

## General comments on the consultation

First of all, ESBG welcomes this consultation as well as the opportunity to provide input regarding the new set of EU taxonomy criteria for economic activities that contribute substantially to one or more of the following environmental objectives (sustainable use and protection of water and marine resources; transition to a circular economy; pollution prevention and control; protection and restoration of biodiversity and ecosystems) and also regarding the targeted amendments to the Taxonomy Climate Delegated Act and to the Taxonomy Disclosures Delegated Act.

ESBG has always been supportive of a workable EU Taxonomy. While the technical screening criteria of the taxonomy must remain consistent and encourage capital reallocation towards a sustainable economy, they should be selected so that they may be applied to all relevant financing activities without creating an excessive administrative burden for some players. In other words, all financial institutions should have the tools at hand to play a vital role in financing the transition to a more sustainable EU economy. Definitions should therefore be clear, and applicable indicators should ensure a sufficient degree of comparability.

A workable and dynamic taxonomy is essential to ensure a homogeneous inclusion of environmental considerations throughout the EU. The taxonomy needs to take into account SME lending and improvement of the energy efficiency of private real estate. Also, to avoid conflicting objectives between environmental protection concerns and social objectives (prosperity and employment) the taxonomy and its delegated regulation should ascertain that greening the economy is fully coherent with the social aims supported by retail banks, sustaining local communities and SMEs, which is most crucial for innovation and job creation.

Regarding this consultation more precisely, ESBG would like to stress that it regrets the short deadline given to answer (one month) despite the length and technicity of the consultation. That being said, ESBG appreciates that financial undertakings will only have to include the new economic activities on Environmental Goals 3-6 and the complementary economic activities on Environmental Goals 1 and 2 in the key performance indicators (KPI) from January 1, 2026. This is appropriate as this information builds on the reporting obligations of non-financial undertakings. ESBG therefore notes that the wording in Article 5 (7) should read *"From January 1, 2024 until December 31, **2025**, financial undertakings shall only disclose [...]"*

Nonetheless, there are also some **shortcomings** in ESBG's view. First, ESBG assesses that the 2024 application period for % eligibility is going to create



problems for investment managers because they will have very little data coverage. A transitional solution could be to be allowed to use sectoral approximations via NACE codes. Also, it is not clear from when the % of alignment by financial companies will have to be published.

As for the amendments to Delegated Regulation (EU) 2021/2178, the Article 5 considers new timeline for disclosure, however it is not clear if this is referred to the 4 remaining environmental objectives or the whole 6 objectives. For example, from 1 January 2024 until 31 December 2024, would financial undertakings be required to report the proportion of their covered assets exposed to Taxonomy-eligible activities under the whole 6 environmental objectives, or would they be required to report the Taxonomy-alignment for the already available objectives (Climate Change Mitigations & Adaptation), and only report eligibility for the 4 remaining objectives?

When it comes to the Green Asset Ratio (GAR), ESBG is overall satisfied even though we have some comments:

- ESBG believes it is important to keep the one-year gap between the corporate and financial reporting alignment.
- Ideally, we would like the grandfathering clause (article 7-5 and article 8 of the Taxonomy) to be aligned with the EU Green bond standards one in order to avoid operational issues with banks' clients.
- Also, we assess that an alignment between pillar 3 GAR and the Taxonomy one will also make sense.

Finally, ESBG believes that there is a disparity among annexes or criteria. Indeed, there is very little specificity or granularity in some objectives, especially regarding the biodiversity, whereas other annexes are very granular or specific. Moreover, there could be problems arising in the certificates in projects outside the euro zone. Indeed, in other areas of the world it can be difficult to comply with the European standards, for example regarding the certificates on recyclable materials in constructions that are carried out in developing countries, as established by the circular economy objective.

Therefore, please find attached ESBG response using the template provided by the Commission in order to dive more into the details of the consultation after these preliminary remarks.

## Template for providing your feedback on the EU Taxonomy Delegated Acts

<b>TYPE OF RESPONDENT:</b> Choose an item.	<b>TRANSPARENCY REGISTER NUMBER:</b>
<b>COUNTRY:</b>	<b>SECTOR OF ACTIVITY:</b> Choose an item.
<b>ORGANISATION:</b>	<b>ORGANISATION SIZE:</b> Choose an item.
<b>FIRST NAME:</b>	<b>LAST NAME:</b>
<b>EMAIL ADDRESS:</b>	

The Delegated Acts presented in this call for feedback include several activities spanning over various economic sectors substantially contributing to all six environmental objectives of the Taxonomy Regulation, however only some of these activities may be of relevance to you. To facilitate your feedback process, find an overview of included activities per sector and environmental objective on the [EU Taxonomy website](#).

