

International Platform on Sustainable Finance

Common Ground Taxonomy – Climate Change Mitigation

Instruction report

IPSF Taxonomy Working Group
Co-chaired by the EU and China

Disclaimer

The present report represents a technical work between the EU and China taxonomies within the scope of the instruction report with no legal effect and is not formally endorsed by IPSF member jurisdictions. The result does not create either a 'common' or 'single' taxonomy or a standard that is mandatory for IPSF member jurisdictions. It takes due note of the fact that the EU Taxonomy Climate Delegated Act is still subject to scrutiny at EU co-legislator level, and does not pre-empt any discussion or decision that could be made in this context.

The table annexed to this report is published for open feedback from 4 November 2021 until 14 January 2022.

Acknowledgements

This report was produced by the IPSF Taxonomy Working Group, co-chaired by Mr Marcel Haag for the European Commission and Dr Ma Jun for the People's Bank of China. It was written by the IPSF Technical Expert Group with valuable inputs by IPSF members and observers. The IPSF Secretariat is particularly grateful for the invaluable contributions of Sean Kidney, Bridget Boule, and Wenhong Xie (Climate Bonds Initiative), Wenqin Lu (China Energy Conservation and Environmental Protection Group), and Dr Bolu Wang (Tsinghua National Institute of Financial Research).

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1. Executive summary

In July 2020, the EU and China initiated a Working Group on taxonomies with the objectives to undertake a comprehensive assessment of the existing taxonomies for environmentally sustainable investments, including identifying the commonalities and differences in their respective approaches and outcomes.

The Common Ground Taxonomy (CGT) is a milestone work resulting from an in-depth comparison exercise that puts forward areas of commonality and differences between the EU and China’s green taxonomies. This first publication covers the initial phase of work which will be expanded over time.

The scope covers substantial contribution criteria for climate change mitigation, whilst other environmental objectives are not covered at this stage. Considering the difference of the environmental legislation system by different jurisdictions, other eligibility features such as Do No Significant Harm were not covered within scope of the first phase.

The Common Ground Taxonomy is...	The Common Ground Taxonomy is not...
✓ An analysis on approaches of the EU taxonomy and China taxonomy, and the methodology for comparing and identifying commonalities and differences between some features of the two taxonomies	- A legal documentation by the EU and China which entails requirement/obligation for either jurisdiction to change their taxonomy.
✓ An evolving tool that may help different actors to understand the types of activities that could be covered under the respective taxonomies within the scope of the comparison exercise	- A single taxonomy or exclusive definition of environmentally sustainable economic activities covering all environmental objectives, such as biodiversity, pollution prevention, etc.
✓ A technical document for voluntary reference by interested parties within the limits of the scope of the comparison exercise	- Covering all eligibility features or all activities in the EU and China taxonomies as explained in the instruction report.
✓ An analytical tool or reference for other jurisdictions to consider when developing their own taxonomies	- A proposal for international standards or legal document that imposes any global standard on other jurisdictions.

The CGT can be used to improve the comparability and future interoperability of taxonomies around the world. Hence, it intends to provide more clarity and transparency about the commonalities and differences between approaches and eventually lower the trans-boundary cost of green investments and scale up the mobilization of green capital internationally. It also provides a solid methodology on the basis of which other taxonomies can be compared in the future.

The methodology underpinning the CGT is a key part of the value of this work. The first stage involved (1) extract climate change mitigation activities from the China Taxonomy, (2) mapping of all activities in both taxonomies to a neutral code so that they could be more easily compared. The International Standard Industrial Classification of All Economic Activities (ISIC) was used as the

international reference classification. (3) selection of priority sectors which would significantly contribute to carbon emission reduction or sequestration.

The second stage involved evaluating the detailed description and technical screening criteria for each line to ascribe each line with a scenario based on their overlap as follows:

- **Scenario 1: Areas with clear overlaps** covers activities which have overlaps and can be considered comparable within the scope/for the purpose of the CGT report.
- **Scenario 2: EU criteria are more stringent and/or detailed** was assigned to activities where the EU screening criteria were either narrower in scope or more stringent and/or detailed than Chinese criteria. In this case, the EU criteria were described in the CGT in greater detail.
- **Scenario 3: China criteria are more stringent and/or detailed** was assigned to activities where the China criteria were either narrower in scope or more stringent and/or detailed than EU criteria. In this case, the China criteria were described in the CGT in greater detail.
- **Scenario 4: Identifiable overlap** was assigned to activities that have some alignment in scope of activities, and could be defined by utilising both sets of eligibility criteria.
- **Scenario 5/6: Unclear overlap or obvious differentiation:** Scenario 5 was assigned to activities that were very difficult to map in the other taxonomy. Scenario 6 was assigned to activities where there was obvious differentiation.

The Common Ground Taxonomy analysed 79 activities across six sectors in the International Standard Industrial Classification of All Economic Activities (ISIC), Rev. 4:

- Agriculture, forestry and fishing
- Manufacturing
- Electricity, gas, steam and air conditioning supply
- Water supply; sewage, waste management and remediation activities
- Construction
- Transportation and Storage

These are detailed in the document as followed:

CGT number and activity name	<i>Each activity in the CGT is numbered according to its headline sector e.g. A1.1 is Afforestation which is the first activity under the Agriculture and Forestry sector. Name of activity – China or EU nomenclature is used depending on the scenario (e.g. for Scenario 2 activities, generally EU nomenclature is used)</i>
Description	<i>Description of what is covered under the activity- China or EU nomenclature is used depending on the scenario (e.g. for Scenario 2 activities, generally EU nomenclature is used)</i>
Substantial contribution criteria	<i>Scope of activity Description of Technical screening criteria</i>
Additional notes	<i>Provides reference numbers within the associated activities in the EU and/or China Taxonomy.</i>
Overlap scenario	<i>Provide the scenario ascribed during the research</i>

Future considerations

This first phase of the CGT presents a detailed analysis of the EU and China Taxonomies. Other areas missing could be incorporated into future work. This includes:

- **Additional sectors such as** like services and ICT
- **Additional environmental objectives** as they are agreed within the EU process.
- **Transition considerations** as the EU and China taxonomies and taxonomies from other jurisdictions evolve to include more transition considerations.
- **New areas of alignment in existing activities** where mapping alignment was challenging, there is potential to do more research work to understand possible commonalities.
- **Other eligibility features such as** DNSH and minimum safeguards could be brought in to strengthen the comparison and interoperability between jurisdictions.
- **Other jurisdictions** will be brought in as their taxonomies are finalised

An important part of future work is that it dovetails with the work of the **G20 Sustainable Finance Working Group** (SFWG). At the request of G20 SFWG, the IPSF and the United Nations Department of Economic and Social Affairs (UNDESA) issued an input paper on which provides a mapping and analysis of existing – under development – taxonomies.¹ This paper sets out the following 7 high level principles for jurisdictions and markets for the development of coherent approaches to identify and align investments with sustainability goals.

This work and the forthcoming Roadmap of the G20 will also guide the work of the IPSF and the CGT work going forward as it looks to include more jurisdictions and further enhance interoperability around the world.

¹ Improving compatibility of approaches to identify, verify and align investments to sustainability goals (IPSF-UNDESA input paper for the G20 SFWG)
<https://q20sfwg.org/wp-content/uploads/2021/09/G20-SFWG-DESA-and-IPSF-input-paper.pdf>

2. Introduction

2.1. Background and Objectives

2.1.1. Brief introduction of IPSF's Taxonomy Work

The International Platform on Sustainable Finance (IPSF) is a multilateral forum that aims to enable exchange of practices and increase international cooperation on sustainable finance related matters. This in turn contributes to scaling up the mobilisation of private capital towards environmentally sustainable investments. Part of this work focusses on deepening cooperation on the development of “sustainable taxonomies” around the world and to help to mitigate fragmentation of global green/sustainability definitions as far as possible. Over twenty jurisdictions around the world have developed or are in the process of developing national or regional sustainable taxonomies (see Annex)². Of these jurisdictions, China and the EU adopted their respective taxonomies into legislative frameworks.

In July 2020, the EU and China have initiated a Working Group on taxonomies (hereafter referred to as the “WG”) co-chaired by both jurisdictions and open to all IPSF members and observers. The WG’s objectives are to undertake a comprehensive assessment of the existing taxonomies for environmentally sustainable activities, including identifying the commonalities and differences in their respective approaches and outcomes. This work has become known as the IPSF “Common Ground Taxonomy”.

2.1.2. The Common Ground Taxonomy (CGT): purpose, objectives and users

What is the Common Ground Taxonomy?

The Common Ground Taxonomy (CGT) is a report resulting from an in-depth comparison exercise that puts forward areas of commonality between the EU and China’s taxonomies. This first publication covers the initial phase of work which will be expanded over time (see Chapter 7).

It covers only areas that are in the current scope of both taxonomies, in terms of objectives, eligibility criteria, activities and thresholds – i.e., if there are activities, objectives or eligibility criteria covered by the EU but not China (and vice versa), they are not part of the CGT. To determine eligibility criteria for each activity, it puts forward the criteria that are compliant in both jurisdictions – usually this means referring to the jurisdiction with narrower scope or more stringent/more detailed criteria although in some cases, criteria are the same (and therefore directly eligible) or in others both sets of criteria should be used.

The CGT does not entail any legal implications in either jurisdiction. It only covers climate change mitigation objective of the EU taxonomy and activities considered making substantial contribution to the said objective. Thus, the detailed activities referenced in the CGT table accompanying this report should not be considered as automatically aligned with the EU taxonomy, as certain eligibility criteria of the EU taxonomy, such as the Do No Significant Harm (DNSH) criteria and the minimum social safeguards, are not considered by this report. The CGT does not yet cover the climate change adaptation objective of the existing EU Climate Delegate Act. The EU taxonomy will adopt criteria for the remaining four environmental objectives in 2022 and continue to be developed thereafter.

² Ibid.

However, the report is a key milestone which provides the first comprehensive activity-by-activity mapping and comparison of the EU and China taxonomies, including relevant technical screening criteria. It creates a methodology, detailed in Chapter 3, which is a milestone achievement in terms of ensuring the comparability and interoperability of taxonomies across jurisdictions, in line with the Roadmap of the G20 Sustainable Finance Working Group (SFWG).

