

THE ANGEL IN THE DETAIL - EU THINKING EMERGES ON VETTING GREEN BUSINESS ACTIVITY

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Legal Briefings - By **Rebecca Perlman and Jimena Gutiérrez Calero**

The EU group creating a model to screen economic activity for sustainability has issued initial recommendations. What happens next?

WHAT'S THE NATURE OF THE DEVELOPMENT?

On 3 August 2021, the dedicated Platform on Sustainable Finance subgroup (referred to as the Technical Working Group ("**TWG**")) published a draft report on a preliminary set of recommendations for the EU Taxonomy's technical screening criteria (the "**Draft Report**").

One of the TWG's core tasks is to advise the Commission on the technical screening criteria, in line with Article 19 of the Taxonomy Regulation. The TWG is seeking feedback on the Draft Report in order to improve and develop the draft recommendations for the technical screening criteria before a final set of recommendations and criteria are proposed to the Commission in November 2021.

Stakeholders can submit their feedback until 24 September 2021.

WHAT'S THE BACKGROUND?

The European Union ("**EU**") is committed to transforming the EU into a resource-efficient and competitive economy that can meet the aims of the European Green Deal. The EU Taxonomy - a unified EU-wide classification system for sustainable economic activities - lies at the heart of this commitment. The EU Taxonomy sets out an operational list of economic activities, together with technical screening criteria that determine when such activities can be considered to make a substantial contribution to one or more of the Taxonomy's six environmental objectives.

WHAT ARE THE IMPLICATIONS?

The key focus of the Draft Report is to present a first set of 'priority' economic activities and draft recommendations for "substantial contribution" and "do no significant harm" technical screening criteria in relation to the following environmental objectives: sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, protection and restoration of biodiversity and ecosystems. There are also a small number of economic activities and related draft recommendations for technical screening criteria regarding the Taxonomy's two climate-related objectives (climate mitigation and adaptation).

The Draft Report focuses on an initial set of economic activities and it is expected there will be a second set of recommendations for additional activities and criteria, which will likely be addressed in a later update of the delegated act by the Commission.

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