

POSITION PAPER



ESBG response to the Commission consultation on developing or revising technical screening criteria for a given economic activity of the EU Taxonomy.

ESBG (European Savings and Retail Banking Group)

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ESBG Transparency Register ID 8765978796-80

December 2023

DRAFT



Table of content

Section I: Commenting on existing activities already included in the EU Taxonomy	3
Section II: Recommending new activities to be included in the EU Taxonomy	6
Section III: Supporting information	9

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Section I: Commenting on existing activities already included in the EU Taxonomy

Question 1.1 : Which activity would you like to comment on?

Please use the following format: Objective, section number, name of the activity (Example: Mitigation, 1.1, Afforestation)

Mitigation, 7.1., Construction of new buildings; Mitigation, 7.7. Acquisition and ownership of buildings

Question 1.2: Which aspect of the activity would you like to comment on?

- **Scope/description**
- **Substantial Contribution Criteria**
- DNSH criteria

Scope description

Question 1.2.1: Does your comment on the scope/ description of the activity concern:

- Scope of the activity, e.g. does the activity cover all necessary elements?
- Clarity of the description, e.g. is the description clear enough to understand the activity?
- Granularity of the description, e.g. are enough details provided

Please provide an alternative suggestion for the description of the activity with a brief scientific/technical explanation and rationale, as well as supporting evidence for your suggestion (including links to published journal articles and technical documents) (3000 characters maximum)

ESBG reckons that there are some disagreements between its members regarding these two points. However, we would like to stress that, after talking to many banks on ESG Bond Frameworks and what criteria they can or cannot include, some of ESBG members see the following challenges regarding Annex I of Commission delegated regulation (EU) 2021/2139 setting out the technical screening criteria for the environmental objectives of climate change mitigation and climate change adaptation:

- 7.1. New buildings: TSC – NZEB-10%: as interest rates have gone up, very few clients are willing or have the financial means to go beyond what NZEB requires, hence there is no generation of NZEB-10% assets. In addition, as building codes are tightened further, it will become even more difficult to reach NZEB-10%.
- 7.7. Acquisition and ownership of buildings: TSC: in commercial real estate, it is standard market practice to obtain international certificates from BREEAM, LEED or equivalents rather than EPCs. These certificates also differ from planning to actual building and then to operation. But these certificates are not recognised in Annex I, hence regulation is disregarding standard market practice.

Substantial contribution

Question 1.2.2: Are there any key technical factors that are missing in the technical screening criteria for substantial contribution of this activity or whose ambition level needs to be adjusted? If yes, please identify the missing aspects together with a brief scientific/technical explanation and rationale, as well as supporting evidence for your suggestion(s) (including links to published journal articles and technical documents).



(3000 characters maximum)

Question 1.2.3: Are there any key technical factors that need to be better defined in the technical screening criteria for substantial contribution of the activity? Question If yes, please identify the terms that need to be better defined and suggest an alternative definition together with a brief scientific/technical explanation and rationale, as well as supporting evidence for your suggestion(s) (including links to published journal articles and technical documents). (3000 characters maximum)

Question 1.2.4: Question Do you have concerns with respect to the ability to comply and/or implement (e.g. technical feasibility) the technical screening criteria for substantial contribution of the activity? If yes, please identify your concern(s) together with a brief scientific/technical explanation and rationale, as well as supporting evidence (including links to published journal articles and technical documents). (3000 characters maximum)

Question 1.2.5: Are there any other aspects you would like to raise (e.g. regarding potential links of the substantial contribution criteria of this activity with the substantial contribution criteria of another activity included in the Taxonomy)? If yes, please specify together with a brief scientific/technical explanation and rationale, as well as supporting evidence for your suggestion(s) (including links to published journal articles and technical documents). (3000 characters maximum)

Do Not Significant Harm

Question 1.2.6: Do you consider that the DNSH criteria ensure that no significant harm occurs to the objective?

	Yes	No
Climate change mitigation		
Climate change adaptation		



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		

For those DNSH criteria where you indicated "no", please specify what is missing from the criteria or what should be the performance limit level. (3000 characters maximum)

Question 1.2.7: Please provide a brief scientific/technical explanation and rationale, as well as supporting evidence for your suggestion(s) (including links to published journal articles and technical documents). (3000 characters maximum)

Question 1.2.9: Do you have concerns with respect to the ability to comply with and/or implement (e.g. technical feasibility) the technical screening criteria for DNSH of the activity? If yes, please identify your concern(s) together with a brief scientific/technical explanation and rationale, as well as supporting evidence for your suggestion(s) (including links to published journal articles and technical documents). (3000 characters maximum)

Question 1.2.10: Are there any other aspects you would like to raise (e.g. regarding potential links of the DNSH criteria of this activity with the DNSH criteria of another activity included in the Taxonomy)? If yes, please specify together with a brief scientific/technical explanation and rationale, as well as supporting evidence for your suggestion(s) (including links to published journal articles and technical documents).



Section II: Recommending new activities to be included in the EU Taxonomy

Question 2 : What activity would you like to propose for inclusion in the EU Taxonomy?

Question 2.1: What sector does the activity fall under?

Question 2.2: Is the activity already (partially) included in the Taxonomy? If yes, please specify the activity that is already covered in the EU Taxonomy.

Please use the following format: Objective, section number, name of activity (Example: Mitigation, 1.1, Afforestation)

Scope/Description

Question 3.1: Please include a description of the activity you would like to propose.

