



## EU Taxonomy: The European Commission has published the final Delegated Acts under its sustainable finance package

### Key points

On 13 June 2023, the European Commission (EC) published:

- The final Environmental Delegated Act, which defines the technical screening criteria of the **four other environmental objectives** of the Taxonomy Regulation ('Environmental Delegated Act'), namely:
  - sustainable use and protection of water and marine resources;
  - transition to a circular economy;
  - pollution prevention and control, and;
  - protection and restoration of biodiversity and ecosystems.

The Environmental Delegated Act also includes changes to the Disclosures Delegated Act, including the content of the mandatory reporting templates.

- The amendments to the Climate Delegated Act, covering the climate-related environmental objectives of climate change mitigation and climate change adaptation including modifications and new activities.

The final texts are available [here](#):

- Text amending the Climate Delegated Acts: [Link](#)
  - Annex I - Climate Change Mitigation: [Link](#)
  - Annex II - Climate Change Adaptation: [Link](#)
- Text of the Environmental Delegated Act and amending the Disclosures Delegated Act: [Link](#)
- Annex I - Sustainable use and protection of water and marine resources: [Link](#)
- Annex II - Transition to a circular economy [Link](#);
- Annex III - Pollution prevention and control [Link](#)
- Annex IV - Protection and restoration of biodiversity and ecosystems: [Link](#)
- Annex V - Amendments to Annexes I, II, IV, V and X: [Link](#)
- Templates with [Annex VI](#) and [VII](#).

The EC has also published a [notice](#) on the interpretation of certain legal provisions of the Taxonomy Regulation (including [on minimum safeguards](#)) and links to the Sustainable Finance Disclosure Regulation ([SFDR](#)).



## 1 - EU Taxonomy Delegated Acts :

### When do the texts apply?

	Eligibility	Alignment
<b>Non-financial undertakings</b>		
Objectives 1–2 (climate change mitigation and adaptation) – <b>‘old’ activities’</b>	2024 on FY23 reporting <b>no changes</b>	
Objectives 1–2 (climate change mitigation and adaptation) – amendment <b>‘new activities’</b>	2024 on FY23 reporting	2025 on FY24 reporting
Objectives 3–6 (water, circular economy, pollution prevention, biodiversity)	2024 on FY23 reporting	2025 on FY24 reporting
Changes to the Disclosures Delegated Act	2024 on FY23 reporting	
<b>Financial undertakings</b>		
Objectives 1–2 (climate change mitigation and adaptation) – <b>‘old’ activities</b>	2024 on FY23 reporting <b>no changes</b>	
Objectives 1–2 (climate change mitigation and adaptation) – amendment <b>‘new activities’</b>	2024 on FY23 reporting	2026 on FY25 reporting
Objectives 3–6 (water, circular economy, pollution prevention, biodiversity)		
Changes to the Disclosures Delegated Act	2024 on FY23 reporting	



### What are the economic sectors and activities covered under the Environmental and Climate Delegated Acts?

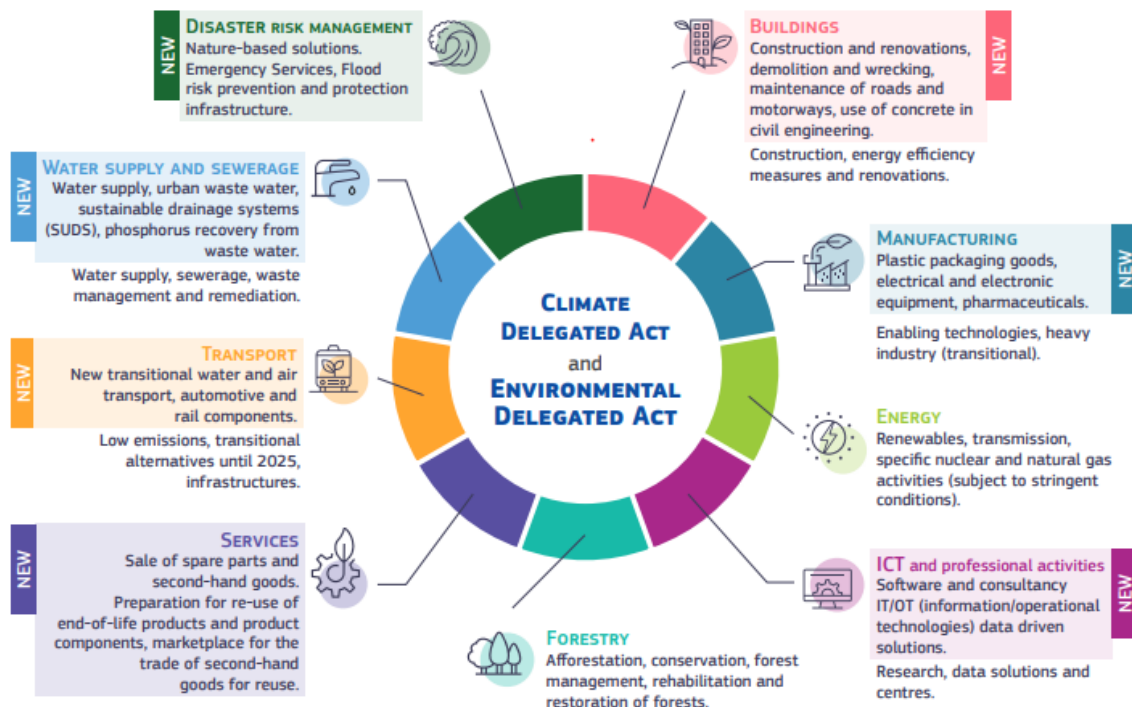
The Environmental Delegated Act defines criteria for economic activities substantially contributing to one or more of the non-climate environmental objectives of the Taxonomy Regulation, and includes 35 activities in 8 economic sectors: *(see Annex below for more details)*

