



All-Party Parliamentary Group on Environmental, Social and Governance

Call for evidence on the UK Green Taxonomy

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Introduction

The forthcoming UK Green Taxonomy is a key component of the Government's net zero ambitions. The Taxonomy will identify those economic activities that are sustainable, helping to combat greenwashing and facilitating the flow of capital towards greener projects.

In line with the preferences of the All-Party Parliamentary Group (APPG) on Environmental, Social and Governance (ESG), chaired by Alexander Stafford MP, the Taxonomy will not only further the widespread adoption of ESG in combination with the Government's Sustainability Disclosure Requirements (SDR), but it also promises to improve the accuracy and comparability of ESG data that the APPG has long called for, albeit, limited to the 'E'.



A prerequisite of the UK Green Taxonomy is for it to be science-based. However, the EU's designation of natural gas as meeting transitional net zero criteria, has raised the possibility of the UK version conforming to political priorities as well as scientific fact.

Furthermore, the EU, in establishing its own taxonomy first, has set the global blueprint for others to follow, including the UK, which has heavily borrowed from the EU approach as the starting point for its own Green Taxonomy.

Meanwhile, the UK Green Taxonomy is expected to conform to unique features of the domestic economy and environment, raising questions of which aspects of the example set by the EU should be modified.

There are also questions to be asked concerning how the Taxonomy should be delivered in coordination with other strategies and instruments such the Green Finance Strategy and SDRs so that it meets its potential in helping to drive capital to more sustainable assets and combatting greenwashing.

The APPG on ESG will publish a report on the UK Green Taxonomy ahead of legislation planned for the end of 2022. The report's content will be based on secondary research, roundtable meetings of the APPG and an **evidence session to be held on Thursday 15 September**.

This document outlines the scope of the September evidence session.

Scope and objectives of this evidence session

The objective of the evidence session is to attract as diverse a range of expert insight and information as possible relating to the forthcoming UK Green Taxonomy.

Over the past 12 months, the APPG has prioritised ESG-related data, disclosures and reporting, and welcomes the future introduction of a UK Green Taxonomy that would drastically improve the quality, quantity and above all comparability of environmental data. The group is encouraged by the three stated aims of the Taxonomy, laid out in last year's ['Greening Finance'](#) roadmap.

Aims of the Green Taxonomy

- Create clarity and consistency for investors.
- Improve understanding of companies' environmental impact.
- Provide a reference point and performance targets for companies.



Collectively, achieving these three aims will lead to two headline positive outcomes, strongly favoured by the APPG:

- They will directly confront greenwashing, ensuring corporate entities and financial institutions cannot make unfounded claims of their level of alignment with environmental goals.
- They will help divert capital to more sustainable assets, portfolios and projects.

Reporting against the Taxonomy will form a critical component of SDRs. The APPG invites stakeholders to share their insight into how delivery of the Taxonomy can be optimised for the benefit of the SDRs, improving disclosures across the UK economy.

The European Union

An important set of considerations is where, why and how the UK should seek to deviate from the example set by the European Union, acknowledging that the starting point for the UK Green Taxonomy has been set by the EU, including both objectives and alignment.

The APPG would like to explore the following:

- Which aspects of the example set by the EU should the UK seek to avoid/loosen/tighten, why and how?
- Is the UK right to apply the EU's definition of what a green taxonomy should look like? (see **environmental objectives** and **taxonomy-alignment**).
- To what extent should the UK base its technical screening criteria (TSC) on the EU's?
- Has the UK taken the right approach in singling out nuclear as an energy source that needs careful consideration from the outset so as to avoid the difficulties faced by the EU in adding nuclear at the eleventh hour?
- Are there any broader issues stemming from following the EU lead the APPG should be aware of? Is there a danger that not taking an innovative approach from the outset will deny the UK Taxonomy from meeting its full potential.

Other green taxonomies

The APPG recognises that the EU Taxonomy is the global leader, however constructive comparisons with other green taxonomies, including examples from commercial organisations, are very welcome.