Question 3.2: Please include all relevant NACE codes that could be associated with the proposed activity. Please follow the NACE Rev 2 format (see [Commission Delegated Regulation \(EU\) 2023/137 of 10 October 2022 amending Regulation \(EC\) No 1893/2006 of the European Parliament and of the Council establishing the statistical classification of economic activities NACE Revision 2](#)). For example, for the activity "Growing of rice" please indicate A.01.12. If you indicate more than one NACE code, please separate them through a comma. For example: A.01.12, A.01.30

Question 3.3: Would the activity qualify as an own performance, enabling or transitional activity? (see definitions of these terms in the introduction of this questionnaire)

- Own performance
- Enabling
- Transitional



Question 3.3.1: If you indicated an enabling activity, is the activity that is enabled ("target activity") already included in a Delegated Act? If yes, what would be the target activity/ies included in a Delegated Act?

Please use the following format: Objective, section number, name of activity (Example: Mitigation, 1.1, Afforestation)

Question 3.3.2: If no, what would be the target activity/ies?

Substantial contribution

Question 4.1: To what environmental objective could the proposed activity make a substantial contribution?

- Climate change mitigation
- Climate change adaptation
- Sustainable use and protection of water and marine resources
- Transition to a circular economy
- Pollution prevention and control
- Protection and restoration of biodiversity and ecosystem

If you indicated one of the four environmental objectives (pollution, circular economy, water or biodiversity), please specify the type of substantial contribution that the proposed activity could make

- Reducing pressure
- Improving the state of the environment
- Directly enabling either of the two above

Question 4.1.1: Please justify on the basis of scientific/technical evidence how the activity can make a substantial contribution to the selected environmental objective, taking into account the relevant level of ambition. Where applicable please specify indicators that could measure the substantial contribution.

Please consult the following hyperlinks for more information on the level of ambition for [climate change mitigation](#) and [the four environmental objectives](#). For climate change adaptation, please consult this [report](#) (pp. 20-27), as well as Annex 6 of the [Impact Assessment for the first Delegated Act to the climate objectives](#)

If applicable, please describe the Technology Readiness Level rating (see here for the 9 TRL stages) related to this activity?



Question 4.2: Which of the following approaches would be most suitable for setting technical screening criteria for substantial contribution, as defined in the JRC report "Development of the [EU Sustainable Finance Taxonomy](#)":

- Impact based
- Performance and relation to environmental target
- Best-in-class
- Relative improvement
- Practice-based
- Process-based
- Nature of the activity

Based on your responses above, please suggest appropriate technical screening criteria for substantial contribution for the proposed activity. Please include a clear reference to the scientific or technical evidence that your suggestion is based on.

Do No Significant Harm (DNSH)

Question 5.1: Please indicate to which environmental objective the proposed activity could potentially cause significant harm:

- Climate change mitigation
- Climate change adaptation
- 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

Please suggest appropriate DNSH criteria per environmental objective for this activity.

Question 5.2: Please provide a brief scientific/technical explanation and rationale, as well as supporting evidence for your suggestion(s) (including links to published journal articles and technical documents).

If you deem that the activity does not do significant harm to one of the environmental objectives, please also include an explanation for why you think this is the case. (3000 character(s) maximum)



Section III: Supporting information

Please include any links to websites containing scientific evidence to support your justification(s).

(3000 character(s) maximum)

Please include any additional information that you would like to share.

(3000 character(s) maximum)

Regarding Disclosures Delegated Act (Commission Delegated Regulation (EU) 2021/2178 and its subsequent amendments) the lack of clear guidance and specifications on how to populate the Taxonomy templates included in Annex V and XII is causing financial undertakings (i) legal uncertainty and unnecessary implementation effort, (ii) lack of comparability on the Taxonomy information disclosed. This could be solved by the publication of (i) formulas to calculate each datapoint of the quantitative templates, (ii) validation rules. An additional helpful approach would be to publish a minimum set of guidance documents as the EBA (European Banking Authority) does for FINREP and COREP reporting. The publication of the templates, validation rules, arithmetic calculations, relationships between the datapoints in the templates and with the datapoints included in other templates is of great utility to financial undertakings.

Legislative fragmentation. GAR (Green Asset Ratio) KPIs (Key Performance Indicators) are being developed by two different regulators: the European Commission (management report) and the EBA (Pillar 3 report). This situation generates overlaps, inconsistencies and coordination challenges for two set of reporting requirements that in essence should be identical. The publication of Q&A by each regulator will increase the divergencies between these two sets.

We are open to provide the European Commission with detailed feedback on the issues financial undertakings are facing in the implementation of these reporting requirements.

Additionally, on guidance, as banks, we find ourselves financing projects related to, for example water, where the clients encounter difficulties, such as the lack of information on energy consumption or the inability to calculate certain impact metrics, which prevent them from financing themselves under the umbrella of the Taxonomy [we have identified few examples thereof].



About ESBG (European Savings and Retail Banking Group)

The European Savings and Retail Banking Group (ESBG) represents the locally focused European banking sector, helping savings and retail banks in 21 European countries strengthen their unique approach that focuses on providing service to local communities and boosting SMEs. An advocate for a proportionate approach to banking rules, ESBG unites at EU level some 885 banks, which together employ 656,000 people driven to innovate at 48,900 outlets. ESBG members have total assets of €5.3 trillion, provide €1 trillion in corporate loans, including to SMEs, and serve 150 million Europeans seeking retail banking services. ESBG members commit to further unleash the promise of sustainable, responsible 21st century banking. Learn more at www.wsbi-esbg.org.



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Published by ESBG. September 2023