



# EU Taxonomy will align European recovery with climate objectives, practical study finds

## PRESS RELEASE

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The EU Taxonomy should be always applied to identify green investments in the EU's next long-term budget and recovery package, according to a new [report](#) launched today.

The EU plans an historic investment in its economy through a EUR 1.85 trillion budget, with around a third earmarked for climate expenditure. The study, titled **“Applying the EU Taxonomy”: Lessons from the Front Line**, provides strong evidence of the EU's Taxonomy robustness as a mechanism for monitoring for climate-relevant spending.

The [study](#) shows that:

- EU Member States can already use the EU Taxonomy to ensure that the climate share of their projects in all EU and co-funded areas will fulfil the European Court of Auditors' call<sup>1</sup> for a credible climate action tracking methodology and to avoid green washing.
- The Rio Markers – the existing climate tracking system used for EU funds – are imperfect, can inflate climate action percentages and doesn't align with the definitions for green increasingly used in the private sector, whose money is required for co-investments.
- No climate tracking system can allow for green-wash, nor include fossil fuel projects that will quickly become stranded assets as Europe moves to a net-zero emissions economy.

**“Applying the EU Taxonomy”: Lessons from the Front Line** shines a light on the practical exercises and evidence for applying the **EU Taxonomy** to define climate contribution across all EU Funds. Its findings are based on a review of 1,000 shovel-ready investment projects across the 27 EU Member States, and through a line-by-line analysis of the investment categories identified in the European Structural and Investment Funds.

The EU Taxonomy is a science-based methodology for transparent reporting and monitoring on climate spending that has been defined by [technical experts](#). This unequivocal tool is urgently required as public and private sector promoters, project-financiers, companies and Government officials work together to identify investment projects to align recovery investments with the objective of achieving climate neutrality by 2050.

Peter Sweatman, lead author and Chief Executive of Climate Strategy & Partners said *“The EU Taxonomy is new, and greatly improves on the Rio Markers. It will more easily align public and private investments to deliver more climate and economic benefits in the COVID-19 -recovery.”* Malte Hessenius, co-author working in sustainable finance at Climate & Company, adds *“We show*

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<sup>1</sup> European Court of Auditors (2020), Tracking climate spending in the EU budget. Retrieved from [https://www.eca.europa.eu/lists/ecadocuments/rw20\\_01/rw\\_tracking\\_climate\\_spending\\_en.pdf](https://www.eca.europa.eu/lists/ecadocuments/rw20_01/rw_tracking_climate_spending_en.pdf)

*how the EU Taxonomy can upgrade the current climate tracking method by adding a science-based footing, and only defining investments as ‘green’ if they substantially contribute to climate neutrality”.*

The [report](#) provides advice to EU and national officials as well as sustainable finance practitioners based on the analysis of real-life applications of the EU’s technical expert group (TEG) threshold recommendations for climate mitigation and adaptation. In three sections, it provides an introduction to the climate taxonomy challenge, the lessons learned from practical applications of the EU Taxonomy, and a direct comparison of EU Taxonomy with the Rio Markers.

Sébastien Godinot, economist at WWF’s European Policy Office said *“None of the public money invested in the European recovery must harm the Paris Agreement, and climate-friendly investments must be robustly tracked. The EU Taxonomy is clearly the best tool for that.”*

In conclusion, the report recommends the EU Taxonomy as its preferred climate tracking tool for reference in the legislation on all financial instruments in the Next Generation EU and the EU budget (MFF). EU climate ambition needs a credible climate tracking system, especially as it looks to get fit for new climate objectives in 2030.

### Notes to editors

To download report please click [here](#). For more information, please contact: Climate Strategy: Mauricio Yrivarren, [info@climatestrategy.es](mailto:info@climatestrategy.es), +34 91 047 1969

### About Climate Strategy & Partners



Climate Strategy & Partners is a leading consultant in climate finance, energy efficiency investments and the corporate strategies and Government policies required to up-scale both. For 11 years, the Climate Strategy team has been providing global companies, banks and Governments advice on how to accelerate the economic transition to a low carbon economy. Climate Strategy’s chief executive, Peter Sweatman, has authored or co-authored fifteen white papers, is the rapporteur to the G20’s Energy Efficiency Financial Task Group (EEFTG) and the EU Commission and UN Environment Finance Initiative’s Energy Efficiency Financial Institutions Group (EEFIG). Climate Strategy has supported energy transition policy development in Mexico, France, UK and Spain and continues to implement leading low carbon business solutions for global clients.

More information can be found at [www.climatestrategy.com](http://www.climatestrategy.com)

### About Climate & Company



Since the late 1990s Climate & Company (C&C) has been working primarily on the challenges of analysing, financing and policy design for climate action and sustainable development. Based on a broad and differentiated understanding of policy making, financial market practice and the rigorous analysis of industrial processes, C&C is able to solve complex challenges across sector and country boundaries. The C&C team brings together the right mix of skills, experience and motivation focused on creating a world worth living in for people today and for the future of our children.

More information can be found at [www.climateandcompany.com](http://www.climateandcompany.com)