Purpose of the CGT work

The CGT can be used to improve the comparability and interoperability of taxonomies around the world. Hence, intends to provide more clarity and transparency about the commonalities and differences between approaches and potentially contribute to the analysis to lower the trans-boundary cost of sustainable investments and scale up the mobilization of sustainable capital internationally. It also provides a solid methodology on the basis of which other taxonomies can be compared in the future.

It comes at a critical moment when taxonomies are being developed by a growing number of countries and regions around the world and the debate in different international fora is becoming more and more important in order to avoid unnecessary fragmentation and confusion in the market.

To this end, it does not necessarily mean that taxonomies have to be identical but rather that they are developed based on common sustainability objectives and principles and using a common language making them more comparable and interoperable. This comes across clearly in the high-level principles put forward by the IPSF UNDESA Input paper to the G20.³

For instance, the aforementioned input paper points out the common features identified in existing taxonomies such as: (1) Granular and clear, (2) Publicly available, and (3) Science-based.

Better comparability and interoperability are core enablers of international finance globally – if taxonomies are comparable and interoperable, they can help to reduce transaction costs by avoiding unnecessary duplication of verifications, by increasing market confidence, reduce market segmentation, and help to facilitate cross border green capital flows.

By highlighting major areas of commonality between the EU and China taxonomies, the CGT will be a crucial step in the process of analysis on how to increase interoperability and it could also be used as a starting point for analysis for other jurisdictions to consider when developing their own taxonomies with common features as described above. The CGT aim is to ultimately help facilitate greater global interoperability and the flow of green finance.

Potential benefits

The findings of this comparison exercise are limited only to some features of the EU and China taxonomies and have no legal value. On this assumption, they may inform a variety of actors, including:

- Green bond issuers and verifiers;
- Entities trying to assess the alignment of their business with low carbon economy objectives;

³ Ibid.

- Banks and financial institutions in aligning their activities with low carbon economy objectives
- Research and academia etc.
- Development finance institutions and reporting entities interested in market comparisons with the Common Principles for Climate Mitigation Finance Tracking (2015 updated in 2021)⁴ and international definitions of Climate Finance.
- Jurisdictions such as national governments or regional bodies looking for analysis to develop their own taxonomy;
- International standard setting bodies considering the CGT as a reference for working on other sustainable finance standards.

2.1.3. Contribution of the CGT to global comparability and interoperability of sustainable finance standards

A green taxonomy is an important building block of a sustainable financial system. It is a tool to help to direct flows of capital to green, sustainable projects. However, enabling the flow of capital into green, sustainable projects around the world requires interoperability. If interoperable, taxonomies can help investors' direct capital across borders more easily, for instance by reducing the costs of verifications/due diligence. Further, given that taxonomies can support other tools such as benchmarks and labels, the interoperability of taxonomies is conducive to creating better consistency across the range of tools in the market.

The CGT is expected to play a pivotal role in increasing comparability of sustainable finance taxonomies and definitions of green, sustainable activities globally, with a view to future interoperability in line with the G20 SFWG indications. This is a role it will play both within the IPSF membership and beyond.

In particular, the G20 SFWG is looking into ways to improve global comparability and interoperability of approaches to align investments to sustainability goals including taxonomies. The recently released paper by IPSF and UNDESA have informed the G20 SFWG work and seeks to promote common principles to improve consistency in sustainable investment approaches⁵. As part of this work, they have made a number of recommendations to facilitate the interoperability across approaches and tools for identifying, verifying and aligning investments with sustainability goals, including the:

“Voluntary adoption of common taxonomies or existing taxonomies to facilitate cross-border sustainable financial flows. For jurisdictions that choose to implement a taxonomy, adoption of common taxonomies would help mutually identify common criteria and support cross-border green capital flows. Jurisdictions or markets that do not have the resources or need to develop their own taxonomies can also choose to adopt an existing taxonomy.”

IPSF has played a key role as knowledge partner of the alignment topic in the G20 SFWG through the input paper with UN DESA. The development of the CGT is another demonstration project for this effort.

⁴ MDB/IDFC, Common Principles, 2021 (https://www.eib.org/attachments/documents/mdb_idfc_mitigation_common_principles_en.pdf)

⁵ Improving compatibility of approaches to identify, verify and align investments to sustainability goals (IPSF-UNDESA input paper for the G20 SFWG) (<https://g20sfgw.org/wp-content/uploads/2021/09/G20-SFWG-DESA-and-IPSF-input-paper.pdf>)

2.2. Overarching comparison of the EU and China taxonomies

2.2.1. History of development process

The European Union

In December 2016, the European Commission established the High-Level Expert Group on Sustainable Finance (HLEG) to help develop an overarching and comprehensive EU roadmap on sustainable finance. The HLEG process culminated in the publication of the report *Financing a Sustainable European Economy* in January 2018⁶ which, among others, recommended 'establishing an EU sustainability taxonomy' as a priority action.

In March 2018, the European Commission adopted the Action Plan on Financing Sustainable Growth⁷, outlining a comprehensive EU-level strategy to mobilise private capital towards sustainable investment, enhance transparency and manage risks of climate change and environmental degradation. Based on ten detailed actions in the Action Plan, the European Commission proposed in May 2018, among other legislative initiatives, to create an EU Taxonomy of green, sustainable activities (hereafter referred to as the EU Taxonomy).



This led to the establishment of the EU Technical Expert Group (EU TEG) consisting of 35 members and observers from civil society, academia, business and the finance sector, to develop *inter alia* a list of economic activities and environmental performance requirements for the EU Taxonomy to help to achieve the EU's climate goals and SDGs.

In respect of the EU Taxonomy proposal, the TEG mission was to advise the Commission on the screening criteria on economic activities to identify whether they make a substantial contribution to climate change mitigation and climate change adaptation.

⁶ Final Report 2018 by the High-Level Expert Group on Sustainable Finance, (https://ec.europa.eu/info/sites/info/files/180131-sustainable-finance-final-report_en.pdf)
⁷ See factsheet: https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/200108-financing-sustainable-growth-factsheet_en.pdf

In March 2020, the EU TEG officially released several reports,⁸ which included the Final Report on Taxonomy⁹ and its Technical Annex¹⁰.

On 18 June 2020, the EU co-legislators (the European Parliament and the Council) adopted the legislative framework for developing the EU Taxonomy (EU Taxonomy Regulation) which was published in the Official Journal of the European Union, entering into force on 12 July 2020. The advice from the EU TEG informed the Commission Climate Delegated Act (level 2 legislation), adopted on 4 June 2021, defining the technical screening criteria for some prioritised economic activities to meet the taxonomy eligibility requirements for climate change mitigation and climate change adaptation objectives.

In October 2020, the EU Platform on Sustainable Finance (the “Platform”), was established to continue the work of the EU TEG whose mandate ended in September 2020¹¹. Among other tasks¹², in the coming months, the Platform will advise the Commission on the technical screening criteria on the environmental objectives beyond climate, and inform the development of the delegate acts for these remaining objectives.

The EU Taxonomy is deemed to be one of the biggest strides in helping the financial system reorient capital towards a low-carbon climate resilient economy, in line with the Paris Agreement (see further details in the section 3.1.1).

China

China’s government reshuffled the country’s financial regulatory structure in 2018, which then consisted of one central bank (the People’s Bank of China -PBOC) and three committees (the China Banking Regulatory Commission -CBRC; the China Insurance Regulatory Commission- CIRC; and the China Securities Regulatory Commission –CSRC), overseeing commercial banks, insurance companies, and capital market participants, respectively. CBRC and CIRC merged to form the China Banking and Insurance Regulatory Commission (CBIRC), relinquishing some rule-making and macro-prudential powers to the PBOC central bank relative to its predecessors CBRC and CIRC. Another reason for the establishment of the CBIRC was to better coordinate the regulatory activity of both the CBRC and CIRC, as banks in China become more diversified in their business operations. Meanwhile, China’s National Development and Reform Commission (NDRC) holds a role to take charge in the overall management of investment, work with other agencies to decide the government’s mandate in approving investment projects, and formulate the catalogue for government-approved fixed investment projects, and promote the implementation of sustainable development strategies.

⁸ Technical expert group on sustainable finance website (https://ec.europa.eu/info/publications/sustainable-finance-technical-expert-group_en). In its Annex III, the HLEG-Report included draft Mitigation Criteria proposed by the European Investment Bank (EIB), integrated and agreed by the HLEG. EIB’s proposal reflected the conclusions of a “White Paper on the Need for a Common Language in Green Finance” co-authored by the China Green Finance Committee and the EIB. The document mapped the China Green Bond Endorsed Project Catalogue of 2015, using the Green Bond Principles of the International Capital Markets Association (objectives) and the MDB-IDFC Common Principles for Climate Mitigation Finance Tracking (categories) as “Rosetta stone”.

⁹Taxonomy: Final report of the Technical Expert Group on Sustainable Finance, March 2020 (https://ec.europa.eu/info/sites/default/files/business_economy_euro/banking_and_finance/documents/200309-sustainable-finance-teg-final-report-taxonomy_en.pdf)

¹⁰ Updated methodology & Updated Technical Screening Criteria, March 2020

(https://ec.europa.eu/info/sites/default/files/business_economy_euro/banking_and_finance/documents/200309-sustainable-finance-teg-final-report-taxonomy-annexes_en.pdf)

¹¹ Second extension of the mandate of the Technical expert group on sustainable finance (TEG)

(https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/191219-sustainable-finance-teg-extension_en.pdf)

¹² Frequently asked questions Commission Platform on Sustainable Finance

(https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/201001-sustainable-finance-platform-faq_en.pdf)

Therefore, the “green” reform of China’s financial system is co-supervised by these government ministries from different perspective and coordinated at different paces. In 2012, the CBIRC began to use a green credit statistical form to collect data of loans related to environmental protection and circular economic activities to monitor the environmental and social risks of bank loans. In 2015, to scale up and populate green finance products, the PBOC published the first version of Green Bond Endorsed Projects Catalogue (2015) along with its green financial bond issuance management regulation. In 2019, the NDRC published the Green Industry Guiding Catalogue (2019), which aims to clarify the scope of green industrial actions throughout the entire economy. Based on the industry catalogue together with its associated technical criteria instruction document, the relevant agencies are able to formulate policies regarding investment, pricing, budgets and taxation to facilitate the development of green industries. In 2020, the PBOC built its own green statistic system based on the NDRC catalogue to collect data on green loans from 24 major Chinese banks. The CBIRC’s green credit statistical form has been updated recently, which differs slightly from the industry catalogue.

