**IFIEC response to EU Taxonomy Draft delegated regulation**

IFIEC welcomes the opportunity to comment on the Draft delegated regulation - Ares(2020)6979284 and supports the efforts made by the European Commission to set out an EU-wide framework ("taxonomy") according to which investors and businesses can assess whether investments in certain economic activities are classified as sustainable. The taxonomy is one key instrument in the transformation towards a climate neutral economy.

The transformation of the economy to meet the 2050 climate goals will require massive investments. The **criteria** for sustainable investments should be set such that they **encourage transition and facilitate investments** into transitional technologies. Targets must be **ambitious, but achievable.** A **technology-neutral approach** ensures considering all activities with a potential to contribute to the success of our economy towards greater sustainability.

**Defining the criteria**

For the manufacturing industry, sustainable taxonomy criteria refer to the new ETS benchmarks defined for the fourth ETS period, which will be significantly reduced compared to the current ETS benchmark and substantially below the performances of the best in class. Thus, the use of ETS benchmarks is not a suitable metrics, and would not stimulate green investments in Europe, and would likely have the opposite effect of the proposed taxonomy. In fact, the methodology for the update of the ETS benchmarks, which assumes for the future the same yearly improvement rate as the one observed during the last decade (as foreseen in Article 10a(2) of the ETS Directive), does not guarantee that the benchmarks will actually reflect the future performance of the 10% more efficient installations in each sector. Therefore, linking the taxonomy criteria to ETS benchmarks is unsuitable, as it risks leading to a situation where it is impossible for installations to satisfy the taxonomy's criteria. The ETS benchmark methodology has been set up for a different purpose and would only capture a limited dimension of a sustainable activity.

An essential element of the proposed criteria of the environmental objectives "climate change mitigation and adaptation" for the establishment of an open-technology comparability in the energy sector is the "Life Cycle Emissions Assessment" (LCEA). It offers a possibility to compare the emissions of all technologies for the generation of electricity, heating and cooling. However, the requirements on GHG emissions need to be realistically achievable.

**Technology-neutral approach**

Currently only limited numbers of economic activities contributing substantially to climate change mitigation and economic activities contributing substantially to climate change adaptation were selected, based on their current GHG emissions, the potential emissions reductions/removal or avoidance, and a possibility of long-term carbon storage. The delegated draft act focuses on those economic activities which have "the greatest potential to achieve those aims".

Sustainable loans and investments should be available not only for emerging technologies but also for existing ones. The regulation should take into consideration all economic activities and manufacturing processes on the way to climate-neutral transition.

**Interaction with other regulations**

The **EU Taxonomy – and the related delegated acts necessary for the framework full application - should not be used as a reference for other regulations to define positive environmental benefits,** as it would result in a continuously extreme restricted categorization of activities/ companies which may be eligible for financial support. This will not help the profound industrial transformation that is needed to make the Green Deal a reality. Furthermore, the taxonomy so far does not cover all sectors, and also only partly covers the sectors that are eligible within its scope. Neither does the taxonomy target R&D and technology development. Projects outside the taxonomy could therefore have high environmental benefits, and yet not be considered. Therefore, restricting the definition of positive environmental benefits to EU taxonomy alone would be too narrow and would not reach the intended effects.

**Considering the economic situation**

The still ongoing pandemic might have unpredictable financial consequences and will impact the investment activities in Europe. Overall, the future financial regulatory measures should primarily guarantee the functionality and stability of the financial system in Europe. The taxonomy as transparency instrument can facilitate investments into transitional technologies, when achievable targets for all activities are defined.