Stakeholders are asked to limit their feedback only to the content of the drafts Delegated Acts subject to this call for feedback. Any other comments, including suggestions to add new activities will not be considered. A specific mechanism to channel these requests will be made available on the Commission website in the future.

When replying to this call for feedback, please clearly signal which activities in the draft Delegated Regulation(s) your comments relate to. For example, if referring to activity 3.19 regarding the manufacture of rail constituents in the draft amending Delegated Regulation regarding the objective of climate change mitigation (CCM), please mention the activity reference number (3.19) and the objective (CCM) clearly in your submission. The objectives should be abbreviated as follows:

- Climate Change Mitigation: CCM
- Climate Change Adaptation: CCA
- Water: WTR
- Circular Economy: CE
- Pollution Prevention and Control: PPC
- Biodiversity and ecosystems: BIO

If referring to the amendments to Delegated Regulation (EU) 2021/2178 regarding disclosures under the Taxonomy (Art. 8), please also clearly highlight the relevant Section or Annex your reply refers to.

In line with the taxonomy's guiding principle of establishing robust, science-based criteria, the call for feedback puts emphasis on providing a **clear scientific and technical explanation and rationale** as well as **supporting evidence** (including links to published journals and articles) for any comments made with respect to the proposed technical screening criteria.

For more information on the EU Taxonomy and activities already covered in the Taxonomy Climate Delegated Act, please visit: [https://finance.ec.europa.eu/sustainable-finance/tools-and-standards/eu-taxonomy-sustainable-activities\\_en](https://finance.ec.europa.eu/sustainable-finance/tools-and-standards/eu-taxonomy-sustainable-activities_en).

*Please copy/paste the below comment table for each activity that you would like to provide comments to. In addition, please name the file using your organisation's or first and last name: e.g. Company X or John\_Smith.*

<b>COMMENT</b>
<b>Delegated Act: Taxonomy Environmental Delegated Act</b>
<b>Annex: Annex I to Environmental Delegated Act (WTR)</b>
<b>ACTIVITY ( ):</b>
<ol style="list-style-type: none"> <li>1. <b>GENERAL COMMENT (incl. comments on corrections of technical mistakes in Climate Delegated Act and Article 8 Delegated Act):</b> In terms of sectors analyzed, the EC focuses mainly on leakage reduction, distribution networks and water treatment/reuse, and more marginally on solutions that allow the fight against floods and droughts.</li> <li>2. It is not a closed version and will incorporate more sectors, but it is surprising that agricultural activities are not incorporated in this first version, being particularly water-intensive.</li> <li>3. The issue of protecting marine resources is not covered currently.</li> </ol>
<b>COMMENT ON THE ACTIVITY DESCRIPTION:</b>
<b>COMMENT ON THE ACTIVITY SUBSTANTIAL CONTRIBUTION CRITERIA:</b>
<b>COMMENT ON THE ACTIVITY DO NO SIGNIFICANT HARM CRITERIA:</b>

<b>COMMENT</b>
<b>Delegated Act: Amendment to Taxonomy Climate Delegated Act</b>
<b>Annex: Annex I to Climate Delegated Act (CCM)</b>

<b>ACTIVITY (): 3.19. Manufacture of rail constituents</b>
<b>COMMENT ON THE ACTIVITY DESCRIPTION:</b>
<b>COMMENT ON THE ACTIVITY SUBSTANTIAL CONTRIBUTION CRITERIA:</b>  <i>b) zero direct tailpipe CO2 emission when operated on a track with necessary infrastructure, and use a conventional engine where such infrastructure is not available ... how the manufacturer company can provide and guarantee this information? In case of manufacturer, is this about the initial or current use of such trains?</i>  Also, how to assess investment into manufacturing technologies that are usable for production/repairs of all kind of trains (electric, bi-mode but also diesel)?
<b>COMMENT ON THE ACTIVITY DO NO SIGNIFICANT HARM CRITERIA:</b>

