

# Renewed Sustainable Finance Strategy

## *EFIEES' position and recommendations*

15<sup>th</sup> July 2020

EFIEES, the **European Federation of Intelligent Energy Efficiency Services**, is the voice of energy service companies (ESCOs) and their national associations in 12 EU Member States. Our members represent over 130.000 professionals engaged in the design and implementation of energy-efficiency solutions in public and private buildings as well as industrial facilities. In some countries, they operate district heating & cooling networks.

**We welcome the forthcoming strategy on Renewed Sustainable Finance, building on previous initiatives, such as the Commission's Action Plan on Financing Sustainable Growth and the Taxonomy, as this is expected to provide additional policy tools to ensure the financial system genuinely contributes to the objectives of the EU Green Deal, notably in the context of the post-Covid recovery.**

Over the past two years, EFIEES has closely monitored and actively engaged in both the legislative activities linked to the approval of the Regulation on Sustainable Finance, as well as in the technical works conducted by the TEG and reflected in its latest report, published earlier this year. **We have welcomed the Taxonomy since the very beginning, yet, we have also underlined some risks that relate to its usability and the methodologies implemented for the selection of activities, and the establishment of technical screening criteria.**

We have reiterated our concerns and recommendations in our answers to the ongoing public consultation on the Strategy, and they can be summarised as follows:

### **1. Review the scope and methodologies of the Taxonomy to include sustainable *projects*, besides *activities***

Today, the Taxonomy mainly lists economic activities contributing to the relevant environmental objectives, using as a basis NACE sector classification. This classification has been considerably enriched since the publication of the first draft report by the TEG; however, it is still far from being complete and from covering all possible solutions which can effectively contribute to the achievement of our wider climate goals and specific environmental objectives.

In fact, **the Taxonomy should be designed in order to cover projects, and not only single economic activities, as the reality often consists of the combination of multiple activities/measures.** Their degree of sustainability and, for climate change mitigation, the amount of saved CO<sub>2</sub>, depends upon several factors, including the local situation and the combination of the relevant measures. Being or not being "Taxonomy-compliant" risks to oversimplify the reality if disconnected from the project level, except for pure zero-carbon activities.

Moreover, relevant funding and financial support, from Member States for instance, are normally linked with the implementation of projects, rather than single economic activities, as currently listed in the Taxonomy. This aspect would thus need to be better addressed by the upcoming Strategy as well as by the Platform on Sustainable Finance, to be soon established.

## 2. Put ‘policy first’ with the Taxonomy as a supporting instrument

The Taxonomy was originally built as a tool for investors and financial actors, to facilitate the identification of green investments through the establishment of a relevant classification system, increase the transparency of financial products and tackle green washing. **If used for other purposes, such as EU spending programmes and State Aid rules, it should be adequately reviewed, and its usability should be improved.**

**In particular, the Taxonomy should essentially be aligned with existing policies** as it is the role of EU legislation to establish common objectives, including sectoral targets, and the relevant regulatory frameworks for achieving them. For climate and energy targets, the Governance Regulation requires then Member States to clarify the necessary measures and options they plan to implement in their NECPs.

**It is thus the role of the Taxonomy to support investors’ decision making and orientate it towards green investments and activities underpinning the transition, consistently with our long-term climate goals and policy framework.**

For these reasons, **the Taxonomy should primarily serve as a tool to accompany the transition and to mainstream sustainability in the financial sector**, by providing for better visibility and transparency for green investments, **but it should not replace policy nor push towards the exclusion of activities which are still useful today and which can also contribute to the transition.** Hence, it should rather be aligned with current policies and facilitate their implementation, by making green investments more attractive and profitable.

## 3. Adopt an inclusive approach towards activities and projects already supporting the transition

**It is important to ensure the Taxonomy and the future initiatives linked to the Renewed Sustainable Finance Strategy support investment accompanying the energy transition as of today**, and thus recognise the important role of activities that contribute to tackle CO2 emissions’ accumulation also in the short and medium term, even if not necessarily “Taxonomy-eligible” according to some of the thresholds currently identified by the TEG.

This could be done by developing and using technical screening criteria that allow for the **acknowledgement of relative improvements** and that would therefore grant more flexibility in the choice of the most appropriate decarbonisation pathway by Member States, regions and cities.

Such an approach would finally allow to **reward (and not penalise) early movers** and best-performing companies that have been carrying out decarbonisation efforts in the past years, without necessarily complying with some of the thresholds identified today in the latest TEG report.

Finally, it would also represent a **stimulus for relevant public and private actors**. Indeed, if their activities have no chance of entering the Taxonomy, some of them might not see the relevant incentives for putting in place the necessary efforts and thus be discouraged from acting. **Therefore, the Taxonomy should be an ambitious - at the same time inclusive - classification, which aims at engaging businesses and financial actors in the energy transition, rather than excluding them from this process.**