

## EU Taxonomy: impacts on other policies

***This meeting is under Chatham House Rules***

**\*\*\* Draft Agenda \*\*\***

**Speakers are being confirmed**

**Date:** 11 March 2022

**Time:** 10am – 12:30pm

**Location:** Zoom

ERCST considers the analysis of the interactions of the EU Taxonomy with other policies an important issue because, among other things, these interactions will also have an impact on the overall functioning of the EU industry and financial market. ERCST considers that the EU Taxonomy Regulation will have two main types of impacts and interplays:

- First, impacts on other sustainable finance (SF) policies. Notably, ERCST intends to analyze the EU Green Bond Standard (EU GBS), the proposed Corporate Sustainability Reporting (CSRD) Directive and the Corporate Governance Initiative.
- Second, interplays with other environmental and climate policies. Notably, ERCST intends to analyze those related to carbon pricing (i.e., the EU Emissions Trading Scheme and the Energy Taxation Directive), and those shaping public (and private) finance and aid schemes such as the Recovery and Resilience Facility and Invest EU.

While the impact of the EU Taxonomy on other Sustainable Finance policies has been previously considered by policy makers, the interplay with other environmental policies is still difficult to robustly analyze and assess. ERCST has tried to create a first framework for further investigation, also thanks to the input received from the survey conducted during summer 2021.

**10:00            Welcome and introduction**

- A. Marcu, Director of ERCST

**10:10            ERCST presentation on EU transition finance**

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

**10:20            Session 1: Impacts on other SF policies (EU GBS, CSRD, Corporate Governance)**

**EU Green Bond Standard: influencing the public and private stakeholders' financing decisions**

The EU Taxonomy list of selected activities will influence the financing decisions of companies (and countries) wishing to issue an EU Green Bond. This opens a legitimate question regarding the appropriateness of the activities listed (and not listed) in the various delegated acts of the EU Taxonomy and the logic behind such decision.

**CSRD: the link with EU Taxonomy Article 8 link and how to avoid overlaps: the role of transition pathways**

Article 8 of the Taxonomy Regulation requires companies falling under the CSRD scope to disclose their Taxonomy alignment with: 1) Turnover; 2) Capex; & 3) Opex. In this context, ERCST would like to continue its discussion on the role of transition pathways.

**Impacts on Corporate Governance:** the EU Taxonomy is likely to shape corporates' decision-making process and environmental risk management systems. To what extent EU Regulation should influence the private market?

This panel will discuss:

- a) How to ensure a functioning EU Green Bond market and how the EU should design a “low carbon” and “transition” bond standard
- b) The interconnections between the CSRD proposal and Article 8 of the EU Taxonomy, and the role of transition pathways
- c) The right balance between regulation and market, notably the EU Taxonomy Regulation overall impact on the Corporate Governance Initiative and on companies' decision-making process

- A. Lehmann, Bruegel
- J. Macura, Cefic
- E. Tylenda, Goldman Sachs
- H. Gallagher, Eurosif
- A. Fiedler, BASF

## 11:20 Session 2: Interplays with other environmental policies (ETS, ETD, RRF and InvestEU)

### **On carbon pricing: the right balance between market and regulation**

The EU Taxonomy will inevitably send market signals conceived with a top-down approach. This element can represent a shift of the EU balance between market and regulation towards a more centralized economy. ERCST would therefore like to consider not only the EU Taxonomy short-term impact, but also its medium and long one. An understandable long-term consideration is whether this approach will incentivize the EU decarbonization process in an efficient way, creating the right market incentives capable to identify the most efficient and feasible transition pathways to meet the climate neutrality objective by 2050.

### **On public financing: DNSH principle and new markets formation**

First consideration: the need to check the consistency of the DNSH principle across different legislations. Notably, in the RRF and InvestEU Regulation. For the RRF, a technical guidance was issued by the EU Commission (which was not in line with the Technical Screening Criteria defined in the Taxonomy delegated act). For the InvestEU Regulation, there is an article requiring to “consider the DNSH principle”. This scattered approach manifests the dual reality in which we are currently living: the green and ideal one, defined on paper in the EU Taxonomy TSC, and the one that need to deliver project pipelines today (RRF).

This consideration brings us to the second point of the discussion: the Taxonomy is not the only tool for delivering the transition. It is a labelling tool and therefore not able to create a functioning low-carbon and green market framework, with a functioning set of incentives.

Since the RRF and InvestEU will have a key role in setting these incentives (by directly and indirectly influencing the formation of new low-carbon and green markets) ERCST thinks it is timely to focus on how new market incentives should be designed. Notably, the decision of pragmatical rules and support

mechanisms for facilitating the industrial transition, and how the marketability and feasibility issue in new low-carbon and green markets should be addressed (in and out the Taxonomy debate).

This panel will discuss:

- a) The right balance between market (ETS) and regulation (Taxonomy) approaches for reaching climate neutrality
- b) The interconnections of the Taxonomy with carbon pricing (i.e., ETS and ETD), carbon leakage risks, technological neutrality principle, and the impact of the Climate Change Mitigation & Adaptation Delegated Act recognizing only best 10% CO2 emitters (10%) in some sectors.
- c) The Taxonomy DNSH principle exported in the RRF and InvestEU regulations
- d) Pragmatic approaches to establish low-carbon and green marketable projects, for addressing fundamental uncertainties and related costs of the industrial transition

- A. Affre, BusinessEurope
- C. Baccianti, Agora
- J. Macura, Cefic

**12:20 Concluding remarks**