On 21 April 2021, in an effort to coordinate green definitions among the financial regulators, the PBOC, together with NDRC and CSRC, jointly released the amended version of the *Green Bond Endorsed Projects Catalogue (2021 Edition)*¹³. This represents another major development in China’s effort to unify its domestic green definitions. The consolidation of the multiple pre-existing green bond catalogues means that going forward, the identification of the “green” attributes of all bonds will be based on the criteria of the updated and domestically harmonized catalogue, regardless of their type or the market in which they are issued.

The Green Bond Endorsed Project Catalogue (2021 Edition) represents the most up-to-date, unified and clear green definitions at the activity and project level in China. therefore, recommends that the *Green Bond Endorsed Projects Catalogue (2021 Edition)* (hereafter referred to as the *China Taxonomy* for brevity) be used as China’s equivalent to the EU Taxonomy for the purposes of comparison in this report.

2.2.2. Objectives

The EU Taxonomy has six environmental objectives stated below of which the European Commission has to date adopted technical screening criteria for substantial contribution to the first two on climate change mitigation and adaptation. Technical screening criteria for the four remaining environmental objectives are currently under development for some prioritised activities and will be published in 2022. Articles 10 – 15 of the EU Taxonomy Regulation define the concept of substantial contribution as it relates to each of the environmental objectives. These are broadly summarised as follows:

1. climate change mitigation: an activity that contributes substantially to the stabilisation of GHGs at a level which prevents dangerous anthropogenic interference with the climate system consistent with the long-term temperature goal of in line with the Paris Agreement through either the avoidance, reduction of GHG or the increase of GHG removals.
2. climate change adaptation: solutions that substantially reduce the risk of adverse impact of the current/future climate on an economic activity, or substantially reduce that adverse impact without increasing adverse risks and impacts for people, nature or assets.
3. sustainable use and protection of water and marine resources: an activity that contributes substantially to achieving the good environmental status of surface water, groundwater or

¹³ Green Bond Endorsed Projects Catalogue (2021 Edition) (<http://www.pbc.gov.cn/goutongjiaoliu/113456/113469/4342400/2021091617180089879.pdf>)

marine waters or preventing the deterioration of bodies of water (surface, ground, marine) that already have good status.

4. transition to a circular economy: an activity uses resources in a more efficient way, increases durability and life/use of products, increases recyclability and the use of secondary raw materials, reduces substantially hazardous content and minimises waste disposal.
5. pollution prevention and control: an activity that is substantially preventing/reducing pollutants to air/water/land, or improving air/water/soil quality, or cleaning-up pollutants.
6. protection and restoration of biodiversity and ecosystems: an activity that contributes substantially to protecting, conserving or restoring biodiversity or to achieving the good condition of ecosystems, or to protecting ecosystems that are already in good condition.

China's green taxonomy refers to financial services provided for economic activities that are supportive of environment improvement, climate change response and more efficient resource utilization. These economic activities include the financing, operations and risk management for projects in areas such as environmental protection, energy savings, clean energy, green transportation, and green buildings. Therefore, the environmental objective of China's green taxonomy are environmental improvement, climate change response and more efficient resource utilization.

While the environmental goals of the EU and China Taxonomies can be broadly mapped against each other at a high level in the figure below, there may be differences at a more granular level.

EU Objectives ¹⁴	China Objectives ¹⁵
Climate change mitigation	Climate change response
Climate change adaptation	
The sustainable use and protection of water and marine resources	Environmental improvement (pollution control and ecological conservation)
The protection and restoration of biodiversity and ecosystems	
The transition to a circular economy	More efficient resource utilization (circular economy, waste recycling and pollution prevention)
Pollution prevention and control	

2.2.3. Scope

The EU and Chinese taxonomies apply to different categories of users.

The EU Taxonomy is a list of activities which can be used by any type of entity. There are however legally required applications of the EU Taxonomy as follows¹⁶:

1. EU Member States and the European Union when they set out any public measures, standards and labels;
2. Financial Market participants¹⁷ that make available sustainable financial products; and

¹⁴ EU Taxonomy Regulation

¹⁵ Guidelines for Establishing the Green Financial System (2016), Article 1

¹⁶ Regulation (EU) 2020/852, Article 1

¹⁷ Financial market participants include: banks, insurance companies that provide Insurance Based Investment Product (IBIP), alternative investment fund managers, investment management companies that provide portfolio management, organizations that provide occupational retirement or pension products, private equity and venture capital fund management companies, qualified social enterprise fund management companies, Undertaking for Collective Investment in Transferable Securities (UCITS), index funds

3. Large companies¹⁸ (over 500 employees) under the Non-financial Reporting Directive (NFRD). This includes:
 - o Non-Financial undertakings, reporting KPIs on their Turnover, Capex & Opex related to taxonomy-aligned activities; and
 - o Financial undertakings (large banks, asset managers, investment firms and insurance/reinsurance undertakings), disclosing their KPIs (specified in an additional regulatory act) stemming from taxonomy-aligned activities

[Link to label/standards](#)

Currently, the EU Taxonomy and its disclosure requirements are not mandatory for all green bond issuers. However, the European Commission, in July 2021, put forth a legislative proposal for a voluntary EU Green Bond Standard under which issuers would be required to allocate 100% of the funds (proceeds) raised by their bond to economic activities that meet the EU Taxonomy requirements.

The China Taxonomy is mandatory for all green bond issuers including all financial institutions, corporations and state-owned enterprises, third-party appraisal agencies, and regulatory agencies.¹⁹ The purpose is to clearly define projects eligible for green bonds, lower the possibility of greenwashing (non-green project financing through green bonds), improve the credibility and promote the reputation of green bonds, further regulate the domestic green bond market, and direct funds towards green enterprises, assets and projects. Issuers must use the China Taxonomy to ensure that a green bond target project has strong environmental benefits.

[Disclosure obligations](#)

In the EU, Taxonomy disclosure requirements apply to two different types of actors: financial market participants and large companies (including financial and non-financial undertakings).

In accordance with articles 5 to 7 of the EU Taxonomy Regulation, as of mid-2022 for climate objectives, all financial market participants, when they market a product as “environmentally sustainable” or “promoting environmental characteristics”, must disclose:

- 1) the information on the taxonomy environmental objective(s) to which the investment underlying the financial product contributes; and
- 2) a description of how and to what extent the underlying investments are in economic activities that qualify as environmentally sustainable under the EU taxonomy.

If the product is not marketed as one of the above categories, the financial market participant should indicate that ‘the investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities.’

¹⁸ Large companies are defined as those with over 500 employees who are already required to provide a non-financial statement under the EU Non-Financial Reporting Directive (NFRD).

¹⁹ In line with the PBOC Announcement [2015] No. 39 and the *Guiding Opinions of the China Securities Regulatory Commission on Supporting the Development of Green Bonds*

Following article 8 of the EU Taxonomy Regulation large non-financial undertakings under the scope of the Non-Financial Reporting Directive must disclose, progressively as of 2022 for climate objectives:

- 1) Proportion of green, sustainable activities in turnover, and
- 2) Proportion of green, sustainable activities in capital expenditure or operating costs.

Financial institutions and companies must complete the disclosure of information on the other four environmental objectives as of the start of 2023.

The China Taxonomy is mainly used by financial institutions and corporations for the issuance of green bonds in the Chinese onshore markets, and the disclosure requirements for different types of green bonds are listed in the table below:

<i>Demonstration of compliance in China's Green Bonds Market</i> ²⁰	Green Financial Bond	Green Enterprise Bond	Green Corporate Bond	Green Debt Financing Instrument
Supervisor	PBOC	NDRC	CSRC	NAFMII
Document that determines the eligibility of green projects	China Taxonomy (2021)			
Management of Proceeds	Dedicated account	Unspecified	Dedicated account	Dedicated account
Project Evaluation and Assessment	Third-party verification encouraged	Assessment and Approval by NDRC	Third-party verification encouraged	Third-party verification encouraged
Information Disclosure	Quarterly disclosure and annual reporting on use of proceeds (to PBOC)	Unspecified	Annual disclosure	Annual disclosure; publicly report changes to use of proceeds

2.2.4. Approaches to defining alignment /eligibility

Under the EU Taxonomy, an activity is “taxonomy-eligible” if it has been included into a Delegated Act with Technical Screening Criteria set for that activity. It means the activity is “in-scope” of the Taxonomy.

Taxonomy alignment, to be reported as Green, is a three-step process:

- 1. The activity must make a ‘substantial contribution’ to at least one of six environmental objectives. Substantial contribution as it applies to each of the objectives is defined in articles 10-15 of the regulation and the Technical Screening Criteria are clearly identified

²⁰ Work cited include CBI, China Green Bond Market, 2018 (https://www.climatebonds.net/files/reports/china-sotm_cbi_ccdc_final_en260219.pdf), Hao Zhang, Regulating Green Bonds in the People’s Republic of China: Definitional Divergence and Implications for Policy Making, 2020, (<https://www.adb.org/sites/default/files/publication/562076/adb-wp1072.pdf>), Escalante and alii, MRV System Design: Recommendations for Chinese Green Bonds, 2020 (<https://climatepolicyinitiative.org/wp-content/uploads/2020/06/MRV-System-Design-Recommendations-for-Green-Bonds-in-China.pdf>)

- in the Delegated Acts that accompany the regulation – for the moment only on the first 2 environmental Objectives, Climate Change Mitigation and Climate Change Adaptation;
2. In the same time, an aligned economic activity must cause no significant harm to any of the other five environmental objectives, aligning with the Do No Significant Harm (DNSH) Technical Screening criteria defined in the complementary Delegated Act, for the moment only showcasing these criteria for activities making a substantial contribution to the first 2 environmental objectives;
 3. Finally, it must meet minimum safeguards, defined in Article 18 of the EU Taxonomy regulation require to ensure the activity alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights

Substantial contribution to climate change mitigation as defined in Article 10 is “where that activity contributes substantially to the stabilisation of greenhouse gas concentrations in the atmosphere at a level which prevents dangerous anthropogenic interference with the climate system consistent with the long-term temperature goal of the Paris Agreement through the avoidance or reduction of greenhouse gas emissions or the increase of greenhouse gas removals, including through process innovations or product innovations”.