The United Kingdom

- Which characteristics of the UK economy need be considered?
- What environmental factors unique to the UK merit special consideration?
- What features of the UK's legislative system, governance and legal system threaten to compromise the effectiveness of an EU-style taxonomy.



Environmental objectives

The APPG seeks testimony on matters relating to the six environmental objectives that form the basis of the Green Taxonomy. The group would like to hear suggestions towards optimising the UK Taxonomy, particularly with respect to climate change mitigation and adaptation ahead of the publication of the 2022 consultation on these two objectives.

The six environmental objectives:

- Climate change mitigation.
- Climate change adaptation.
- Sustainable water use and protection of water and marine resources.
- Transition to a circular economy.
- Pollution prevention and control.
- Protection and restoration of biodiversity and ecosystems.

Taxonomy alignment

Following the EU approach, the UK Taxonomy is set to determine alignment through a combination of substantially contributing to at least one environmental objective without detriment to the others (see breakdown below). Is this the right approach? Should the UK prioritise net zero, implement a hierarchy, or devise a more dynamic approach to determining alignment?

How alignment with the Taxonomy will be determined:

- Making a substantial contribution to one of the six environmental objectives.
- Doing no significant harm to the other objectives.
- Meeting minimum safeguards - e.g. UN Guiding Principles on Business and Human Rights.

Transitional activities

Some economic activities that are essential to the economy, such as manufacturing cement, are set to be designated as 'transitional' because there is no sustainable alternative, in such cases TSCs will be set at best-in-sector emission levels.

Is this the right approach? What other activities should or should not be designated as transitional and why? The APPG would be particularly interested in receiving insight into the EU's revised designation of gas and nuclear energy under its transitional derogation.



Enabling activities

Similarly, activities that are not directly sustainable but lead to sustainable outcomes - e.g. the manufacture of components for renewable energy technologies are expected to be classed as sustainable. What definitional pitfalls are there? What activities that fall into this category might be missed and why?

SMEs

A high priority is to learn how SMEs should be considered in the Green Taxonomy, given their much lower threshold to absorb additional burdens, lack of familiarity with ESG and reporting requirements, and their combined importance to the UK economy.

Format of the evidence session

Evidence will be presented to the Chairman, officers of the APPG and the secretariat, **either in person or virtually, on the morning of 15 September 2022**. Each participant in the session will be allocated a time slot lasting between 10 and 15 minutes to present their views, recommendations, experience, insight and knowledge on any of the above lines of enquiry.

Half of the time slot shall be allocated to presenting evidence, the other half shall be devoted to a brief question and answer session.

The session will be held as a virtual or hybrid event. Participants are asked to provide a brief outline of their topic in response to this call for evidence. In advance of the evidence session, they will be asked to provide a one to two-page document summarising the key themes of their presentation, including sources to evidence cited. Appendices and supporting documents are welcome.

The decision to present with or without slides is at the discretion of the presenter. In accordance with All-Party Parliamentary rules, minutes of the session will be anonymised and published on the APPG's website.



Evidence submitted at the session and later cited directly in the report may reference the individual who provided it and their organisation, in such cases the secretariat will ensure to gather explicit approval from the individual.

Deadline for applications

Deadline for applications to present before the Chairman at the evidence session is Friday 9 September. Approved applications will receive a response from the secretariat designating their time slot and a request for a summary of the presentation or topic to ensure the presentation and Q&A is as productive as possible.

Participants

Responses are welcomed from all those with a professional background in Environmental, Social and Governance, academics, and members of organisations with an interest in ESG and green taxonomies.

Enquiries

Please direct all enquiries about this call for evidence to secretariat@appgesg.org

Next steps

The secretariat will begin reviewing responses from the date the call for evidence is launched, Thursday 25 August, applicants are therefore advised to submit as early as possible.

Report

The report is due for publication in Q4 of this year.

ENDS