

## EUROCHAMBRES position on the Taxonomy Regulation

**EUROCHAMBRES acknowledge the need for and support the mobilisation of private capital to deliver on the goal of climate neutrality while creating growth and jobs. In this respect, a well-designed and user-friendly taxonomy can provide transparency on sustainable investment products and be an additional tool to raise the huge amounts of investment needed.**

The taxonomy must be supportive of companies willing to transition towards even more sustainable production practices, while ensuring that the administrative burden, especially for SMEs, remain proportionate. However, we receive feedback that the scope of the taxonomy in practice will go far beyond the theoretically defined range, which means that besides financial institutions and large companies, even SMEs will quickly face major challenges when it comes to their financing. Furthermore, overly strict thresholds and metrics could undermine a cost-efficient, gradual transition. Therefore, EUROCHAMBRES would like to highlight four key issues relevant for the business environment:

### 1. Access to finance for SMEs

In the light of the huge need for investments and the COVID-19 crisis that continues to particularly affect SMEs ability to function the taxonomy regulation should make it easier for companies to access finance for investments in climate protection and the energy transition, while conventional investments should not be put at a disadvantage. SMEs need measures and initiatives that accelerate recapitalization and allow them to raise enough liquidity for their (green) recovery and growth. Additional reporting and administrative burden must be kept at a minimum level. Experiences so far have shown, that the access to adequate financing is becoming more difficult for SMEs. Affected industries need to be involved in the development of criteria.

### 2. Technology neutrality and role of gas

We welcome the fact that the draft Delegated Regulation takes into account enabling and transitional activities. To our understanding these are activities that contribute to long-term decarbonisation based on the nature of the activity and best available technologies used. Even though these activities may not yet be able to entirely fulfil certain threshold values, they will play an important role towards the decarbonization of the economy and must therefore qualify for a green label to attract the necessary investment. Those requirements should thus be balanced and realistic.

In many Member States, the energy transition requires the use of natural gas in a transitional period in which renewable electricity alone will not suffice to ensure a cost-competitive electricity supply. Furthermore, many industrial companies will need to replace their coal-fired cogeneration installations with highly efficient gas-fired cogeneration plants.

The last version of the draft delegated act contained thresholds for electricity

generation or cogeneration of heat/cool and power using natural gas set at an excessively high level that will result in a very limited number of cases qualifying for the taxonomy and therefore hinder the needed investments.

### 3. Legislative coherence

The Technical screening criteria and the environmental objectives they are describing are all interlinked and interdependent. Potential contradictions between them or incoherence with already existing legislation must be avoided at all cost. Otherwise it will create uncertainty on the investment market and thus the exact opposite of what is intended.

### 4. Proportionality and usability

The Taxonomy should be manageable both for companies that need to decarbonise and therefore need massive transformative investment as well as for the financial sector that will have to incorporate it in its daily business. The Taxonomy should facilitate the transition and therefore maintain a flexible approach that prevents prescriptive and rigid categories which do not take the dynamic evolution of technology and value chains into account. The transition of industry sectors and value chains associated with it will not be linear, but will rather require step changes, investments and adaptations spanning over several decades.

What is more, the timeframe for publication and implementation of the Delegated Acts is very short. Many businesses will not be able to obtain and maintain the necessary data. We therefore suggest an online tool that assists in the application of the Taxonomy. