EuropeanIssuers

aisbl - ivzw
Rue Belliard 4-6
B-1040 BRUSSELS

Tel : +32 (0)2 289 25 70
Fax : +32 (0)2 502 15 60

info@europeanissuers.eu
www.europeanissuers.eu

EuropeanIssuers Statement on the EP Compromise Amendments to the "Taxonomy Regulation"

EuropeanIssuers, the pan-European organisation which represents the interests of publicly quoted companies, wishes to express its sincere support for the objectives of the European Commission's *Proposal for a Regulation on the establishment of a framework to facilitate sustainable investment* ("Taxonomy Regulation") to further mobilise investments in view of achieving sustainable development, job creation and prosperity.

Businesses are central to the transition to **a low-carbon sustainable economy** through investments and innovation. **Renewable energy, lightweight electric cars, electricity storage, alternative fuels**, **insulation materials, fully recyclable products** are just few examples.

We believe that the Commission's original proposal can significantly contribute to the objective of mobilising finance towards environmentally beneficial projects and foster cross-border investments by providing a common language for environmentally beneficial investments. We **would, however, like to express our deep concerns with the direction the "Taxonomy Regulation" is taking within the European Parliament (ECON and ENVI Committees).** Several draft compromise amendments aim at going beyond the scope of the Commission's proposal with the consequence of excluding specific sectors from access to sustainable and corporate finance by creating a category of activities "with a significant negative environmental impact". **We strongly oppose such a "brown-listing" approach and support the original scope of the proposal targeting only financial products that are marketed as environmentally sustainable.**

The EU legislative proposals should be a catalyst, not a barrier for innovation and leadership in sustainable technologies. Only an **inclusive definition of "environmentally sustainable investments"** will secure the involvement of all sectors of the European economy in the transition towards a low-carbon sustainable economy. While the long-term objectives and ambitions could and should be high, we must ensure that steps being taken towards increased sustainability are included, encouraged and supported by the EU legislation.

Companies are at different stages in their transition journey towards low-carbon and sustainable activities. Financial markets and institutions have a particular role to play in supporting corporates on this journey by providing the funding needed to achieve this transformation. **To ensure that all sectors contribute to this transition, the "Taxonomy Regulation" should not exclude entire manufacturing sectors and activities from access to sustainable finance.** It is important to ensure that financing of bridging activities helping companies to progressively build their sustainability strategy within the scope of the regulation. Focusing on the negative impact could lead to an abrupt and disorderly transition with potential adverse economic and social consequences.

The exclusionary approach proposed in the draft European Parliament's compromise amendments would:

- **Run against the objective of enabling the whole European economy to move towards sustainability**. "Greening" of all economic activities should be incentivised and central to the EU legislative proposals should the objectives of the Paris Agreement be met. Such adaptations of transition activities should be in the scope of sustainable finance.

- **Hamper new industrial investments** within the EU. Investors will shy away from investing in new industrial capabilities in sectors that are either "brown-listed" or will be potentially "brown-listed" in the future. "Brown-listing" will create **additional uncertainty terms of jobs and increasing the risk of relocation** of these activities outside the Union.

In view of the ECON/ENVI Committee vote on the "Taxonomy Regulation", we call upon the Members of the European Parliament to:

- **Retain the initial scope as designed by the European Commission, and therefore remove the definitions of and the references to "degree of environmental impact and sustainability of an economic activity", "investments having a significantly harmful environmental impact" and "activities with a significant negative environmental impact".[1]** These concepts run against the spirit of the Commission proposal to ensure that **all economic activities should be part of the transition** and reduce the incentives for the excluded activities to improve their environmental footprint. CO_2 emissions improvements should be incentivised through sustainable finance for all sectors. The eligibility of industry to benefit from sustainable finance will be the only means to accelerate significant switches to low-carbon technologies and reach important CO_2 reductions.

- **Remove the automatic "brown-listing" of economic activities on the basis of a "carbon intensive lock-in effect" or of arbitrary thresholds for power generation activities.[2]** The principle of "carbon intensive lock-in" is an undefined concept referring to carbon-intensive technological systems that persist over time. Excluding all of these technologies from sustainable finance will be equivalent to potentially excluding most manufacturing sectors and lead sustainable finance **to remain a niche market in the coming years.**

We believe that **if the recommendations mentioned above are met**, the taxonomy will **contribute to further develop the sustainable finance market as a tool to help achieve the EU ambitious sustainability goals**, whilst **meeting the objectives of the Capital Markets Union to facilitate access to market finance and diversify companies' financing sources**. Eventually, the taxonomy must be a tool that helps companies grow and create jobs, whilst becoming greener.

[1] Draft compromise amendments referring to Art. 1(1), art. 2(1)(aa), art. 3a and art. 4 and all other references in other amendments
[2] Draft compromise amendments referring to Art. 14(2) and art. 14(2a).