## COMMENT

<b>Delegated Act: Taxonomy Environmental Delegated Act</b>
<b>Annex: Annex I to Environmental Delegated Act (WTR)</b>
<b>ACTIVITY (e.g. CCM 3.19 Manufacture of rail constituents): 2.3. Sustainable urban drainage systems (SUDS)</b>
<b>GENERAL COMMENT (incl. comments on corrections of technical mistakes in Climate Delegated Act and Article 8 Delegated Act):</b>
<b>COMMENT ON THE ACTIVITY DESCRIPTION:</b>
<b>COMMENT ON THE ACTIVITY SUBSTANTIAL CONTRIBUTION CRITERIA:</b>  (c) the design of the sustainable urban drainage system achieves at least one of the following effects: (i) a quantified percentage of rainwater in the catchment area of the drainage system is retained and discharged with a staggered delay to the receiving water bodies; (ii) a quantified percentage of pollutants, including oil, heavy metals, hazardous chemicals and microplastics, is removed from urban runoff before discharge to the receiving water bodies; (iii) runoff peak flow, with a return period in line with the requirements of flood risk management plans or other local provisions in place, is reduced by a quantified percentage.  <b>ESBG would like to ask whether there is a minimum/threshold in the quantified percentages required?</b>

**COMMENT ON THE ACTIVITY DO NO SIGNIFICANT HARM CRITERIA:**

**COMMENT**

**Delegated Act: Amendment to Taxonomy Climate Delegated Act**

**Annex: Annex I to Climate Delegated Act (CCM)**

**ACTIVITY ( ): 3.18. Manufacture of automotive and mobility components**

**COMMENT ON THE ACTIVITY DESCRIPTION:**

*components approved, designed, constructed and **used only** in vehicles and buses of category ...*  
 how the used only can be proved and monitored? There will be many components usable e.g. both in standard and electric cars. These general components are excluded from this activity even they are needed in electric cars as well?

**COMMENT ON THE ACTIVITY SUBSTANTIAL CONTRIBUTION CRITERIA:**

*... devices, where the **direct (tailpipe) CO2 emissions of the vehicles are zero**: a) ..., b) ..., c) ... d) 'zero-emission heavy-duty vehicles' ... unclear text, point d) these vehicles are not zero, they still have some emissions?*

**COMMENT ON THE ACTIVITY DO NO SIGNIFICANT HARM CRITERIA:**

**COMMENT**

**Delegated Act: Taxonomy Environmental Delegated Act**

**Annex: Annex II to Environmental Delegated Act (CE)**

**ACTIVITY ():**

**GENERAL COMMENT (incl. comments on corrections of technical mistakes in Climate Delegated Act and Article 8 Delegated Act):**

It generates confusion that within the eligible activities among the "Production of alternative water resources for purposes other than human consumption", which we understand, should appear among activities that contribute to a "sustainable use of water" (Annex I)

**COMMENT ON THE ACTIVITY DESCRIPTION:**

**COMMENT ON THE ACTIVITY SUBSTANTIAL CONTRIBUTION CRITERIA:**

**COMMENT ON THE ACTIVITY DO NO SIGNIFICANT HARM CRITERIA:**

**COMMENT**

**Delegated Act: Taxonomy Environmental Delegated Act**

**Annex: Annex II to Environmental Delegated Act (CE)**

**ACTIVITY (e.g. CCM 3.19 Manufacture of rail constituents): 3.1 Construction of new buildings**

**GENERAL COMMENT (incl. comments on corrections of technical mistakes in Climate Delegated Act and Article 8 Delegated Act):**

**COMMENT ON THE ACTIVITY DESCRIPTION:**

**COMMENT ON THE ACTIVITY SUBSTANTIAL CONTRIBUTION CRITERIA:**

Under point 4. (c) the technical screening criteria describes the threshold for "biobased products", and that "a maximum of 80% of the total material come from primary raw material". If this includes wood as a primary raw material, it is a massive challenge. In countries like Norway, wooden construction materials are encouraged to be used, as the production of these require significantly less emissions than e.g. concrete, as well as being an active carbon capture mechanism when forests are properly managed. One example is cross-laminated timber (CLT) where recycled wood is not utilised to a large extent. We believe that in cases like these, this criteria is not helpful in promoting more sustainable construction.

Also, Article 2. of the "Substantial contribution" segment defines that the life-cycle Global Warming Potential (GWP) of the building has to be calculated for each stage of the life cycle of the building. The similar clause in Annex I (concerning Climate Change Mitigation), Activity 7.1 "Construction of new buildings", however states in its article 3. of the technical screening criteria that the life-cycle Global Warming Potential (GWP) has to be performed ONLY if the building is larger than 5.000m<sup>2</sup>.

