

Martin Spolc
Head of Unit of Financial Technology and Sustainable Finance
DG FISMA B2
European Commission
B-1049 Brussels
Belgium

Date: 13 September 2019

Input to the EU Taxonomy Technical Report regarding governance and future use of Taxonomy for Sustainable Finance

Dear Mr Spolc,

The Zero Emissions Technology and Innovation Platform (ZEP) is the technical adviser to the EU on the deployment of Carbon Capture and Storage (CCS), and Carbon Capture and Utilisation (CCU), a European Technology and Innovation Platform (ETIP) under the Commission's Strategic Energy Technologies Plan (SET-Plan).

In order to ensure the success of an enduring green finance sector, ZEP has recommendations on the future process and governance of the taxonomy in addition to our answers and comments to the online Taxonomy Technical Report feedback questions.

Three sets of review periods

To ensure that the defined list of sustainable taxonomy retains flexibility as economic activities develop, for new or existing activities, there should be a regular and thorough review process. The review process as such could be structured to follow three periods:

- Annually: review opportunity for new economic activities which have not yet been assessed. Activities will nominate themselves to an independent regulator/panel for review and must provide sufficient supporting documentation. The ratification by an independent and impartial panel will follow the same template and threshold criteria as activities already ratified as sustainable. There will be a need for some kind of minimum size limit for an economic activity, otherwise the system may risk overloaded from many small niched individual activities.
- Every 2-3 years: reassessment opportunity for existing economic activities which have previously not reached the thresholds. These activities must present suitable advancement to reach the criteria. The ratification by an independent and impartial panel will follow the same template and threshold criteria as activities already ratified as sustainable. Activities can nominate themselves to an independent regulator/panel for reassessment and must provide sufficient supporting documentation. If the activity is not accepted, then the sector cannot reapply until the next reassessment window.

European Zero Emission Technology and Innovation Platform

- Every 5 years: complete review to be undertaken by an independent expert group on the activities, thresholds and criteria. In parallel, a public health-check consultation should be run to identify successes and shortfalls of the current landscape. The taxonomy should then be flexible and able to accommodate appropriate changes.

Important to use an independent and expert advisory panel

To ensure that any subsequent review which results in the retention, inclusion, or exclusion of particular activities from the sustainable finance taxonomy remains fair, an Advisory Panel – comprised of experts from a wide variety of industries associated with the specific processes – should be used.

This will ensure that any activity subject to review will be held accountable to the same process as those in the first round of taxonomy review. It will also prevent any undue lobbying of the European Commission which may influence an otherwise impartial and technical process. The members selected in an Advisory Panel will have intricate knowledge of the economic activities presented and be able to make an accurate and swift conclusion to any proposals.

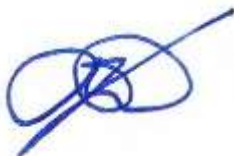
Central standards, local monitoring, verification and reporting

If standards both regarding interpretation and implementation of the taxonomy between Member States and can be reassured, local monitoring, verification and reporting would be preferable. It would lower the administrative burden on the European Commission and logistics therein and encourage Member States to take the sustainability drive internally to help Europe achieve their climate targets.

Central monitoring, verification and reporting of the activities can be implemented for assessing emissions under the current EU ETS process. This may be more challenging regarding electricity generation, considering that the carbon footprint can vary quite extensively nationally but also in the same place seasonally and daily.

We would be more than happy to meet, to discuss this further.

Yours sincerely,

A handwritten signature in blue ink, appearing to be "G. Sweeney", with a long horizontal stroke extending to the right.

Dr. Graeme Sweeney

ZEP Chairman

European Zero Emission Technology and Innovation Platform