Defining “green investments” and the role of impact assessment

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Why defining “green” or “sustainable” investments?

In September 2019, UN Secretary General called on all sectors of society mobilize for **a decade of action** for accelerating sustainable solutions to the world’s biggest challenges — ranging from poverty and gender to climate change, inequality and closing the finance gap

Implementing the 2030 Agenda in a full, coherent, comprehensive, integrated and effective manner requires, among others, **to reorient capital flows** towards sustainable investments

The shift of capital flows towards more sustainable activities has to be underpinned by a shared**, holistic understanding of the environmental sustainability of activities and investments**

Background: legal requirements

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English edition Legislation Volume 63 22 June 2020

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COMMISSION DELEGATED REGULATION (EU) 2021/2139

of 4 June 2021

supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives

(Text with EEA relevance)

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (1), and in particular Articles 10(3) and 11(3) thereof,

Whereas:

(1) Regulation (EU) 2020/852 establishes the general framework for determining whether an economic activity qualifies as environmentally sustainable for the purposes of establishing the degree to which an investment is environmentally sustainable. That Regulation applies to measures adopted by the Union or by Member States that set out requirements for financial market participants or issuers in respect of financial products or corporate bonds that are made available as environmentally sustainable, to financial market participants that make available financial products, and to undertakings that are subject to the obligation to publish a non-financial statement pursuant to Article 19a of Directive 2013/34/EU of the European Parliament and of the Council (2) or a consolidated non-financial statement pursuant to Article 29a of that Directive. Economic operators or public authorities that are not covered by Regulation (EU) 2020/852 may also apply that Regulation on a voluntary basis.

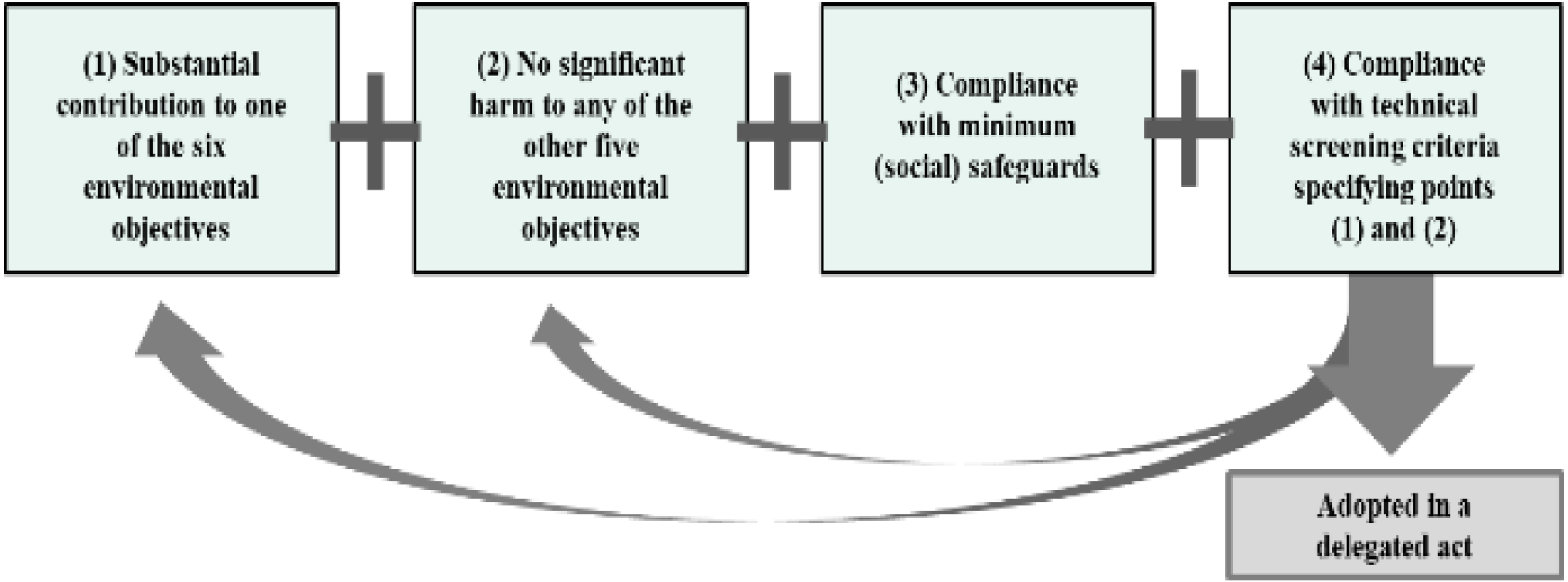
Commission Delegated Regulation (EU) 2021/2139 supplementing Regulation (EU) 2020/852 - Climate Delegated Act

Commission Delegated Regulation (EU) 2021/2178 supplementing Regulation (EU) 2020/852 - Art 8 on Disclosure

EU Taxonomy - 6 environmental objectives

EU Taxonomy – defining "green"

Four overarching criteria to determine whether an economic activity qualifies as environmentally sustainable – "**taxonomy aligned**"



EU Taxonomy – defining “green”

Procedural steps on the alignment with EU Taxonomy: from **“taxonomy eligible”** to **taxonomy aligned**”

Step 1	Identify which economic activity (as listed in the Delegated Acts (DA) based on NACE code) matches (partially or in full) with the project description.
Step 2	Demonstrate that the project makes a substantial contribution to one or more of the six EU Taxonomy environmental objectives (check the SC criteria in the DA – currently available only for climate objectives).
Step 3	Carry out a “do no significant harm” (DNSH) assessment to environmental objectives using the criteria listed in the DA.
Step 4	Carry out a due diligence for MS criteria to ensure alignment with the OECD guidelines, the UN Guiding Principles on Business and Human Rights and Labour Rights conventions.
Step 5	Report on “Taxonomy eligible” (an economic activity that is listed in the EU Taxonomy Delegated Acts) and “Taxonomy aligned” (a Taxonomy eligible economic activity that meets the requirements set up on above under Steps 1 to 4) projects.

Common Taxonomy – international context

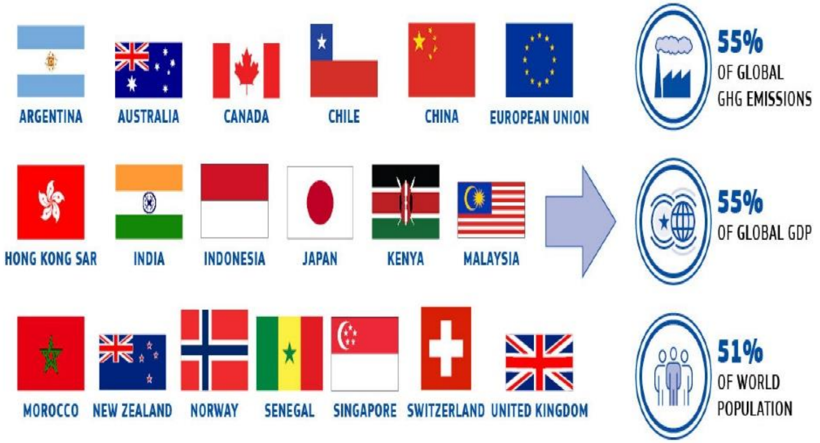
International Platform on Sustainable Finance

Common Ground Taxonomy – Climate Change Mitigation

Instruction report

IPSF Taxonomy Working Group
Co-chaired by the EU and China

3 June 2022



Let’s continue the conversation!

Post questions and comments in the IAIA23 app.

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