Public Response Platform on Sustainable Finance Taxonomy Report

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We understand from the draft report that three main types of substantial contribution are now defined (p. 32) as follows:

- Own performance – reducing environmental pressure
- Own performance – improving the state of the environment
- Enabling

In this list, the only thing that we see as fully consistent with the approach for the first two objectives (Climate Change Mitigation and Climate Change Adaptation) is the “Enabling” category. The own performance category has been specified further, and “transition” is not present anymore. Additionally, “reducing environmental pressure” is now further divided into 3 sub-categories, depending on the actual environmental impact. This adds at least one fully new category (“improving” or “healing”) and 3 subcategories.

From what we interpret, these sub-categories are also defined specifically by objective. Each objective seems to have a different approach to how the subcategories are set (for example, p. 47 in the case of transition to a circular economy, p. 52 for pollution prevention and control), which raises questions as to if and how these will come together into harmonized categories. The biodiversity objective seems even more complex, via the definition of a “stepwise approach” (p. 57) to setting substantial contribution, also distinguishing by type of ecosystem impacted. Overall, we are concerned that if each objective has a slightly different typology/classification for types of activities could cause confusion and decrease comparability. Additionally, with respect to biodiversity, the picture on p.66 introduces DNSH within the same objective of Substantial Contribution, which is unusual (however, the details of the picture are hard to read).

When reviewing annex B and the lists of activities, we found some practical inconsistencies with the previous approach that could potentially become problematic. We are concerned about the interrelation between activities such as:

- Manufacture of chemicals, manufacture of chemicals preparations (+ manufacture of basic organic chemicals, manufacture of basic inorganic chemicals, of chlorine, carbon black, soda ash, anhydrous ammonia, coming from the existing DA). It is not clear if, or how, these link together and whether they are compatible as “aggregated” and “disaggregated” activities?
- Manufacture of high, medium and low voltage electrical equipment which results in or enable Substantial Contribution to Climate Change Mitigation. We are unclear how if and how these relate to existing activities in manufacturing and infrastructure? For example, it covers EV charging stations, which are currently covered elsewhere.
· Manufacture of food products making substantial contribution to biodiversity or the transition to a circular economy. In the former case it is defined by looking at ingredients, and in the latter at the destination of the packaging.
· Maintenance of road, motorways, bridges and tunnels and also for construction of buildings. It is not clear where the line is between these and existing activities, and if a company is not reporting, how the two new activities and the existing ones can be differentiated.

Hence, while we recognize that the general EU Taxonomy framework is proposed to be applied in the same way for the remaining four objectives, we see some inconsistencies in how the Substantial Contribution criteria are defined at the objective level, as well as in the list of activities, which is largely overlapping between objectives and has no clear boundaries (or, with boundaries defined at levels that external analysts, operating at scale, can hardly assess). In our view, a greater amount of consistency between activities’ definitions, and at least a common language across objectives, would be highly beneficial.