- 6 activities on water and marine resources for 4 sectors
- 21 activities on the transition to a circular economy for 5 sectors
- 6 activities on pollution prevention and control for 2 sectors and
- 2 activities on the protection and restoration of biodiversity and ecosystems for 2 sectors

The targeted amendments to the Climate Delegated Act define criteria for additional economic activities contributing to the objectives of climate change mitigation and adaptation. They include 12 new activities covering 6 sectors, plus several targeted updates to existing activities in the Climate Delegated Act: *(see Annex below for more details)*

- 7 new activities on climate change mitigation for 2 sectors and
- 5 new activities on climate change adaptation for 4 sectors

**Sectors and new activities** *(activities listed are not exhaustive) :*



Source: <https://finance.ec.europa.eu>



## What are the main highlights?

### Climate objectives

- Aviation activity was maintained with some technical adjustments of the criteria.
- Adaptation activities were adjusted, notably: changes to the descriptions of the activities, changes to the Do No Significant Harm (DNSH) criteria and the 'Civil engineering' activity was removed.
- For certain sectors and activities, such as agriculture, forestry, fishing, and certain manufacturing activities, further assessments and calibration of criteria will be needed.

### 4 other objectives

- Protection and restoration of biodiversity and ecosystems has been updated, through: clarification of the formulation regarding offsetting under the activity of conservation, including restoration of habitats, ecosystems and species, i.e. the offsetting of the impacts of another economic activity is excluded, meaning that only net biodiversity gains resulting from conservation/restoration can be accounted for as a substantial contribution.
- Transition to a circular economy has been amended with stricter criteria for manufacturing of plastic packaging goods.
- Adaptation criteria is to be expanded to further activities in the future: due to time constraints, the Platform on Sustainable Finance and the EC were not able at this stage to also develop adaptation criteria for all activities included in the Taxonomy Environmental Delegated Act to make them adapted to climate change. The EC aims to develop technical screening criteria for relevant activities to make them adapted to climate change in the future.

A second set of activities, for which the proposed technical screening criteria required more time for further assessment in order to comply with the requirements of the Taxonomy Regulation, was postponed for adoption at a later stage.

## What are the next steps?

Once translated into all official EU languages, the Delegated Acts will be formally adopted and then transmitted to the co-legislators for their scrutiny period. The European Parliament and the Council will have four months (two additional months can be requested) to scrutinise the Delegated Acts. Once the scrutiny period is over and assuming neither of the co-legislators objects, the Delegated Acts will enter into force and **apply from January 2024**.



## 2- Notice on the interpretation of certain legal provisions of the Taxonomy Regulation and link to SFDR

The EC has also published a [notice](#) on the interpretation of certain legal provisions including FAQs.

### Minimum safeguards

The FAQs have clarified how undertakings should consider the requirements for compliance with **minimum safeguards**, namely they should:

- implement appropriate procedures, including procedures to continuously identify, prevent, mitigate or remediate the relevant actual and potential adverse impacts connected with their own operations, value chains and business relationships;
- clearly disclose potential impacts and explain what was done to identify, prevent, mitigate or remediate in case the undertaking did not comply with the minimum safeguards.

