

FAQ List for IPSF Common Ground Taxonomy Table

1. What are the activities listed in the Common Ground Taxonomy Table?

The CGT is based on the activities currently included in both the adopted EU taxonomy for sustainable activities and China green finance taxonomy. It follows a systematic methodology that maps common activities and then compares the technical criteria defining when these activities make a substantial contribution to climate change mitigation. If the assessment revealed areas of overlaps, they are included in the CGT. If not, they are excluded. The methodology used to identify the overlaps is described in 5.

2. What are the updates in the current CGT compared with the initial version published in November 2021?

The IPSF published in November 2021 a version of the CGT and launched a call for feedback from stakeholders until mid-January 2022. The version published now is an updated version of the CGT, which incorporates the feedback received and includes additional activities (e.g. manufacturing and building activities) that were not covered in the initial version. The current version of the CGT covers 72 climate change mitigation activities that share common ground for both the EU and China taxonomies with regard to the “substantial contribution” criteria.

3. Which environmental objectives does the updated version of CGT include?

The updated version of CGT only covers climate change mitigation objective.

Other environmental objectives will be progressively covered in the future.

4. Does the CGT cover Do No Significant Harm (DNSH) criteria and the Minimum Safeguard (MS) in the way of the EU Taxonomy?

Neither the first version of the CGT nor the updated version cover DNSH and MS.

The EU and China taxonomy approaches respectively integrate the DNSH criteria and the MS in very different ways, therefore the current phase of work did not compare DNSH criteria and other safeguards. This may be considered for future work.

5. How were the common ground activities between the EU and China identified?

The work at the initial stage involved:

(1) extract climate change mitigation activities from the China green bond taxonomy and the EU Taxonomy,

(2) mapping of all economic activities in both taxonomies on the basis of a neutral classification/ statistical code so that they could be more easily compared. The International Standard Industrial Classification of All Economic Activities (ISIC) was used as the international reference classification.

(3) selection of priority sectors which would significantly contribute to carbon emission reduction or sequestration.

The in-depth analysis stage involved evaluating the detailed description and technical screening criteria for each activity in order to ascribe each activity with a scenario based on their overlap as follows:

- Scenario 1: Areas with clear overlaps. This covers activities that have overlaps and can be considered comparable within the scope/for the purpose of the CGT report.
- Scenario 2: EU criteria are more stringent and/or detailed. This scenario was assigned to activities where the EU screening criteria were either narrower in scope or more stringent and/or detailed than Chinese criteria. In this case, the EU criteria were described in the CGT in greater detail.
- Scenario 3: China criteria are more stringent and/or detailed. This scenario was assigned to activities where the China criteria were either narrower in scope or more stringent and/or detailed than EU criteria. In this case, the China criteria were described in the CGT in greater detail.
- Scenario 4: Identifiable overlap. This scenario was assigned to activities that have some alignment in the scope of activities and could be defined by utilizing both sets of eligibility criteria. However, given the challenge of clearly identifying common elements across the criteria, it was not always possible to assess their comparability and, as a result, both the EU and China criteria were described.
- Scenario 5/6: Unclear overlap or obvious differentiation. Scenario 5 was assigned to activities that were very difficult to map in the other taxonomy. Scenario 6 was assigned to activities where there was an obvious differentiation.

6. Does the current CGT exhaustively cover overlaps between the EU and China taxonomies?

No, the CGT has not covered every area of overlap. Priority sectors were identified for the first phase of work, including forestry, manufacturing, energy, waste treatment, construction and transportation.

While the analysis undertaken so far is very detailed, in some cases, it was too technically difficult to assess the overlap between the EU and China criteria due to variation in the criteria, metrics, thresholds, or standards and implementation context. Therefore, they were not included in the scope of the comparison exercise.

7. Is the Common Ground Taxonomy a global sustainable/green finance taxonomy?

The current CGT is a comparison of the adopted Chinese and EU taxonomies. Therefore, it is not a self-standing global sustainable/green finance taxonomy per se.

The CGT is not a legal document by the EU and China that entails requirements/obligations for either jurisdiction to change their taxonomy. It is a technical document for voluntary reference by interested parties within the limits of the scope of the comparison exercise. The CGT is expected to play a pivotal role in increasing comparability and interoperability of sustainable finance taxonomies and definitions of green activities globally.

8. How could the CGT table be used?

The findings of this comparison exercise are limited only to some features of the EU and China taxonomies and have no legal standing. The CGT may inform a variety of stakeholders, including:

- Green bond issuers and verifiers;
- Entities trying to assess the alignment of their business with low carbon economy objectives;
- Commercial banks and asset management firms trying to align their investment activities with low carbon economy objectives;
- Development finance institutions;
- Jurisdictions such as national governments or regional economic partnership considering develop their own taxonomies;
- International standard setting bodies considering using the CGT as a reference for working on other sustainable finance standards;
- Statistical data analysis and empirical study by academic researchers, etc.

9. How will be CGT be updated or expanded in the future?

Future directions may include:

- Additional sectors and economic activities such as like services and ICT.
- Additional environmental objectives as they are developed by jurisdictions.
- Other eligibility features, such as DNSH and minimum safeguards, could be brought in to strengthen the comparison and interoperability between jurisdictions.
- Other jurisdictions will be brought in as their taxonomies are finalized.

10. How will the IPSF Taxonomy working Group engage with external stakeholders in the next stage?

Working Group co-chairs will lead group members to draft a plan for engaging with external stakeholders and cover it in the future scope of work.