In our opinion, the proportionality principle should be adopted also in Annex II, since a full GWP analysis for the whole lifetime of a building is disproportionately expensive for smaller projects and should therefore only be mandatory for large projects (>5.000m<sup>2</sup>), as foreseen in Annex I.

This also would lead to a unification in the regulations and therefore to more acceptance from side of the stakeholders.

Finally, regarding the following “*b) zero direct tailpipe CO2 emission when operated on a track with necessary infrastructure, and use a conventional engine where such infrastructure is not available ...*” ESBG would like to ask how the manufacturer company can provide and guarantee this information? In case of manufacturer, is this about the initial or current use of such trains?

Also, how to assess investment into manufacturing technologies that are usable for production/repairs of all kind of trains (electric, bi-mode but also diesel)?

**COMMENT ON THE ACTIVITY DO NO SIGNIFICANT HARM CRITERIA:**

**COMMENT**

**Delegated Act: Taxonomy Environmental Delegated Act**

**Annex: Annex II to Environmental Delegated Act (CE)**

**ACTIVITY: 3.2 Renovation of existing buildings**

**GENERAL COMMENT (incl. comments on corrections of technical mistakes in Climate Delegated Act and Article 8 Delegated Act):**

**COMMENT ON THE ACTIVITY DESCRIPTION:**

**COMMENT ON THE ACTIVITY SUBSTANTIAL CONTRIBUTION CRITERIA:**

Article 2. of the “Substantial contribution” segment defines that the life-cycle Global Warming Potential (GWP) of the building has to be calculated for each stage of the life cycle of the building. The similar clause in Annex I, Activity 7.2 “Renovation of existing buildings”, provides no regulation concerning GWP calculation neither in its technical screening criteria, nor in its DNSH section.

Anyhow, analogously to article 2. of the technical screening criteria of Article 7.1 (Construction of new buildings) under Annex I, we propose that the life-cycle Global Warming Potential (GWP) should be performed also under Annex II in case the building is larger than 5.000m<sup>2</sup>.

In our opinion, the proportionality principle should be adopted also in Annex II, since a full GWP analysis for the whole lifetime of a building would be disproportionally expensive for smaller projects and should therefore only be mandatory for large projects (>5.000m<sup>2</sup>), as foreseen in Annex I for new buildings.

This also would lead to a unification in the regulations and therefore to more acceptance from side of the stakeholders.

**COMMENT ON THE ACTIVITY DO NO SIGNIFICANT HARM CRITERIA:**

**COMMENT**



<b>Delegated Act: Taxonomy Environmental Delegated Act</b>
<b>Annex: Annex II to Environmental Delegated Act (CE)</b>
<b>ACTIVITY (e.g. CCM 3.19 Manufacture of rail constituents): 2.6. Depollution and dismantling of end-of-life products</b>
<b>GENERAL COMMENT (incl. comments on corrections of technical mistakes in Climate Delegated Act and Article 8 Delegated Act):</b>
<b>COMMENT ON THE ACTIVITY DESCRIPTION:</b>
<p><b>COMMENT ON THE ACTIVITY SUBSTANTIAL CONTRIBUTION CRITERIA:</b></p> <p><i>1. The economic activity dismantles and depollutes separately collected waste, in state-of-the-art facilities, from complex end-of-life products, such as automobiles, electrical and electronic equipment (EEE) or ships, in order to:</i></p> <p><i>(a) harvest parts and components that are suited for re-use;</i></p> <p><i>(b) separate non-hazardous and hazardous waste fractions suited for material recovery including recovery of critical raw materials;</i></p> <p><b>→ Which parts and components can be considered for re-use (a) and is the definition of critical raw materials (b) referring to “Critical raw materials are defined as the elements listed in the EU Critical Raw Materials List (established through Communication from the Commission to the European Parliament, The Council, The European Economic And Social Committee And The Committee Of The Regions Critical Raw Materials Resilience: Charting a Path towards greater Security and Sustainability (COM/2020/474 final)) or other relevant Union legislation”?</b></p>
<b>COMMENT ON THE ACTIVITY DO NO SIGNIFICANT HARM CRITERIA:</b>

<b>COMMENT</b>
<b>Delegated Act: Taxonomy Environmental Delegated Act</b>
<b>Annex: Annex III to Environmental Delegated Act (PPC)</b>
<b>ACTIVITY (e.g. CCM 3.19 Manufacture of rail constituents): 1.2. Manufacture of pharmaceutical products</b>
<b>GENERAL COMMENT (incl. comments on corrections of technical mistakes in Climate Delegated Act and Article 8 Delegated Act):</b>

