

How can the EU taxonomy be implemented meaningfully?

To support the European Green Deal, the EU Commission is pursuing its Sustainable Finance Agenda. The centrepiece is the introduction of a classification system that defines the criteria for sustainable economic activities – the EU taxonomy. This legislation should contribute to greater transparency on the capital market and steer financial flows towards sustainable investments, thus promoting the ambitious transformation of the economy towards European climate neutrality by 2050.

The EU taxonomy can only be successful if:

1. all contributions from the economy to achieve climate and environmental protection objectives are included,
2. comparability between different sectors of the economy is ensured,
3. technical screening criteria become practically applicable,
4. there is a global applicability through the acknowledgment of comparable non-European legislation and approvals,
5. the use of renewable energies for the electrification of production processes is considered,
6. chemicals are classified in a consistent manner with existing EU chemicals legislation,
7. disclosure requirements and obligations to provide evidence are manageable for reporting companies, and
8. investments into a transformation path towards sustainability targets are actually supported.

Mapping branched value chains across different sectors of the economy into one set of rules is a complex and extremely large challenge. **The current weaknesses in the EU taxonomy illustrate the need for improvements** to achieve the goal of providing meaningful data to the capital market.

Until the improvements are implemented, the VCI considers it as **essential that the players in the financial sector are aware of the limitations of the current EU taxonomy legislation in the assessment of companies from the chemical industry.**