Finance Watch welcomes the proposal for a Regulation on the establishment of a framework to facilitate sustainable investment.

We would like to point out that the message in the recital number 28 should be further clarified. It is important for the Commission to clarify how the consideration of stranded asset risk is going to impact the choice of the criteria for environmentally sustainably activities.

Recital 9 states that: “offering financial products which pursue environmentally sustainable objectives is an effective way of channelling private investments into sustainable activities”. We believe that the effectiveness of the taxonomy should be empirically assessed over time and therefore, we suggest that the Commission conducts an ex-post assessment of the effectiveness of the taxonomy under article 17.

We believe that the following article on the use of the criteria needs to be further clarified.

“The Commission shall adopt delegated acts in accordance with Article 16 to supplement paragraph 2 to specify the information required to comply with that paragraph, taking into account the technical screening criteria set out in accordance with this Regulation. That information shall enable investors to identify:

(a) the percentage of holdings pertaining to companies carrying out environmentally sustainable economic activities; (b) the share of the investment funding environmentally sustainable economic activities as a percentage of all economic activities.”

In particular, we note that only by looking at the sustainability profile of the entire balance sheet of the investee entity it is possible to assess the sustainability profile of the financial products. Unfortunately, in the current framing there is lack of a classification for “brown” activities. This raises the risk that, as a result of the taxonomy, green assets will be added onto the generally brown economy, without promoting the needed capital shift from unsustainable to sustainable investments.
With regard to article 15, we would suggest that representatives from civil society are included among the members of the platform on sustainable finance in order to have a balanced representation of interests of different stakeholders.