

EU Taxonomy: extension framework and its interplay with transition pathways

This meeting is under Chatham House Rules

***** Draft Agenda *****

Speakers are being confirmed

Date: 26 January 2022

Time: 2pm – 4pm

Location: Zoom

The EU Taxonomy was not solely designed for the EU economic transition challenge¹, but mostly considering market transparency and symmetry of information needs in the financial markets. The EU Taxonomy can surely be shaped accounting the nuances of the economic transition challenge, but as we can already acknowledge, it will cause important political discussions like the current one on nuclear and gas. Moreover, bankable sustainable projects are not only shaped with transparency tools: the EU Taxonomy is an additional data point and not the only silver bullet for transitioning towards carbon neutrality by 2050.

Therefore, it is timely and necessary to analyze and identify other transition instruments, as well as considering the current market bottlenecks for greening entire economic sectors, which has different starting points and needs. Notably, **ERCST identified two types of transition instruments: planning (transition plans, scenarios, etc.) and financing (green and transition bonds, etc.) tools.**

During this event, on top of the two thematic sessions dedicated to transition pathways and the EU Taxonomy extension framework, ERCST would also like to discuss the intention of the Commission to develop a more comprehensive framework for transition finance, with the aim of recognizing transition efforts.

2:00 Welcome and introduction

- Marcu, Director of ERCST

2:10 ERCST presentation on EU transition finance

- O. Imbault, ERCST
- P. Cesaro, ERCST

2:20 Session 1: EU Taxonomy extension framework: nuclear, gas, significantly harmful (SH) and no significant impact (NSI) activities

In July 2021, the EU Platform on Sustainable Finance published a report to advise the EU Commission on an extended taxonomy (SH and NSI activities) to support the economic transition. The Platform is currently analyzing the feedback received on the report which is to be published in Q1 2022. On top of

¹ With “transition challenge”, ERCST refers to the challenge that the EU economy is facing and will face in the coming decades to plan and meet climate neutrality by 2050 in a sustainable way

the broad policy considerations regarding how this potential expansion would fit in the EU policy context, the EU Commission asked the Platform to provide its view on how to better incentivize transition financing without creating additional usability issues.

On top of the extension to SH and NSI activities, the EU Commission has prepared a draft complementary delegated act laying out under which conditions gas and nuclear can be considered as Taxonomy aligned. EU countries and the Platform will provide their feedback before 21 January.

This panel will discuss:

- The feedback and whether nuclear and gas should be considered under the EU Taxonomy Regulation (and if yes, how)
- How, in the economic transition context, should the EU Taxonomy extension to SH and NSI be designed
- The role of carbon price in decarbonizing the whole economy

- A. Barkman, EEA
- XXX. EdF
- A. Fontaine, Afep

3:05 **Session 2: EU Taxonomy interplay with transition pathways**

The transition, before being financed, need to be designed. As a planning tool, **transition pathways**² have been generally accepted, by most stakeholders consulted during the ERCST survey on sustainable finance, as crucial to navigate and plan the transition. ERCST reckons they need to be backed by a robust and credible EU regulatory framework, where the Corporate Sustainability Reporting Directive (CSRD)³ proposal represents a window of opportunity, as well as Article 10 of the EU Climate Law dedicated to sectoral roadmaps.

This panel will discuss:

- The correct interplay between EU Taxonomy (notably its Article 8) and transition pathways, to better face the EU transition challenge
- The role of the Corporate Sustainability Reporting Directive (CSRD) proposal in this context
- The type of pathways companies should produce, and which entity should develop the reporting framework

- C. Cronenberg, EBRD
- F. Marzullo, Enel
- J. Macura, Cefic

3:50 **Concluding remarks**

² They moreover represent the possibility to solve the issue of the EU Taxonomy not being an entity level instrument. As a matter of fact, they could: 1) support the shaping of an enabling, predictable, and bottom-up regulatory environment, thus enhancing the overall regulatory stability; and 2) make the transition more cost and risk efficient (profitability and just transition issues to be tackled), whilst involving a broader range of actors in their design.

³ The new article 19a of the CSRD will require companies under its scope to disclose “the plans of the undertaking to ensure that its business model and strategy are compatible with the transition to a sustainable economy and with the limiting of global warming to 1.5 °C in line with the Paris Agreement”