### Link with SFDR

The FAQs have clarified the status of investments in Taxonomy-aligned economic activities and assets under Regulation (EU) 2019/2088, SFDR, mostly notably:

- Given the direct link between the SFDR and the Taxonomy Regulation via Article 18, investments in Taxonomy-aligned 'environmentally sustainable' economic activities can be automatically qualified as 'sustainable investments' in the context of the product level disclosure requirements under the SFDR.



## **Annex – More details on the list of activities covered**

### **What are the new activities for the four other objectives?**

#### **→ 6 activities on water and marine resources / 4 sectors**

1. Manufacturing
  - 1.1. Manufacture, installation and associated services for leakage control technologies enabling leakage reduction and prevention in water supply systems
2. Water supply, sewerage, waste management and remediation activities
  - 2.1. Water supply
  - 2.2. Urban Waste Water Treatment
  - 2.3. Sustainable urban drainage systems (SUDS)
3. Disaster risk management
  - 3.1. Nature-based solutions for flood and drought risk prevention and protection
4. Information and communication
  - 4.1. Provision of IT/OT data-driven solutions for leakage reduction

#### **→ 21 activities on the transition to a circular economy / 5 sectors**

1. Manufacturing
  - 1.1. Manufacture of plastic packaging goods
  - 1.2. Manufacture of electrical and electronic equipment
2. Water supply, sewerage, waste management and remediation activities
  - 2.1. Phosphorus recovery from waste water
  - 2.2. Production of alternative water resources for purposes other than human consumption
  - 2.3. Collection and transport of non-hazardous and hazardous waste
  - 2.4. Treatment of hazardous waste
  - 2.5. Recovery of bio-waste by anaerobic digestion or composting
  - 2.6. Depollution and dismantling of end-of-life products
  - 2.7. Sorting and material recovery of non-hazardous waste
3. Construction and real estate activities
  - 3.1. Construction of new buildings
  - 3.2. Renovation of existing buildings
  - 3.3. Demolition and wrecking of buildings and other structures
  - 3.4. Maintenance of roads and motorways
  - 3.5. Use of concrete in civil engineering
4. Information and communication
  - 4.1. Provision of IT/OT data-driven solutions and software
5. Services
  - 5.1. Repair, refurbishment and remanufacturing
  - 5.2. Sale of spare parts
  - 5.3. Preparation for re-use of end-of-life products and product components
  - 5.4. Sale of second-hand goods
  - 5.5. Product-as-a-service and other circular use- and result-oriented service models
  - 5.6. Marketplace for the trade of second-hand goods for reuse



→ **6 activities on pollution prevention and control/ 2 sectors**

1. Manufacturing
  - 1.1. Manufacture of active pharmaceutical ingredients (API) or active substances.
  - 1.2. Manufacture of pharmaceutical products
2. Water supply, sewerage, waste management and remediation activities
  - 2.1. Collection and transport of hazardous waste
  - 2.2. Treatment of hazardous waste
  - 2.3. Remediation of legally non-conforming landfills and abandoned or illegal waste dumps
  - 2.4. Remediation of contaminated sites and areas

→ **2 activities on the protection and restoration of biodiversity and ecosystems / 2 sectors**

1. Environmental protection and restoration activities
  - 1.1. Conservation, including restoration, of habitats, ecosystems and species
2. Accommodation activities
  - 2.1. Hotels, holiday, camping grounds and similar accommodation

**What are the new activities for climate change mitigation?**

22 amended and **7 new activities** for the #mitigation objective (manufacturing, transport):

3. Manufacturing
  - 3.18. Manufacture of automotive and mobility components
  - 3.19. Manufacture of rail constituents
  - 3.20. Manufacture, installation, and servicing of high, medium and low voltage electrical equipment for electrical transmission and distribution that result in or enable a substantial contribution to climate change mitigation
  - 3.21. Manufacturing of aircraft
6. Transport
  - 6.18. Leasing of aircraft
  - 6.19. Passenger and freight air transport
  - 6.20. Air transport ground handling operations

**What are the new activities for climate change adaptation?**

15 amended and **5 new activities** for the #adaptation objective (water, IT, consulting, disaster risk management)

5. Water supply, sewerage, waste management and remediation
  - 5.13. Desalination
8. Information and communication
  - 8.4. Software enabling climate risk management
9. Professional scientific and technical activities



- 9.3. Consultancy for physical climate risk management and adaptation
- 14. Disaster risk management';
  - 14.1. Emergency Services
  - 14.2. Flood risk prevention and protection infrastructure

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