



Gilles Boyer

MEP, Economic and Monetary Affairs Committee, European Parliament

EU taxonomy: crucial first step to fulfil citizens' sustainability expectations

The world is changing rapidly and what just a short time ago may have seemed unrealistic, unfeasible and a pipedream is quickly becoming a reality in the field of the greening of the financial sector, amongst others. The sustainable finance (taxonomy) file recently agreed between the European Parliament and the Council is a concrete example. In reaching an agreement on the taxonomy file, the EU institutions have created a clear framework for the financial sector regarding sustainable finance and investments for the future.

The European Union is leading the world in this field having created this unique taxonomy. This is an incredibly dynamic and rapidly growing sector and lawmakers are aware of the stakes involved. Citizens are calling out for clear and transparent rules for this sector, to provide clarity and uniform standards to enable them to invest with confidence in certified sustainable projects. The financial sector is also, in my experience as a lawmaker in this field, in general highly supportive of clear legislation in this field. By providing a legislative framework this allows them to propose sustainable products to the market and create their internal modelling to ensure they are able to provide the required reporting information and respond to the increasing market demand in this sector.

There are of course legitimate concerns about how the adoption of ESG targets more generally and the taxonomy framework more specifically will be implemented, both in terms of which investments will be taxonomy compliant and the timeframe available to ensure that the required reporting data is available and able to be submitted in the appropriate format and at an appropriate cost. In discussions with the financial sector there is a clear consciousness that this sustainable finance evolution is not a flash in the pan but a sector which will increase in importance rapidly over the coming years. Those actors who understood this early have already made significant progress in incorporating changes into their products, modelling, reporting and decision-making process and are supportive of the legislative evolutions.

The journey is only just beginning. The EU has currently agreed on a sustainable finance framework but the concrete details of which investments will qualify remain to be finalised. This will happen in a staggered approach over the next two years. As legislators we have foreseen a difference of 12 months between the adoption of the specific standards concerning what can be considered a sustainable investment and the entry into force of this legislation, and thus the reporting requirements, in order to

try to ensure that the market has sufficient time to adapt, as these are significant and important evolutions.

It was a strategic choice for the EU taxonomy framework to focus on environmental activities. This is already an important step forward, which will have significant implications for the financial sector. This is just the beginning. Before making the taxonomy proposal the Commission established the High Level Expert Group on sustainable finance to work on the issue (HLEG). The HLEG undertook a thorough and important job of deep analysis and reflection. This serious and essential work provided crucial input to the legislative process, which is advancing rapidly.

To complement the environmental strand, social and governance issues are also of crucial importance but the HLEG focused their initial work on the environmental aspects, which already took years of analysis and reflection. The European Parliament and the Council decided to start with an environmental taxonomy and called for further analysis to enlarge this taxonomy to also include social and governance issues in time. The story does not end here. It is essential to see the taxonomy legislation within the broader EU legislative framework, for example the ambitious European Green Deal, and within that notably the Sustainable Europe investment plan. ●