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EU taxonomy: the programming language of the European Green Deal

«The EU Taxonomy as the catalyst for the green economic rebound»

We are still in the fighting phase of the COVID-19 crisis, but fortunately, the end is in sight, thanks to the progress in the roll-out of COVID-19 vaccines across the EU and the selfless sacrifices made by the frontline coronavirus warriors and by all the companies and workers who have borne such a disproportionate share of the burden.

As we are starting to see the light at the end of the tunnel, it is becoming ever more evident that the economic recovery will be green, or it won't be at all. This conclusion derives not only from the fact that the European and national public support schemes will be financing to a large extent environmentally and socially sustainable economic activities. Indeed, a fair transition to a green economy is not a mere policy choice nor an experiment designed in a laboratory. We just need to look at the crisis wrought by the coronavirus as an early warning of what could potentially happen should a climate disaster strike. The Covid-19 pandemic will eventually subside, but the climate crisis is here to stay.

The green recovery will not happen just by accident. And showing goodwill when it comes to promoting a transition to a green and sustainable economy won't be enough either. We need to find the right incentives in order to direct investments to green activities and start thinking more from a long-term perspective. Such a paradigm shift in economics requires not only significant investment from both the EU and the national public sector, but also from the private sector. Even more importantly, it must be based on a new programming language, that maps the way things are and that encourages people to effect change in the world. As we all know, language is action, and the EU Taxonomy will become the new programming language of the green economy that is yet to come.

From this perspective, it is clear that Taxonomy is not only about organizing and classifying. Which industries should qualify for support? Should investments go exclusively to self-evidently green sectors or also to firms in carbon-intensive sectors trying to clean up? How can stakeholders be brought together to formulate a vision for the future and how can such a vision be implemented? In the public arena, where stakeholders often have very different incentives, this can be particularly challenging. We need therefore to also consider that the key

concern for many companies, regions and cities is the 'fairness' portion of the 'fair and green' transition.

As we create this new language, we must work with all stakeholders to ensure a just transition where nobody is left behind and that the EU Taxonomy is workable and dynamic, responding to changes in technology, scientific evidence, new activities and data. The upcoming Delegated Act establishing the screening criteria for economic activities contributing substantially to climate change mitigation or adaptation, is a very important step in this process. Furthermore, a common EU database of Taxonomy reports would ease transparency and comparability, while avoiding duplication of data collection efforts.

In this regard, I think it is fair to acknowledge that the Commission is trying its best to come up with innovative solutions in order to create a single market for data by connecting existing databases through digital means. And, why not, maybe it is also the right time to take advantage of the latest technology, such as Distributed Ledger Technologies, to provide a single point of access to information relevant to investors and companies. Eventually, progress in this area will naturally spill over to the workstreams on taxonomy of "brown" and "social" activities, which would enhance comparability and reliability of ESG data.

Technical discussions on the EU taxonomy and political discussions on the broadness of the transition category that recognizes companies' efforts to invest in becoming carbon neutral, are not only inevitable, but a fundamental aspect of democratic law-making. As long as we have a clear sense of direction and the necessary political goodwill, it is entirely possible for this project to succeed.