Additionally, an economic activity for which there is no technologically and economically feasible low-carbon alternative shall qualify as contributing substantially to climate change mitigation where it supports the transition to a climate-neutral economy consistent with a pathway to limit the temperature increase to 1,5 °C above pre-industrial levels, including by phasing out greenhouse gas emissions, in particular emissions from solid fossil fuels, and where that activity: (a) has greenhouse gas emission levels that correspond to the best performance in the sector or industry; (b) does not hamper the development and deployment of low-carbon alternatives; and (c) does not lead to a lock-in of carbon-intensive assets, considering the economic lifetime of those assets. (the so-called “Transitional” activities).

Substantial contribution is further defined by the Technical Screening Criteria, which are the central feature of the Taxonomy and contained in the EU Taxonomy Climate Delegated Act and what are used for comparison in the CGT presented below.

Note that steps 2 and 3 above are not within the scope of the CGT as presented in this document.

EU Taxonomy process for identification of a green activity



China

The China Taxonomy presents a detailed 'white list' of eligible economic activities and projects under various sectors and subsectors. It is explicit about best available low-emission and clean production technological solutions on the domestic market hence not 'technology neutral'. Activities can be eligible only if the activity has been included in the list.

Activities that are included in the China Taxonomy if they have been assessed to meet the following criteria:

1. Serve one or more of the three environmental objectives
2. Align with the requirements listed in the explanatory notes of the Green Industry Guiding Catalogue (2019 Edition) and the corresponding "instructions/conditions" of the China Taxonomy.
3. Adhere to a set of science-based and consistent measures
4. Respect China's present stage of development
5. Comply with relevant safety, environmental protection and quality regulations and policies. And policy documents and standard specification referred to in the taxonomy are the latest version and within the valid period

2.2.5. Legal framework

The document setting up the principles of the EU Taxonomy Regulation (or Level 1 text) was published on 18 June 2020 and took effect 20 days after its publication in the Official Journal of the EU (OJ). The Taxonomy Regulation empowers the European Commission to adopt the following 'Delegated Acts' (or Level 2 regulations) that would provide the detailed requirements:

- A first Delegated Act, formally adopted on 4 June 2021 for scrutiny by the co-legislators: technical screening criteria for identifying some priority activities making substantial contribution to climate objectives.
- A second delegated act for the remaining objectives (objectives 3-6) will be published in 2022.
- Further Delegated Acts will add additional sectors and criteria going forward.
- An additional Delegated Act adopted on 6 July 2021 supplementing Article 8 of the Taxonomy Regulation, which details the disclosure requirements for large companies with regard to the EU Taxonomy.

The PBoC, NDRC, and the CSRC jointly released the "Green Bond Endorsed Projects Catalogue (2021 Edition)" - referred to in this document as the China Taxonomy. It came into effect nationwide on July 01, 2021. It works together with the information disclosure and green bond issuance guidelines^{21,22, 23} published by the three jurisdictions to enable healthy growth of China's green bond market.

²¹Latham & Watkins LLP, China's Securities Regulator Issues New Green Bond Guidelines, 2017 (<https://www.latham.london/2017/04/chinas-securities-regulator-issues-new-green-bond-guidelines/#:~:text=The%20China%20Securities%20Regulatory%20Commission%20%28CSRC%29%20released%20new,Initiative%20considered%20did%20not%20qualify%20as%20green%20bonds%29>)

²² China Issues First Operating Guidance for Green Bond Evaluation Agencies <https://www.senecaesq.com/blog/china-issues-first-operating-guidance-for-green-bond-evaluation-agencies/>

²³ Seneca, Green Finance Platform, Green Bond Guidelines Issued by China's National Development and Reform Commission (NDRC), 2016 (<https://www.greenfinanceplatform.org/policies-and-regulations/green-bond-guidelines-issued-chinas-national-development-and-reform>)

2.2.6. Classification framework

The European Union

The EU Taxonomy is largely based on the NACE (Nomenclature statistique des Activités économiques dans la Communauté européenne)²⁴, classification system as follows:

1. Forestry	<ul style="list-style-type: none"> 1.1. Afforestation 1.2. Rehabilitation and restoration of forests, including reforestation and natural forest regeneration after an extreme event 1.3. Forest management 1.4. Conservation forestry
2. Environmental protection and restoration activities	<ul style="list-style-type: none"> 2.1. Restoration of wetlands
3. Manufacturing	<ul style="list-style-type: none"> 3.1. Manufacture of renewable energy technologies 3.2. Manufacture of equipment for the production and use of hydrogen 3.3. Manufacture of low carbon technologies for transport 3.4. Manufacture of batteries 3.5. Manufacture of energy efficiency equipment for buildings 3.6. Manufacture of other low carbon technologies 3.7. Manufacture of cement 3.8. Manufacture of aluminium 3.9. Manufacture of iron and steel 3.10. Manufacture of hydrogen 3.11. Manufacture of carbon black 3.12. Manufacture of soda ash 3.13. Manufacture of chlorine 3.14. Manufacture of organic basic chemicals 3.15. Manufacture of anhydrous ammonia 3.16. Manufacture of nitric acid 3.17. Manufacture of plastics in primary form
4. Energy	<ul style="list-style-type: none"> 4.1. Electricity generation using solar photovoltaic technology 4.2. Electricity generation using concentrated solar power (CSP) technology 4.3. Electricity generation from wind power 4.4. Electricity generation from ocean energy technologies 4.5. Electricity generation from hydropower 4.6. Electricity generation from geothermal energy 4.7. Electricity generation from renewable non-fossil gaseous and liquid fuels 4.8. Electricity generation from bioenergy 4.9. Transmission and distribution of electricity 4.10. Storage of electricity 4.11. Storage of thermal energy 4.12. Storage of hydrogen 4.13. Manufacture of biogas and biofuels for use in transport and of bioliquids 4.14. Transmission and distribution networks for renewable and low-carbon gases 4.15. District heating/cooling distribution 4.16. Installation and operation of electric heat pumps 4.17. Cogeneration of heat/cool and power from solar energy 4.18. Cogeneration of heat/cool and power from geothermal energy 4.19. Cogeneration of heat/cool and power from renewable non-fossil gaseous and liquid fuels 4.20. Cogeneration of heat/cool and power from bioenergy 4.21. Production of heat/cool from solar thermal heating

²⁴ Although EU Taxonomy is based largely on NACE, there is no possibility of directly using single NACE codes in all cases. Many activities cut across several NACE codes, some NACE codes have multiple activities under them and some, such as building construction, are actually applicable across almost any NACE codes sector. (ref also later in section 3.2.2 - suggest to make a cross-reference). Some mitigation activities have no NACE codes.

	<p>4.22. Production of heat/cool from geothermal energy</p> <p>4.23. Production of heat/cool from renewable non-fossil gaseous and liquid fuels</p> <p>4.24. Production of heat/cool from bioenergy</p> <p>4.25. Production of heat/cool using waste heat</p>
5. Water supply, sewerage, waste management and remediation	<p>5.1. Construction, extension and operation of water collection, treatment and supply systems</p> <p>5.2. Renewal of water collection, treatment and supply systems</p> <p>5.3. Construction, extension and operation of waste water collection and treatment</p> <p>5.4. Renewal of waste water collection and treatment</p> <p>5.5. Collection and transport of non-hazardous waste in source segregated fractions</p> <p>5.6. Anaerobic digestion of sewage sludge</p> <p>5.7. Anaerobic digestion of bio-waste</p> <p>5.8. Composting of bio-waste</p> <p>5.9. Material recovery from non-hazardous waste</p> <p>5.10. Landfill gas capture and utilisation</p> <p>5.11. Transport of CO₂</p> <p>5.12. Underground permanent geological storage of CO₂</p>
6. Transport	<p>6.1. Passenger interurban rail transport</p> <p>6.2. Freight rail transport</p> <p>6.3. Urban and suburban transport, road passenger transport</p> <p>6.4. Operation of personal mobility devices, cycle logistics</p> <p>6.5. Transport by motorbikes, passenger cars and light commercial vehicles</p> <p>6.6. Freight transport services by road</p> <p>6.7. Inland passenger water transport</p> <p>6.8. Inland freight water transport</p> <p>6.9. Retrofitting of inland water passenger and freight transport</p> <p>6.10. Sea and coastal freight water transport, vessels for port operations and auxiliary activities</p> <p>6.11. Sea and coastal passenger water transport</p> <p>6.12. Retrofitting of sea and coastal freight and passenger water transport</p> <p>6.13. Infrastructure for personal mobility, cycle logistics</p> <p>6.14. Infrastructure for rail transport</p> <p>6.15. Infrastructure enabling low-carbon road transport and public transport</p> <p>6.16. Infrastructure enabling low carbon water transport</p> <p>6.17. Low carbon airport infrastructure</p>
7. Construction and real estate activities	<p>7.1. Construction of new buildings</p> <p>7.2. Renovation of existing buildings</p> <p>7.3. Installation, maintenance and repair of energy efficiency equipment</p> <p>7.4. Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)</p> <p>7.5. Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings</p> <p>7.6. Installation, maintenance and repair of renewable energy technologies</p> <p>7.7. Acquisition and ownership of buildings</p>
8. Information and communication	<p>8.1. Data processing, hosting and related activities</p> <p>8.2. Data-driven solutions for GHG emissions reductions</p>
9. Professional, scientific and technical activities	<p>9.1. Close to market research, development and innovation</p> <p>9.2. Research, development and innovation for direct air capture of CO₂</p> <p>9.3. Professional services related to energy performance of buildings</p>

China

The China Taxonomy (2021) has a four-level classification structure and includes six Categories and 204 activities in total.

