Q1 (general): The focus seems to be on green taxonomy/ standards/ labels when it should include all aspects of sustainability - social and governance as well such that sustainable financing is encouraged to achieve SDGs?

Karsten Löffler: the overall aim is to enable financing sustainable growth. When it comes to disclosure and risk management, materiality of sustainability issues is the key concept. When translating this into a taxonomy, it starts with the ‘E’ (environment) to support financial market participants by defining what qualifies as a green/sustainable activity. The ‘S’ (social) is currently factored in by defining a minimum standard to provide safeguards. It will be up to the COM to enlarge the scope. As to the ‘G’ (governance), there are already standards and codes (and not to forget laws) in place in many jurisdictions that provide guidance. Market participants will remain in charge to make their own judgement about ESG performance.

Pierre-Alix Binet: The EU Taxonomy is an implementation tool that can enable capital markets to identify and respond to investment opportunities that contribute to environmental policy objectives. Decisions by investors to allocate capital or influence company activities will be making a substantial contribution to climate goals and to the related SDGs.

Questions for Emmanuel Buttin, European Commission.

Q1. How can we improve the ecosystem for more private placements and investors of green bonds in emerging and frontier markets with issuance size between USD10mn and USD100mn?

Working with developing and emerging countries to support them in the implementation of their Nationally Determined Contributions under the Paris Agreement and sharing experiences to inspire global climate action is key to reach our collective goal.

Several initiatives offer a good example of what can be done to link small sustainable projects and international investors. The Amundi Planet Emerging Green One, a joint venture between IFC and Amundi, is a good example of a product that has as its primary goal to create new markets and build up capacities in emerging markets to emit green bonds.

Q2: What is the expected timeline for having the taxonomy related level 1 legislation approved?

The trilogues on the Taxonomy have started in October 2019. The Commission is in close cooperation with the co-legislators and aims to reach a political agreement by the end of this year.

Q3: How do the Commission’s 'blockchain' initiatives relate to sustainable finance?

No connection between the two initiatives is made so far.

Questions for Karsten Löffler, Technical Expert Group.

Q1: Do you see (with the EU taxonomy) a shift from green bonds that look only at the 'greenness' of a specific investment portfolio towards green bonds that look at the greenness of all assets of the green bond issuer?

Q1 relates to the proposed EU Green Bond Standard (EU GBS). Green bonds are about the use of proceeds for green activities. Issuers under the EU GBS are required to include the environmental objectives of the EU Green Bond Standard and how the issuer’s strategy aligns with such objectives. It is also required to disclose the process by which the issuer determines how Green Projects are in line with the EU Taxonomy, and, if applicable, its qualitative or quantitative Technical Screening Criteria. As a result, by making reference to the issuer’s strategy, an approach has been taken that is considerate of the overall ambitions/trajectory of an issuer.

Q2: Does the TEG work about the taxonomy collaborate with disclosing organisations such as CDP?

TEG work on the taxonomy is focused on the definition of the technical screening criteria. In addition, the usability of the taxonomy is a key topic: data availability and quality are key concerns. Organisations that collect data from companies, like CDP, are welcome to make reference to the taxonomy in their questionnaires.

Q3: will the taxonomy development focus only on the environment? Any plans to include social aspects (other SDGs)?

A3: See above.

Q4: what about all the other industries not explicitly excluded from taxonomy but not included in the taxonomy yet? what is the time frame here?

As to the first EU environmental objective (climate change mitigation), the TEG selected 67 activities that cover about 80% of EU emissions. Activities not yet included in the taxonomy will have to be looked at by the to be established EU Platform on Sustainable Finance.

Q5: In what way does the taxonomy save time and money for investors and issuers?

Q5: The taxonomy provides a uniform dictionary that provides investors and issuers with concrete guidance on what economic activities qualify as sustainable. It saves market participants time to develop own definitions that are credible and comparable, e.g. for disclosure and product development.

Questions for Sabine Dobeli:

Q1: How do you treat things that may be legal under EU law but have considerable negative/perverse consequences for climate change and biodiversity such as biomass generated electricity even though it is legal under EU and IPCC accounting guidelines?

A1: Each investor has to analyse both positive and potential negative outcomes of a certain technology or activity. There will always be trade-offs but it’s important to weigh up positive and negative effects and only invest in solutions, where the positive outcomes clearly outweigh the negative ones. In addition to allocating capital, the investor can use engagement to influence companies and encourage them to adopt high ESG standards.