as for the allocation of EU funds or in the public sector (cf. Sustainable Europe Investment Plan). It was already called a "procurement plan for the future." Hence, the taxonomy might have a considerable impact on the financing/funding of companies themselves and of individual construction projects. The construction industry being a central element of the Technical Report and the future Taxonomy, efforts should be made to ensure an adequate representation of the construction industry in the Platform on Sustainable Finance. The current TEG is mostly composed of representatives from the financial sector while there is a low number of representatives from the real economy.

Actions and key dates :

- 24/05/2018** – European Commission issues its proposal
- 28/03/2019** – Decision by Parliament on its position
- 18/06/2019** – TEG's Technical Report on the taxonomy
- 18/12/2019** – Interinstitutional Agreement
- 14/01/2020** – Sustainable Europe Investment Plan
- 02/2020** – FIEC meets DG FISMA
- 09/03/2020** – TEG's Final Technical Report on the taxonomy
- 12/03/2020** – Stakeholder Dialogue Meeting on Final TEG Reports
- 05-06/2020** – European Commission's Call for Experts for the Platform on Sustainable Finance