Six categories	Sector classification	Sector specification	Program
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1. Energy-saving and Environmental Protection Industry	1.1 Energy-efficiency improvement 1.2 Sustainable building 1.3 Pollution prevention 1.4 Water Conservation and Unconventional Water Resources 1.5 Comprehensive utilization of resources 1.6 Green transportation	14 items	62 programs
2. Clean Production Industry	2.1. Pollution prevention and treatment 2.2 Green agriculture 2.3 Comprehensive utilization of resources 2.4 Water saving, and efficient use of non-conventional water resources	8 items	19 programs
3. Clean Energy Industry	3.1 Energy efficiency improvement 3.2 Clean Energy	4 items	26 programs
4. Ecology and Environment-related sector	4.1 Ecological Agriculture 4.2 Ecological protection and construction	5 items	28 programs
5. Sustainable Upgrade of Infrastructure	5.1 Energy efficiency improvement 5.2 Sustainable buildings 5.3 Pollution prevention 5.4 Water Saving and Non-conventional Water Resources 5.6 Ecological Protection and Construction	11 items	38 programs
6. Green Services	6.1 Consultancy 6.2 Operation Management Services 6.3 Audit, Inspection and Evaluation of Projects 6.4 Monitoring and Detection 6.5 Promotion and Certification of Technical Products	6 items	31 programs

For each activity, the classification structure of the China Taxonomy takes a ‘while list’ approach and is not linked directly to China’s industrial classifications system. An example is provided as below.

Category	Sector classification	Sector specification	Program	Description/Condition
1. Energy-saving and Environmental Protection Industry	1.2 Sustainable building	1.2.1 Green Building Materials	1.2.1.1 Manufacturing of Green Building Materials	Manufacturing and consumption of green building materials/products including energy-saving wall materials, thermal insulation materials for exterior walls, energy-saving glass, prefabricated building components, ready-mixed concrete, ready-mixed mortar, etc. The properties of products and technical specifications should meet national and industrial relevant technical requirements for green building materials/products. Glass products for exterior walls shall reduce light pollution and urban heat island effect.

3. Common Ground Taxonomy Methodology

3.1. Scope of analysis

3.1.1. Objectives and screening criteria

The European Union

From the EU perspective, this initial analysis of the CGT covers the climate mitigation objective and all corresponding technical screening criteria to analyse substantial contribution. The analysis looked in detail at each of the technical screening criteria for each line and, where relevant, other applicable EU regulation.

It does not cover the Adaptation objective, the Do No Significant Harm and the Minimum Social Safeguards- see Chapter 6 for some discussion

China

The activities specified in the China taxonomy targets all of its three environmental objectives, but are not mapped to corresponding objectives like in the EU Taxonomy. Given the need to assess both taxonomies, the climate change objective was most comprehensively covered as this mapped to the EU objective of climate change mitigation.

The China Taxonomy covers four levels of granularity as well as a description for each. the requirements listed in the explanatory notes of the Green Industry Guiding Catalogue (2019 Edition)²⁵ and the corresponding “instructions/conditions” of the China Taxonomy²⁶ were analysed against the EU activity description and technical screening criteria. These relevant regulations and codes in China which were analysed on a best-efforts basis to understand the comparability in some detail.

²⁵ 2019 Green Industry Guiding Catalogue (<http://www.cnstandards.net/index.php/2019-green-industry-guiding-catalogue/>)

²⁶ Green Bond Endorsed Projects Catalogue, 2021 Edition (<http://www.pbc.gov.cn/qoutongjiaoliu/113456/113469/4342400/2021091617180089879.pdf>)



3.1.2. Priority sectors

Prior to analysis, an analysis was carried out to identify the highest impact sectors, based on emission levels, to focus on for the first iteration of the CGT.

ISIC	Level 1 EU Taxonomy	Level 1 China	Priority
A. Agriculture forestry and fishing	1. Forestry	4. Ecology and Environment-related sector	High priority
C. Manufacturing	3. Manufacturing	1. Energy Saving and Environmental Protection Industry 3. Clean Energy Industry	Prioritise some sub-sectors
D. Electricity, gas, steam and air conditioning supply	4. Energy	3. Clean Energy Industry 5. Sustainable Upgrade of Infrastructure	High priority
E. Water supply; sewerage waste management and remediation activities	5. Water supply, sewerage, waste management and remediation.	1. Energy Saving and Environmental Protection Industry 2. Clean Production Industry	Waste = high priority Water = low priority
F. Construction	7. Construction and real estate activities.	1. Energy Saving and Environmental Protection Industry 5. Sustainable Upgrade of Infrastructure	High priority
H. Transportation and storage	6. Transport	5. Sustainable Upgrade of Infrastructure	High priority
J. Information and communication	8. Information and communication.	6. Green Services	Not included
M. Professional scientific and technical activities	9. Professional, scientific and technical activities	6. Green Services	Not included
	2.Environmental protection and restoration activities.		Not included

3.2. Section mapping

3.2.1. Mapping against ISIC as a neutral code

The International Standard Industrial Classification of All Economic Activities (ISIC) is the international reference classification. A majority of countries around the world have used ISIC as their national activity classification or derived from ISIC.

The statistical classification of economic activities used in the EU called NACE (Nomenclature statistique des Activités économiques dans la Communauté européenne), is derived from ISIC (the United Nations’ International Standard Industrial Classification) of all Economic Activities. The Industrial Classification for National Economic Activities (ICNEA 2017) of China is also derived from the UN ISIC Rev.4. with additional details at lower levels.

The reference to a common classification system allowed the comparison of taxonomies based on a neutral code rather than taking one taxonomy to compare the other. It also helped to group activities in a neutral way when there were differences between the scope of the activities in the two taxonomies. For example, many construction activities could be classified within the construction headlines sector or within the individual sectors that they relate to (e.g. construction of waste treatment facilities) – wherever possible, it is referred to ISIC for this grouping.

3.2.2. Challenges and solutions found: codes mapped against multiple activities, activities without a code etc.

While useful, in many sectors and activities, ISIC (Rev 4.) is not sufficiently granular to capture all the detailed mapping and comparison that is required. This is particularly the case for emerging potentially scalable technologies, such as hydrogen or carbon capture, utilisation and storage (CCUS). Industrial activities are intended to cover economic activities rather than environmental objectives which means that, for example, “Electric power generation, transmission and distribution” is the most granular level of detail available within ISIC for electricity generation but the type of fuel that is used is not covered.

For this reason, the mapping, while following ISIC at the Section and Division levels, also goes beyond ISIC as depicted in the image below.

There were also some areas like Carbon Capture that do not fit into an ISIC classification framework. These were put under ‘Other’ at the end.

ISIC Section	ISIC Division	Group	Class	Beyond ISIC
D, Electricity, gas, steam and air conditioning supply	35, Electricity, gas, steam and air conditioning supply	351, Electric power generation, transmission and distribution	3510, Electric power generation, transmission and distribution	<ul style="list-style-type: none"> Electricity generation from ocean energy technologies Electricity generation from hydropower Electricity generation using solar photovoltaic technology

A, Agriculture, forestry and fishing	02,Forestry and logging	021,Silviculture and other forestry activities	0210,Silviculture and other forestry activities	<ul style="list-style-type: none"> • Afforestation • Forest Management • Rehabilitation and restoration of forests
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3.3. Scenario analysis methodology

3.3.1. Description of approach: what is a scenario analysis methodology and why was it used?

Once the mapping complete, the detailed description and technical screening criteria for each line were compared to ascribe each line with a scenario based on their characteristics in terms of comparability.

This methodology allowed us analyse without requiring either taxonomy to change and without requiring either taxonomy to accept other standards or laws as equivalent to their own criteria.

This was a core underpinning of the CGT – that the common ground is based on what currently exists rather than how further common ground might be found if small changes were made to either taxonomy. For future work, see the discussion in Chapter 6 Future considerations.

3.3.2. Scenario description

Scenario 1: Areas with clear overlaps

Some activities in the two taxonomies assessed have overlaps and can be considered comparable within the scope/for the purpose of the CGT report. These have little need for further analysis. Examples include electricity generation from wind power.

Scenario 2: EU criteria are more stringent and/or detailed

Scenario 2 was assigned to activities which were clear to map but where the EU screening criteria were either narrower in scope or more stringent and/or detailed than Chinese criteria. In this case, the EU criteria were described in the CGT in more detail.

An example is electricity generation from hydropower where EU criteria specific quantitative screening criteria to projects while the Chinese criteria are not quantitative in nature.

Scenario 3: China criteria are more stringent and/or detailed

Scenario 3 was assigned to activities which were clear to map but where the China criteria (as put forward in the taxonomy itself or relevant industrial standards and regulations) were either narrower in scope or more stringent and/or detailed than EU criteria. In this case, the China criteria were described in the CGT in more detail.

All scenario 3 activities were included in the CGT.

