

Q: What is the Sustainable Finance Taxonomy Regulation?

A: The “Taxonomy” is a classification system adopted by the European Parliament in June 2020 that purports to identify “sustainable projects and activities” (see the EC’s description [here](#)). In other words, it’s a way of labelling investments or industrial activities as “green” and responsive to environmental and social concerns. For an economic activity to make it into the Taxonomy, it should make a significant contribution to at least one of the Taxonomy’s environmental objectives while doing no significant harm to any of the remaining objectives. The environmental objectives include climate change mitigation, climate change adaptation and biodiversity.

Q: A classification system? Why does that even matter?

A: Although voluntary, the standards set by the Taxonomy will have a profound impact on private investment, the flow of trillions of dollars in capital, and resource extraction. It will therefore have a real world impact on communities, ecosystems, and our climate.

Q: How is the Taxonomy being implemented?

A: The European Commission (EC) is adopting a number of Delegated Acts that implement the Taxonomy, the first of which lists the economic activities which the EC says will help to mitigate and adapt to climate change. It also sets out certain criteria that each activity must satisfy in order to be considered Taxonomy-compliant. Unfortunately, despite numerous legal, scientific and procedural issues, the EC has pushed forward with a list of activities which includes activities that cause significant carbon pollution and damage to ecosystems.

Q: What’s wrong with forest bioenergy in the Taxonomy?

A: In short, directing financial investment toward burning wood and cutting down forests is not sustainable. Forest bioenergy, particularly industrial scale biomass, creates huge amounts of climate pollution and harms human health and wellbeing. Burning wood for power also places a great demand on forest habitats and natural ecosystems: it draws on them as fuel. This reduces biodiversity and diminishes the ability of trees to remove carbon from the atmosphere.

Q: What’s wrong with forest management in the Taxonomy?

A: The Taxonomy greenlights “green” investment in largely business as usual forest management practices that are already degrading forests and decreasing forest carbon storage. Much stricter criteria are required to ensure that forest management supports climate change mitigation efforts and allows forest ecosystems to thrive as we try to tackle the biodiversity crisis.

Q: Is the Taxonomy’s implementation based in science?

A: No. In fact, the NGOs are taking legal action because criteria set by the Delegated Act are unscientific, vague and fail to satisfy the requirements of the Taxonomy to follow conclusive scientific evidence when determining which activities are included and the criteria they need to satisfy. The science clearly shows that burning trees and other forest biomass for energy, and business as usual forest management, are damaging the climate and biodiversity. Even though the EC’s own scientists acknowledge this, the EC has chosen to ignore this evidence by including these activities in the Taxonomy.

Frequently Asked Questions: NGO Complaint Against Taxonomy Delegated Act
September 2022

Q: Will the Taxonomy Delegated Act help to address climate change?

A: Not as written. Unfortunately, the EC has placed too much reliance on future technology improvements, regulations, or updates in science when setting its criteria, while ensuring far too few environmental protections today. The criteria will not help address climate change and as written are likely to increase pollution and cause significant harm to the environment.

Q: So, is the Sustainable Finance Taxonomy Delegated Act actually sustainable?

A: No! The taxonomy gets it wrong on several counts. In doing so, it violates primary EU law and the intent and legal requirements of the Taxonomy adopted by the EU Parliament.

Q: When is the legal action being filed and what are the next steps?

A: The NGOs are filing their case on 15 September. They expect to receive the Commission's defense within 2-3 months and then there may be an oral hearing of the case. Judgment is usually received within 1.5 to 2 years from filing.