

**Voluntary Report** – Voluntary - Public Distribution

**Date:** May 14, 2021

**Report Number:** E42021-0044

**Report Name:** European Commission Adopts its EU Taxonomy for Green Investments

**Country:** European Union

**Post:** Brussels USEU

**Report Category:** Agriculture in the News, Biofuels

**Prepared By:** Sophie Bolla

**Approved By:** Lisa Allen

**Report Highlights:**

The European Commission adopted the Taxonomy Regulation in June 2020. This Regulation establishes the framework for an EU taxonomy for sustainable activities to classify economic activities as “sustainable activities”, “transitional activities and “enabling activities.” On April 21, 2021, the Commission adopted a regulation laying down technical screening criteria to define which activities contribute substantially to climate change adaptation and climate change mitigation, including bioenergy. The Commission decided to adopt a complementary regulation on agriculture activities later in 2021 to take into account the new Common Agricultural Policy.

## **Background:**

In order to meet the EU's climate and energy targets for 2030 and reach the objectives of the European Green Deal, the European Commission adopted the [Taxonomy Regulation](#) in June 2020. This Regulation establishes the framework for an EU taxonomy for sustainable activities by setting out four overarching conditions that an economic activity has to meet in order to qualify as environmentally sustainable. The Taxonomy Regulation establishes six environmental objectives:

1. Climate change mitigation
2. Climate change adaptation
3. The sustainable use and protection of water and marine resources
4. The transition to a circular economy
5. Pollution prevention and control
6. The protection and restoration of biodiversity and ecosystems

Different means can be required for an activity to make a substantial contribution to each objective. The Taxonomy Regulation acts as a screening mechanism to define sustainable activities to steer private investment to activities the Commission deems sustainable. It creates three different categories: “sustainable activities”, “transitional activities” and “enabling activities”. The Regulation requires the Commission to establish the actual list of environmentally sustainable activities by defining technical screening criteria for each environmental objective through delegated acts<sup>1</sup>.

On April 21, 2021, the Commission adopted a first [delegated act](#) on sustainable activities for climate change adaptation and mitigation objectives listing the criteria that investments would be required to meet to qualify as sustainable under the EU's sustainable finance taxonomy. It covers 13 sectors, including renewable energy, transport, forestry, manufacturing, buildings which together account for nearly 80 percent of EU greenhouse gas emissions. A second delegated act for the remaining objectives (listed 3 to 6 above) will be published in 2022.

## **Agriculture and the Sustainable Finance Taxonomy**

The delegated act adopted on April 21 does not include agriculture activities. The Commission announced that a complementary delegated act will be adopted later in 2021 on agriculture and certain energy sectors not yet included. A draft version of the delegated act contained several criteria for sustainable farming such as the use of non-chemical pesticides, sustainable soil management techniques and reserving 10 percent of agricultural areas for biodiversity-friendly features. However, the European Commission decided not to include agriculture at this stage due to the ongoing inter-institutional negotiations on the Common Agricultural Policy (CAP). The Commission [explained](#) that “this will provide greater coherence across the different instruments available in order to achieve the environmental and climate ambitions of the European Green Deal.”

This decision was applauded by Copa-Cogeca, the organization representing EU farmers and cooperatives. Copa-Cogeca noted that “European farmers and agri-cooperatives welcome this

---

<sup>1</sup> The Commission adopts delegated acts the basis of a delegation granted in the text of an EU law. A delegate act is adopted by the European Commission and then sent to the Council representing EU Member States and to the European Parliament for a two-month scrutiny period. The Council and Parliament can reject the delegated act.

postponement as the only way to ensure consistency with the ongoing discussion of the future CAP.” Copa-Cogeca also called on the Commission to include agriculture experts and representatives of the agricultural sector to participate in the discussions on the future delegated act that will include agriculture activities.

## **Bioenergy and the Sustainable Finance Taxonomy**

Bioenergy is included in the delegated act adopted on April 21 and was listed as a sustainable activity if it follows the technical criteria listed in the text. The delegated act foresees that the Commission will review the screening criteria bioenergy based on upcoming policies revision, including the revision of the Renewable Energy Directive (REDII). The technical requirements for bioenergy are aligned with sustainability criteria laid down by the REDII. For more information about the sustainability criteria, please see GAIN Report: [European Union: Biofuels Annual](#).

The question of the taxonomy technical screening criteria for bioenergy is politically sensitive in the European Union. In [a draft of the delegated act](#) published in November 2020, the production of heating, cooling and power from bioenergy and the production of biofuels and biogas for transport was labeled as transitional. The draft text was also met with skepticism by the bioenergy industry and by several Member States. Following the changes in the text, and the listing of bioenergy as a “sustainable activity”, several prominent environmental non-governmental organizations suspended their participation in the Commission’s sustainable finance advisory body to protest what they perceived as weak and “unscientific” criteria for forests and bioenergy. Greenpeace [stated](#) that “the proposed criteria for forests and bioenergy are nothing but greenwash, encouraging financing for practically any tree cutting and burning”. Responding to the criticism, Daniel Ferrie, the Commission’s spokesperson on financial services [told](#) Brussels-based media that the criteria laid down in the taxonomy rules “have to be science-based, usable and politically acceptable”, “It is the responsibility of the Commission to ensure the balance between these objectives while maintaining the credibility of the criteria.”

## **Next Steps**

The Delegated Act will be formally adopted at the end of May once translations are available in all EU languages. The adopted delegated act will then be sent to the European Parliament and the Council, representing the Member States for a two-month scrutiny period. Both institutions can object to the text. If the text is rejected by the Parliament and/or the Council, the Commission will need to propose a new text.

**Attachments:**

No Attachments.