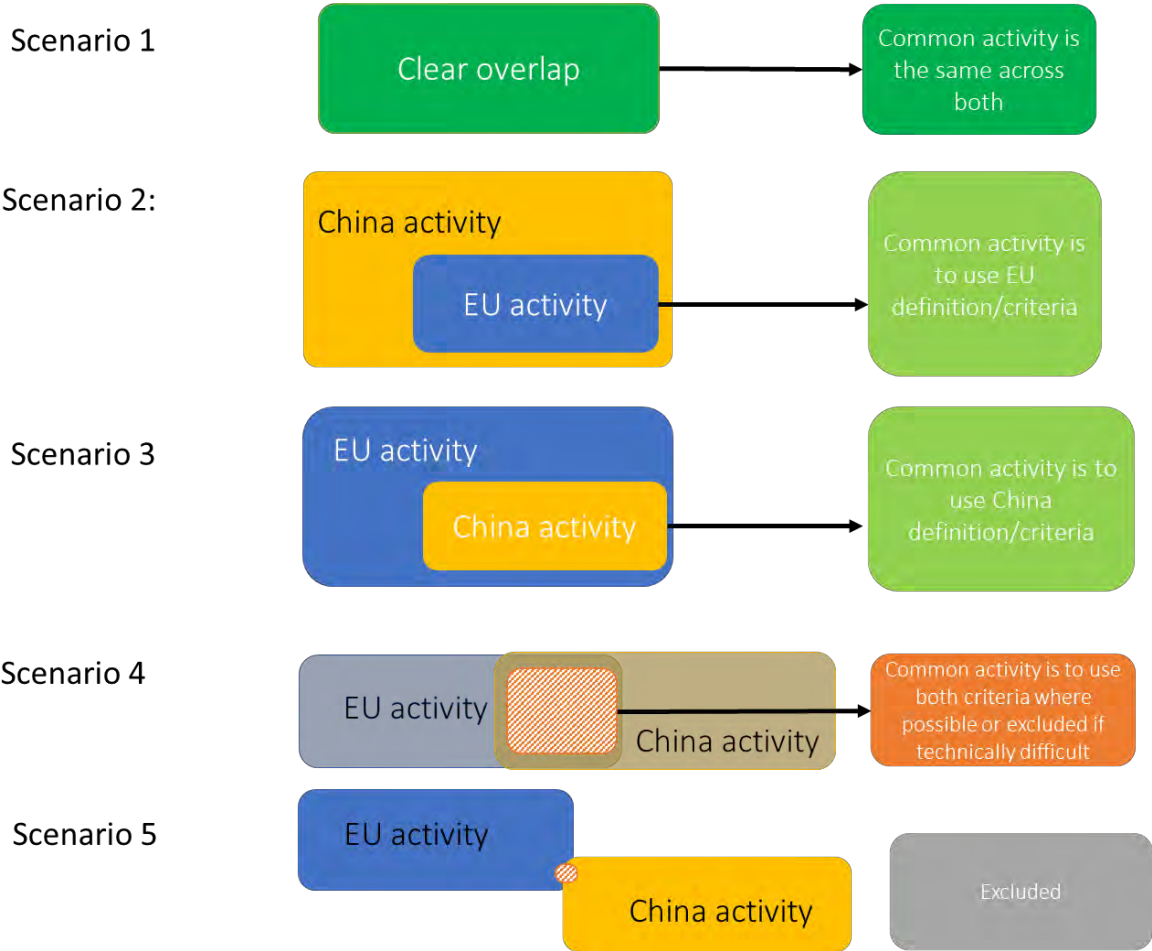
Scenario 4: Identifiable overlap

Scenario 4 was assigned to activities that have some alignment in scope of activities.

Some scenario 4 activities were included in the CGT after additional work was done to understand the mapping and overlap. However, given the lack of clarity across the criteria, it was not possible to assess their comparability– as a result both the EU and China criteria were described

Scenario 5/6: Unclear overlap or obvious divergence

Scenario 5 was assigned to activities that were very difficult to map in the other taxonomy – for example, the EU includes criteria for landfills but the China taxonomy does not include landfills. Scenario 6 was assigned to activities where there was obvious differentiation. Both Scenario 5 and 6 activities were excluded from the CGT.



3.4. Structure of CGT Climate

The current Climate Change CGT accompanying this report comprises seven sections, six categories and 55 activities (over 79 analysed). The remaining 24 activities are pending further assessment by the IPSF Taxonomy Technical Expert Group.

Sections	Category	Activities
A. Agriculture, forestry and logging	A1. Forestry and logging	4
C. Manufacturing	C1. Manufacture of low-carbon footprint materials	3
	C2. Manufacture of clean energy technologies	11
	C3. Manufacture of clean energy vehicle and parts	2
	C4. Manufacture of recycling equipment	3

	C5. Manufacture of energy-saving equipment	15
D. Electricity, gas, steam and air conditioning supply	D1. Electric power generation, transmission and distribution	9
	D2. Steam and air conditioning supply	8
E. Water supply, sewerage, waste management, and remediation activities	E1. Sewage sludge treatment	1
	E2. Waste collection, treatment and recycling	7
F. Construction	F1. Construction and renovation of buildings	2
	F2. Construction of transport infrastructure	4
	F3. Electrical, plumbing and other construction installation activities	3
H. Transportation and storage	H1. Land transport including railways	5
X. Others	X1. Underground permanent geological storage of CO ₂ X2. Hydrogen storage	2

For each activity, the following tabular format is used to present the number, name, description, criteria, association with relevant EU or China activities.

CGT number and activity name	<i>Each activity in the CGT is numbered according to its headline sector e.g. A1.1 is Afforestation which is the first activity under the Agriculture and Forestry sector. Name of activity – China or EU nomenclature is used depending on the scenario (e.g. for Scenario 2 activities, generally EU nomenclature is used)</i>
Description	<i>Description of what is covered under the activity- China or EU nomenclature is used depending on the scenario (e.g. for Scenario 2 activities, generally EU nomenclature is used)</i>
Substantial contribution criteria	<i>Scope of activity Description of Technical screening criteria</i>
Additional notes	<i>Provides reference numbers within the associated activities in the EU and/or China Taxonomy. Generally, if it is Scenario 2 (i.e. EU criteria are applied), the additional notes show how it is mapped to China. And vice versa.</i>
Overlap scenario	<i>Provide the scenario ascribed during the research</i>

4. Overview of the Common Ground Taxonomy

4.1. Overview of alignment across sectors

The CGT analysis covers six sections in the International Standard Industrial Classification of All Economic Activities (ISIC), Rev. 4:

- Agriculture, forestry and fishing
- Manufacturing
- Electricity, gas, steam and air conditioning
- Water supply; sewage, waste management and remediation activities
- Construction
- Transportation and Storage

This compares with 87 activities within the climate mitigation criteria under the EU Taxonomy and 94 climate mitigation activities covered under the China Taxonomy.

These figures do not give a full understanding of the overlap. For example, under the EU 'Manufacture of other low carbon technologies' is represented 16 times as there are 16 activities in the China taxonomy that have a narrower scope than this and are specified individually.

Further, while the China taxonomy covers over 200 activities, many of the activities in the CGT cover multiple of those in a single line.

4.2. Do No Significant Harm

Currently, the Do No significant Harm criterion of the EU Taxonomy is not covered within the CGT given the technical complexity of the exercise. It is anticipated that this will be an area of future work.

Some initial work was done early on in the research phase to ascertain those DNSH criteria which are quantitative in nature and therefore possible to be assessed and compared in line with Substantial Contribution criteria. While a comprehensive assessment is yet to be carried out, initial analysis shows that there are a number of criteria from the EU and China taxonomies that can be mapped and compared in a similar way to Scenario approach noted above.

4.3. Minimum Safeguard

While minimum safeguards are used in both taxonomies, these are not uniform across taxonomies and not easily comparable.

Under article 18 of the EU Taxonomy Regulation, economic activities must also meet the requirements of the minimum social safeguards including but not limited to alignment with:

- the *OECD Guidelines for Multinational Enterprises*,
- the *UN Guiding Principles on Business and Human Rights*,

- the International Labour Organization (ILO) *Declaration on Fundamental Principles and Rights at Work* and its *Eight Fundamental Conventions*, and
- the *International Bill of Human Rights*.

China has minimum safeguards in place, referencing relevant domestic policies and standards. The focus of those requirements – which include the Sanitary Standards for the Design of Industrial Enterprises, and the Regulations on Labour Security Inspection – is more on Environmental, Health and Safety (EHS).

4.4. Climate change adaptation-related activities

While some attempts were made to cover the EU's adaptation objective under the CGT, this has proven to be difficult and as a result more work is required in this area.

The technical screening criteria for the climate change adaptation objective under the EU Taxonomy are specified for each NACE code in the same way as they are for climate change mitigation criteria.

In the China Taxonomy, however, there are no criteria specified as adaptation criteria under the Taxonomy itself and, generally speaking, the China Taxonomy places greater emphasis on climate mitigation as part of its climate change objective. However, there are a number of local codes, standards and regulations which have adaptation elements incorporated. Due to the huge number of codes that were required to be assessed, it was not possible to assess them for this first report. Under the EU standard, adaptation criteria are very similar across activities and are process-based and hence more qualitative in nature. These can be seen in Annex and will be the subject of future work.

5. Usability

5.1. Challenges and potential solutions to ensuring usability for analysis

The CGT as it currently stands provides a starting point to assess common ground across certain features of the two taxonomies. While best efforts have been made to translate local standards into metrics that can easily be used for analysis of taxonomies around the world, there is still some way to go on this to ensure greater usability.

The following section outlines some of the challenges to usability for analysis and applies not just to the EU and China but also to other jurisdictions which intend to pursue a taxonomy-based approach to consider developing sustainable finance taxonomies as they put together their own taxonomies.

Reference to local legislation/ codes

Areas where the CGT refers to other pieces of legislation – e.g. European directives and Chinese standards, more work will be required to make these useful for analysis in other jurisdictions.

Improve data availability

Some activities specify criteria that rely on the availability of data which does not exist in all jurisdictions. For example, Energy Performance Certificates are the norm in the EU but are not available universally around the world.

Understanding how metrics compare

While some activities do specify quantitative thresholds, they make use of metrics that are not commonly used in other jurisdictions. Electricity generation, for example, has fairly standardised metrics that are comparable across jurisdictions.

However, sectors like buildings are very difficult to compare and map across jurisdictions and data availability also varies. Some building codes and regulations utilise energy consumption metrics, others have standards for building envelopes and others use emissions.

Primary Energy Demand (PED) used in the EU taxonomy is another example of metrics that are not commonly used in other jurisdictions but has good correlation with energy consumption and GHG emissions in most instances. Currently, the use of other metrics is not possible in the CGT analysis even if they meet the same objectives (substantial reduction in emissions from buildings).

Evolve dynamically

Taxonomies are living documents as they follow the development of technologies, and they may expand the coverage. Accordingly, regular revisions of the CGT may be necessary to ensure that it is up-to-date.

6. Future considerations

6.1. Pathway to include areas not currently included in CGT

This first phase of the CGT presents a detailed analysis of the EU and China Taxonomies. Other areas missing could be incorporated into future work:

Additional sectors

As noted in Chapter 2.1.2, sectors were prioritised based on their GHG emissions to both jurisdictions, with sectors like services and ICT not covered in this version. These can be incorporated in future iterations to provide greater coverage of EU and China taxonomies.

Additional environmental objectives and transition considerations

As the EU puts forward criteria to cover other environmental objectives, these will be analysed for future work. The China Taxonomy already covers other environmental objectives.

As already discussed, while adaptation is already covered in the EU, it was difficult to assess in the China Taxonomy due to the breadth of local regulations that would need to be analysed to provide an assessment. This may be an area of future work.

As pointed out by the G20 Sustainable Finance Synthesis Report and Roadmap, sustainable finance taxonomies may be adapted to further recognise transition activities. As taxonomies evolve to include more transition considerations, the CGT will also reflect these changes.

