

Ministry of Finance
Mr W. Hoekstra
Postbus 20201
2500 EE The Hague

Date
20 June 2019

Re: *Contribution of the Netherlands to the Sustainable Finance Taxonomy debate in the European Council*

Dear Mr. Hoekstra,

We would like to draw your attention to the European Commission's Sustainable Finance Action Plan and in particular to the draft 'Regulation on the establishment of a framework to promote sustainable investment' (the 'taxonomy'), for which a General Approach is currently being prepared in the Council working party.

We welcome the fact that, with this Action Plan, the EU is committed to shaping the ground rules for the European financial sector in such a way as to contribute as much as possible to the future sustainability of the economy and society. We have already explained the importance of this in a [position paper](#) (12 December 2018).

However, we question whether the contribution of the taxonomy, as proposed by the European Commission, is effective. The ultimate goal of all elements of the Action Plan, including the taxonomy, is to promote a real 're-orientation of capital'. In our view, the European Commission's current taxonomy proposal will not achieve this goal. Under the current proposal, there will be an additional reporting obligation for actors who invest in sustainable activities, whilst actors who invest in unsustainable activities will not have to justify themselves. It cannot be the intention of the Sustainable Finance Action Plan to discourage those who contribute to solving the climate problem from continuing their work. We therefore ask you to consider the scope of application of this Regulation.

The scope concerns both the actors who will assess their financing against the taxonomy, the legal addressees, and the activities that should be assessed against the sustainability criteria of the taxonomy.

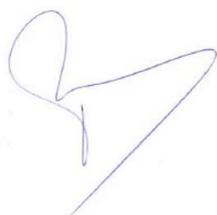
The limited scope of legal addressees as proposed by the Commission in Article 1 excludes all actors regulated in the financial sector who are unable or unwilling to finance sustainable activities. The scope of the proposal is limited to (1) public authorities that develop sustainable financing policies, and (2) actors that offer sustainable financial products. The exclusion of a large part of the financial sector from the application of the taxonomy means that their financing will not be tested on sustainability criteria, which will significantly reduce the effectiveness of sustainability policies. In its report, adopted on 28 March 2019, the European Parliament addressed this omission by adding a third category of actors to the scope - 'other actors' - who could be excluded from the application of the taxonomy only under strict conditions. We ask you to emphasise at the Council meeting that Article 1 should not limit the possible scope of taxonomy. This can be resolved either by removing this restriction or by following the European Parliament's solution.

The limited scope of activities in the proposal stems from Article 3, which implies that only the funding of sustainable activities will be assessed against the criteria. Financing of non-sustainable activities, or activities whose sustainability is not known, is not covered by the proposal. In the context of the urgency of the climate problem, it is important that attention is also paid to the very investments that do not contribute to a solution to the climate problem. We therefore ask you to stress in the Council that in Article 3 the definition of 'non-sustainable' (harmful to one objective and not contributing to another) is just as important as the definition of 'sustainable' (contributing to one objective without harming another).

Finally, in order to minimise the regulatory and administrative burden and thus make it easier to implement and enforce, this taxonomy should be aligned with existing mandatory Eurostat reports on, inter alia, environmental accounting. The existing internationally applied reporting logic of harmonized system (HS) codes within the NACE system can also be used for sustainable financing and makes an entirely new logic unnecessary. To this end, Article 14 (on requirements for technical specifications) should make explicit reference to the Regulation on European environmental economic accounts and the subsequent delegated acts and procedures.

In the interests of the cross-border nature of environmental and climate issues and in view of the competitive position of the financial sector, we ask you for a productive and incisive commitment from the Netherlands.

Yours faithfully,



Peter Blom

CEO Triodos Bank NV

c.c. Chairman of the Permanent Parliamentary Committee on Finance of the Lower House
of the Dutch Parliament