**COMMENT ON THE ACTIVITY DESCRIPTION:**
**COMMENT ON THE ACTIVITY SUBSTANTIAL CONTRIBUTION CRITERIA:**

1.2. *The manufacturer proves that there are no ingredients to produce an alternative pharmaceutical preparation that qualifies as an appropriate substitute, within the same therapeutic area or the substance class, that comply with the requirements described in point 1.1.1.*

--> **Which underlying documents can be considered as proof for compliance as requested in 1.2?**

1.2.6. *The manufacturer contributes to mitigating the environmental impact of incorrect waste disposal of unused pharmaceuticals, including by providing relevant information to the downstream users on appropriate disposal of unused pharmaceuticals.*

--> **Which underlying documents can be considered as proof for compliance as requested in 1.2.6?**

**COMMENT ON THE ACTIVITY DO NO SIGNIFICANT HARM CRITERIA:**
**COMMENT**

**Delegated Act: Taxonomy Environmental Delegated Act**

**Annex: Annex III to Environmental Delegated Act (PPC)**

**ACTIVITY ():**
**GENERAL COMMENT (incl. comments on corrections of technical mistakes in Climate Delegated Act and Article 8 Delegated Act):**

1. The sectors analyzed in the current version are very focused on 2 topics: hazardous substances (pharmaceutical sector), and waste treatment, in particular hazardous waste.
2. Air pollution (SO<sub>x</sub>, NO<sub>x</sub>, fine particulate matter, etc.) is not clearly reflected in the current choice of eligible sectors.

**COMMENT ON THE ACTIVITY DESCRIPTION:**
**COMMENT ON THE ACTIVITY SUBSTANTIAL CONTRIBUTION CRITERIA:**
**COMMENT ON THE ACTIVITY DO NO SIGNIFICANT HARM CRITERIA:**

<b>COMMENT</b>
<b>Delegated Act: Amendment to Taxonomy Climate Delegated Act</b>
<b>Annex:</b> Choose an item.
<b>ACTIVITY ( ):</b>
<b>GENERAL COMMENT (incl. comments on corrections of technical mistakes in Climate Delegated Act and Article 8 Delegated Act):</b>  There should be more time provided to analyze the proposal in detail. In any case, we find it inconsistent to integrate the aviation sector, even under the condition of using SAF (Sustainable Aviation Fuel) in eligible activities.
<b>COMMENT ON THE ACTIVITY DESCRIPTION:</b>
<b>COMMENT ON THE ACTIVITY SUBSTANTIAL CONTRIBUTION CRITERIA:</b>
<b>COMMENT ON THE ACTIVITY DO NO SIGNIFICANT HARM CRITERIA:</b>

<b>COMMENT</b>
<b>Delegated Act: Taxonomy Environmental Delegated Act</b>
<b>Annex:</b> Choose an item.
<b>ACTIVITY ( ):</b>
<b>Article 6 Date of application</b>  Under Article 6, the provisions of the DA are to apply beginning January 1, 2024 . The economic activities that comply with the four new environmental objectives and the adjustments to the first two environmental objectives would thus have to be taken into account when considering eligibility for the first deadline of December 31, 2023. However, the Delegated Regulation (EU) 2021/2178, includes a provision stating that companies will not have to report on the extent to which their activities are sustainable in terms of water, circular economy, pollution and biodiversity until 12 months after the date of entry into force of the delegated

act on the environment, which sets out the technical screening criteria for these targets. The draft delegated act on the environment provides for the deletion of this former paragraph Article 8(5) in article 5(1).

The deletion of Article 8(5) and the requirement to apply the new rules from January 1, 2024 for the 2023 fiscal year would limit the time to implement the new rules. Non-financial and financial undertakings would be overwhelmed with providing meaningful information and correctly applying the new standards without an adequate implementation period. All users rely on a transition period of 12 months. A period of less than one year is not sufficient for the implementation of new regulatory reporting requirements due to capacity constraints and the complexity of the subject matter for banks.

Therefore, ESBG would like to propose to postpone a deferral of the (mandatory) reporting requirements under Art. 5 by one year. This would give time for implementation and also support harmonization with the first cut-off date for the ESRS also for environmental objectives 3-6.

**COMMENT ON THE ACTIVITY DESCRIPTION:**

**COMMENT ON THE ACTIVITY SUBSTANTIAL CONTRIBUTION CRITERIA:**

**COMMENT ON THE ACTIVITY DO NO SIGNIFICANT HARM CRITERIA:**