New areas of alignment in existing activities

In some activities where mapping alignment was challenging, there is potential to do more research work to understand possible commonalities. Future work may also embed transition considerations.

Other eligibility features

As noted, DNSH and minimum safeguards are not currently explicitly analysed within the scope of this exercise. These features and criteria could be brought in to strengthen the comparison and interoperability between jurisdictions.

Other jurisdictions

Other jurisdictions which intend to pursue a taxonomy-based approach can be added to this analysis as taxonomies are finalised in other jurisdictions.

6.2. Options to incorporate other jurisdictions

The China and EU Taxonomies were developed through very different processes at a time when there was limited guidance around taxonomies or even regular use of the word taxonomy in the market.

That is no longer the case. There is now a wealth of information and expertise on global taxonomy development and existing guidelines across jurisdictions.

Over twenty countries and regions around the world are currently in the process of developing their own taxonomy or have released versions for comment. Even since the CGT work was started, the landscape has changed dramatically.

The substance and methodology presented provide a valuable tool to facilitate the future interoperability of taxonomies worldwide. Its analysis can be used and referenced by jurisdictions

which intend to pursue a taxonomy-based approach to promote a common language for assessing green assets.

The Common Ground Taxonomy, and particularly, the analytical methodology was also designed to be inclusive and flexible so as to incorporate new jurisdictions which develop taxonomies over time. The CGT presented here is therefore just the beginning.

The IPSF is a member organisation which currently includes 17 members, of which at least seven are actively looking to develop national or regional taxonomies. It is the intention that the working group will look to incorporate new taxonomies into the CGT as they become available although the working group has yet to establish a time frame of process for doing this.

6.3. Reflection of Taxonomy principles outlined by the IPSF- UNDESA input paper to the G20 Sustainable Finance Working Group

In the context of the G20 SFWG, the IPSF and UNDESA issued an input paper on “Improving compatibility of approaches to identify, verify and align investments to sustainability goals”, which *inter alia* provides a mapping and analysis of existing – under development – taxonomies. This paper sets out the following 7 high level principles for jurisdictions and markets for the development of coherent approaches to identify and align investments with sustainability goals:

Principle 1: Make a positive contribution to support SDGs. Approaches to align investments with sustainable goals, including definitions and taxonomies, should aim to create a positive contribution to at least one of the 17 sustainable development goals, including environmental, climate, biodiversity and social objectives.

Principle 2: Do no significant harm. Approaches to align investments with sustainable goals, including definitions and taxonomies, should ensure that activities identified by these approaches do no significant harm to any of the 17 SDGs, even if the selected activity makes positive contribution to some other SDGs. To the extent that an alignment approach involves a process for implementation, it should also introduce safeguards to ensure that a positive contribution to one objective is not going to be outweighed by negative impacts on other environmental and social objectives.

Principle 3: Be Science-based. Approaches to align investments with sustainable goals, including definitions and taxonomies, should be objective in nature, supported by clearly defined and disclosed metrics and thresholds that align with the best available science and are internationally interoperable.

Principle 4: Be dynamic. Approaches to align investments with sustainable goals, including definitions and taxonomies, will need to be regularly reviewed and updated to reflect the market change and development of green and sustainable technologies, as well as the change of both domestic and international policy agendas and priorities.

Principle 5: Be transparent and verified. Approaches to align investments with sustainable goals, including definitions and taxonomies, should rely on: (i) transparent and robust methodologies (including from private data providers) to identify sustainable investment opportunities; (ii) proper disclosure by investment managers and financial advisors marketing sustainable investment products and strategies; and (iii) independent verification mechanisms.

Principle 6: Contain a fuller coverage of SDGs. As some approaches to align investments with sustainable goals, including definitions and taxonomies, are developed with an initial focus on climate,

there is a need to expand over time their coverage to include other aspects of SDGs, such as environment, biodiversity and social aspects of sustainability.

Principle 7: Create a comprehensive assessment - Approaches to align investments with sustainable goals, including definitions and taxonomies, should consider the entire impact of an investee entity's activities, both from its operational activities and from the value chain and usage of its products and services.

Annex: Stocktake of sustainable finance taxonomies (Extract from IPSF-UNDESA input paper)

Country/jurisdiction	State of play	Objectives	Current coverage / granularity	Usability	Approach to alignment/eligibility
China	In use Green Bond Endorsed Projects Catalogue (2021 Edition) released by the PBC, the NDRC, and the China Securities Regulatory Commission (CSRC).	<ul style="list-style-type: none"> i. Environmental improvement, ii. Addressing climate change, and iii. More efficient resource utilization 	6 Level-I industry categories: 1. Energy-saving and environmental protection industry, 2. Cleaner production industry, 3. clean energy industry, 4. eco-environment industry, 5. green upgrading of infrastructure, 6. Green services.	Mandatory for green bonds issuance	Whitelist Binary (green/not green) Activities linked to industry-specific green standards and criteria set by competent regulatory authorities.
EU	In regulation with additional delegated acts to follow	(i) CCM, (ii) CCA, (iii) sustainable use and protection of water and marine resources, (iv) transition to a circular economy, (v) pollution prevention and control, (vi) and protection and restoration of biodiversity and ecosystems	<p>Taxonomy based on NACE codes (EU industry classification derived from UN ISIC code).</p> <p>9 broad categories with additional NACE subcategories.</p> <p>Activities within select sectors 7 sectors: 1. Agriculture & forestry, 2. Environmental protection and restoration activities, 3. Manufacturing, 4. Energy, 5. Water and waste, 6. Transport, 7. Buildings, 8. ICT & 9. Professional services</p> <p>Taxonomy covers economic activities of roughly 40% of listed companies.</p>	<p>Mandatory for EU Member states, Large corporate and financial market participants</p> <p>Where:</p> <p>Taxonomy to be used as reference for green investment funds (e.g., retail funds and green bonds)</p> <p>Taxonomy to be used for disclosure (e.g., investors and large companies to disclose share of taxonomy-aligned investments/ activities).</p>	Technical Screening Criteria “Do No Significant Harm” principle Minimum social safeguards Room for transition and enabling activities
Japan	In use	Focus on transition pathways for high emitting companies/ sectors and	Roadmaps to Carbon Neutrality by 2050 are the attachments to the Basic Guidelines. Target sectors to	Guidelines released are legally non-binding	Principles-based guidelines with forthcoming cases studies and Industry

	<p>Basic Guidelines on Climate Transition Finance released in May 2021</p> <p>Under development</p> <p>METI has set up a Roadmap Taskforce to formulate sector-specific roadmaps.</p>	<p>ensure the credibility of transition finance label.</p>	<p>be published in 2021 include steel, chemistry, electric power, gas, petroleum, cement and paper/pulp</p>		<p>transition pathways for sectors</p>
South Africa	<p>Draft published</p> <p>Public consultation in June 2021.</p>	<p>Initial coverage: (i) CCM, (ii) CCA</p> <p>Future coverage:</p> <p>(iii) Sustainable use and protection of water and marine resources, (iv) Sustainable resource use and circularity, (v) Pollution prevention, (vi) Ecosystem protection and restoration</p>	<p>Based on SIC code</p> <p>Covers: 1. Agriculture forestry, fisheries and land use; 2. Industry; 3. Energy; 4. Water and waste; 5. Transportation; 6. ICT; 7. Construction; Enabling activities, system resilience and innovation; 8. Social resilience</p>	<p>TBC, likely all financial instruments</p>	<p>Technical Screening Criteria</p> <p>“Do No Significant Harm” principle</p> <p>Room for transition and enabling activities</p>
Russia	<p>Draft published in Dec 2020</p> <p>Part of Russia ‘Green Finance Guidelines’</p>	<p>(i) Environmental improvement; (ii) Pollution reduction; (iii) Greenhouse emissions reduction; (iv) Energy efficiency enhancement; (v) CCA</p>	<p>Taxonomy covers 9 sector categories:</p> <p>1. waste management and recycling, 2. energy, 3. construction, 4. industrial production, 5. transport, 6. water supply and wastewater disposal, 7. forestry, 8. conservation of natural landscapes and biodiversity, 9. ICT</p>	<p>Financial instruments but not government financial instruments</p>	<p>Whitelist</p> <p>Mandatory verification to obtain green certification for a financial instrument</p>
Kazakhstan	<p>Under development</p> <p>The New Environmental Code of Kazakhstan is expected to come in force in July 2021, which will include: definitions of green technologies, green finance, green projects, classification</p>	<p>TBC</p>	<p>TBC</p>	<p>Anticipated to cover green finance instruments such as green bonds, loans, technologies, and projects.</p> <p>Will include a Register of green technologies and</p>	<p>The Rules for recognizing technologies as “green” technologies, will outline the procedure for recognizing technologies and projects as green, verification of green activities with accordance to the green taxonomy,</p>

	of green projects (taxonomy), green bonds and green loans.			projects – a digital data base that gathers information on green technologies and projects	functions of the Service Operator.
Korea	Draft published 'K-taxonomy' draft open for public consultation in Korean	(i) CCM, (ii) CCA, (iii) sustainable conservation of water, (iv) circular economy, (v) pollution prevention management, (vi) biodiversity conservation	53 activities in 9 major categories: 1. Energy, 2. Manufacturing, 3. Cities and buildings, 4. Transportation, 5. Resource circulation, 6. CO2 capture, 7. Water., 8. Biodiversity & Agriculture, 9. Research and education.	It is recommended to applied to green projects selected in accordance with the Korean Green Bond Guidelines. It is expected to be applied to green bonds first and then to other green financial activities e.g. green loans and green funds. It is noted that the taxonomy may also be used by any entity or financial institution to assess the sustainability of an individual assets or to disclose the proportion of sustainable assets of an entity.	Similar structure to EU Taxonomy , substantial contribution + DNSH + minimum safeguards. Also contains exclusions criteria
Mongolia	Approved Mongolia Green Taxonomy	(i) CCM and CCA, (ii) pollution prevention, (iii) resource conservation, and (iv) livelihood improvement It includes livelihood improvement as one of its overall objectives, adding a social element to the taxonomy	Covers 58 activities from eight sectors 8 sector categories are: 1. renewable energy; energy efficiency; 2. pollution prevention and control; sustainable agriculture, land use, forestry, bio-diversity conservation and ecotourism; low-pollution energy; green buildings; sustainable water and waste use; and clean transport	The taxonomy is designed to be applied for a wider range of financial instruments, including loans, bonds, equity investment, insurance, etc. Beyond the eligibility of green financial products, it is also used for banks to report exposures and for the central bank to track the development of its green loan markets	White List It stipulates a list of activities considered as environmentally sustainable for investment purposes and does not provide technical criteria
India	Under development	Under discussion	Under discussion	Under discussion	Under discussion

