

CONSULTATION DOCUMENT RE.

IMPLEMENTATION OF THE SUSTAINABLE FINANCE DISCLOSURES REGULATION (SFDR)

Climate change is one of today's greatest environmental, regulatory, and social challenges. Repsol, as a global multienergy group, is aware of the importance of the sustainable finance framework launched by the EC to reorient capital flows to more sustainable investments. We appreciate the opportunity to provide feedback on the implementation of SFDR.

Repsol supports the Paris Agreement and works to play an active role in the energy transition to a more sustainable energy production. Our strategy is in line with the objectives of the Paris Summit and the U. N. Sustainable Development Goals. We are leading the energy transition as the first company worldwide in our sector to commit, back in 2019, to reaching net zero emissions by 2050.

We believe that the transition needs to be managed in a way that ensures the stability, resilience, and efficiency of the markets. Transitions, by their very definition, are achieved through gradual change. By focusing on the whole pathway and not just on the end of the road in 2050, going ahead through near-term steps that act as building blocks towards the aim of minimizing cumulative emissions in a meaningful but realistic timeframe, the EU will massively improve its chances to deliver its climate and energy objectives.

Transitional activities need to be promoted as we advance on a path of reduction, progressively substituting our energy production with more efficient, more reliable and, most importantly, more environmentally friendly sources.

Companies like ours, undergoing a major and indispensable transition process, require the regulatory support from the EU to achieve a low carbon future while promoting the funding of these transformational milestones. These efforts are essential to assure climate change mitigation, along with energy security and affordability, and should be recognized as such.

Fostering this transition requires a technologically neutral mindset. The current regulation hinders the efforts carried out by companies like Repsol for not fitting into what it classifies as sustainable, ignoring the unprecedented transformation that all its processes are undergoing, **a transformation made possible by a very significant investment in sustainability and change: in transitioning.**

The regulation should be based on a life-cycle analysis, aligned with EU policies and applicable to all technologies without exemptions, thereby ensuring a holistic approach and a level playing field comparison of the various technologies. As such, SFDR's impact assessment should take into account: (i) the international competitiveness of EU industries and EU economy in general; (ii) the potential risk of offshoring non-taxonomy-eligible activities to places with lower climate ambitions; (iii) the efforts of companies in transition and transforming their business models to be part of the solution; and (iv) the **high cost of implementing low-carbon solutions and the subsequent need to access funds to support such transition.**

An interesting approach to this is proposed by the Report of the Expert Panel on Sustainable Finance "Mobilizing Finance for Sustainable Growth" that outlines recommendations for Canada, including to support Canada's oil and natural gas industry in their bid to build a low-emissions and globally competitive future.



The growing demand for a higher ESG profile by financial institutions and investors is taking companies to accelerate their transition to a more sustainable business model. However, companies in transition face additional challenges as certain requirements under EU regulations lead to higher financing costs and hamper their very ambitious and necessary efforts. The SFDR lacks specificity for financial products of transitioning companies, hindering investor interest. Establishing a distinct SFDR category for the financial products of companies in transition would acknowledge and support their efforts in, fostering the transition globally and benefitting us all.