	Phase 1 expected to be completed in 2021 (*note that India has green bond guidelines in place but these are separate to a detailed taxonomy)				
Sri Lanka	Under development Central Bank of Sri Lanka with technical assistance from IFC Further information expected in Q4 2021	TBC	TBC	TBC	TBC Will likely utilise elements of China and EU taxonomies
Bangladesh	Existing: Bangladesh Bank (BB) published a Sustainable Finance Policy for Banks and Financial Institutions in December 2020 In development: Green Bond taxonomy (not yet published)	Existing: (i) CCM, (ii) CCA, (iii) sustainable protection of water and marine resources, (iv) transition to a circular economy, waste prevention and recycling, (v) pollution prevention and control, (vi) protection and restoration of biodiversity and healthy ecosystems	Existing: 1. Renewable energy, 2. Energy efficiency, 3. Alternative energy, 4. Waste, 5. Recycling, 6. Green Brick production, 7. Green buildings In development: Likely to align with EU taxonomy sector coverage	Existing It is used to encourage and supervise banks and FIs to grant sustainable loans and conduct sustainable investments. The list of green products/ projects/initiatives is also used as eligibility criteria for whether bank assets can be refinanced with BB under the Refinance Scheme for Green Finance. In development Mandatory nature of future taxonomy is yet to be confirmed.	Existing: 1. Must make substantial contribution to environmental objectives, + 2. DNSH + 3. minimum social and governance safeguards. Similar to EU at a high level except that the eligibility is defined using a Whitelist approach where a List of eligible Green Products/ Projects/ Initiatives is provided. List of eligible projects possibly in sync with local conditions and should create widespread awareness of sustainability and environmental issues for banks and FI. It also provides two exclusion lists of economic activities considered ineligible for financing and sustainable finance respectively

					In development: Likely to use TSC approach
ASEAN	Under development The association of ASEAN central banks has set up an ASEAN Taxonomy Board to develop, maintain and promote a multi-tiered ASEAN Taxonomy for Sustainable Finance. Work is currently underway on a first iteration of the taxonomy, expected to be announced at the November 2021 UN Climate Change Conference in Glasgow.	Will likely include climate mitigation as well as transition objectives	TBC	The ASEAN Taxonomy will be the overarching guide for all ASEAN Member States complementing their respective national sustainability initiatives and serving as ASEAN's common language for sustainable finance.	TBC
Indonesia	Under development	TBC – likely to be comparable with EU in terms of environmental objectives	TBC – likely to be comparable with EU in terms of economic classifications		Technical screening criteria (TBC) 2 categories: “green” and “towards green”. Thresholds to reflect the country's objectives and capacities
Vietnam	Under development, expected end 2021.	TBC	Energy, Transport, Water, Buildings, Land use and Marine resources, Industry, Waste, ICT Using the Vietnam Standard Industrial Classification (VSIC)		Technical screening criteria (TBC) Likely mandatory Comparable metrics and thresholds to EU to determine whether an economic activity is aligned with Vietnam's climate-transition pathway.
Philippines	Under development a Green inter-agency taskforce with the Philippines Securities and Exchange Commission and	TBC	TBC		

	the central bank has started the process of developing a taxonomy.				
Malaysia	Published Climate Change and Principle-based Taxonomy (CCPT) published in April 2021	5 Guiding Principles (GPs): (1) CCM, (2) CCA, (3) No significant harm to the environment, (4) Remedial measures to transition, (5) Prohibited activities	Principles 1 & 2 are applicable at the activity level whereas 3 and 4 should be applicable at the entity level.	Applicable to Financial Institutions to assess whether financed activities are (i) Climate supporting (see GP1 to 3); (ii) Transitioning (GP4) or (iii) Watchlist. This facilitates standardized reporting of climate-related exposures.	Principles-based Taxonomy provides the 5 principles with examples as to what types of investment qualify under each. This list is non-exhaustive.
Singapore	Under development	4 objectives proposed: (i) CCM; (ii) CCA; (iii) Protect biodiversity; (iv) Promote resource resilience	ISIC sectors and sub-sectors are covered. Proposed sectors: Agriculture, construction & real estate, transportation, energy, industrial. Additional enabling sectors may include waste, ICT and CCS.	Financial sector	A combination of principle-based criteria and quantifiable thresholds for activities via a ' traffic light system ' green (clear aligned), yellow (activities with pathways to becoming green) and red (activities that are inconsistent with the taxonomy). The conceptual framework of the traffic light system was set out in the consultation document published in January 2021, and the granular criteria is now being developed. Other eligibility features: a) Do no significant harm; b) no negative impact on communities' social and economic well-being, unless the trade-offs can be justified in the long run; c) no breach local laws and regulations.
Thailand	In discussion			Financial sector	

	Workplan to develop a green taxonomy initiated				
Colombia	In draft	7 objectives: (i) CCM; (ii) CCA (iii) Sustainable use and protection of water and marine resources; (iv) Transition to a circular economy (v) Pollution prevention and control (vi) Protection of healthy ecosystems (vii) Social / SDG	8 Broad categories	Green Labelled financial instruments	Voluntary. No certification mechanism discussed TSC proposed Other eligibility features: Minimum safeguards and DNSH
Chile	In discussion Taxonomy Roadmap for Chile published in 2021	Likely climate mitigation, adaptation and other environmental objectives	Priority sectors to address are Energy, Transport, Buildings, and Industry (mining).		Likely leverage EU Taxonomy. Taxonomy type: Technical screening criteria likely
Mexico	In discussion	includes six elements: principles, criteria, methodologies, operational and governance mechanisms, reporting framework, and diffusion mechanisms			
Dominican Republic	Under development				
UK	Under development Green Technical Advisory Group (GTAG) announced	GTAG will provide the UK government with non-binding advice on how to adapt the EU taxonomy for UK purposes.	TBC Likely based on EU approach	TBC	TBC- likely based on TSC approach as per the EU
New Zealand	In Draft Published in Dec 2020 seeking stakeholder feedback	Sustainable Agriculture (SAFI)	Agriculture only	To be used by the finance sector in considering agriculture lending and investment	Aims to seek equivalence, to bridge the gap between international and domestic standards

Australia	In discussion Private sector-led initiative				Voluntary (likely leveraging the EU Taxonomy).
Canada	Under development Industry-led (not connected to a regulatory framework / not a government policy document)	Transition focused taxonomy ²⁷ and specifically on GHG emissions reduction	Part I: Transition definition, principles and detailed corporate disclosures requirement. Part II: 8 sector-specific transition taxonomy: (i) Energy (ii) Utilities, (ii) Agriculture, (iv) Forestry, (v) Cement, (vi) Steel (vii) Aluminium, (viii) Mineral mining.	Likely applicable to transition-based financial instruments (bonds and loans)	Voluntary classification tool (Activity-and sub-activity based: aligned with EU, CBI and ICMA.
CBI Taxonomy	In use	(i) CCM and (ii) CCA	No reference to industrial classification code. The CBI taxonomy presents eight categories (energy, water, transport, buildings, land use and marine resources, industry, waste, and ICT), with forty-five subcategories of eligible assets and projects.	The use of the taxonomy is mandatory for certified climate bonds.	“Traffic lights”: green (automatically eligible); orange (subject to eligibility criteria); and red (not eligible). The CBI’s guidance on eligibility goes beyond its taxonomy. Issuers wishing to certify their bonds need to comply with the detailed Sector Criteria, the Climate Resilience Principles, and the Climate Transition Principles, (where relevant).
MDBs-IDFC Common Principles	In Use since 2015 – updated in 2021 and in Use from Jan 2021 by MDBs	(i) CCM and (ii) CCA	Table 2: Energy Table 3: Mining and metal production for climate action	Mainly used for the monitoring and reporting of climate financing in a consistent manner among development banks,	Descriptive eligibility: The Common Principles introduce definitions for CCM and CCA-related financing. Inclusion in the

²⁷ IAC letter, Taxonomy Developments and Issuance Potential in Canadian Transition Bond Markets in 2021 (https://iia.ca/wp-content/uploads/Taxonomy-Developments-and-Issuance-Potential-in-Canadian-Transition-Bond-Markets-in-2021_February-2021.pdf).

	<p>mdb_idfc_mitigation_common_principles_en.pdf (eib.org)</p>		<p>Table 4: Manufacturing</p> <p>Table 5: Agriculture, forestry, land use and fisheries</p> <p>Table 6: Water supply and wastewater</p> <p>Table 7: Solid waste management</p> <p>Table 8: Transport</p> <p>Table 9: Buildings, public installations and end-use energy efficiency</p> <p>Table 10: Information and communications technology (ICT) and digital technologies</p> <p>Table 11: Research, development and innovation</p> <p>Table 12: Cross-sectoral activities</p>	<p>reporting to OECD, UNFCCC Standing Committee on Finance etc.</p>	<p>exhaustive list of eligible activities is descriptive and although it includes many qualitative criteria, it is not subject to quantitative greenness thresholds</p> <p>The Common Principles on CCM includes “transition”-related projects/ activities at a high level, with the backstop of principles such as avoiding carbon-lock in, importance of long-term structural shift towards green technologies, and replacing the old technologies before their lifetime (with a distinction of greenfield vs. brownfield investments in energy efficiency).</p> <p>The 2021 Common Principles will be operationalised over a period of two years. At the end of the two-year period, the MDBs and the IDFC will adjust the list, if required, based on their respective experience. The list of eligible activities will be reviewed regularly to ensure that it accounts for technology that may enable deeper decarbonisation of economic activities.</p>
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¹¹ https://iiac.ca/wp-content/uploads/Taxonomy-Developments-and-Issuance-Potential-in-Canadian-Transition-Bond-Markets-in-2021_February-2021.pdf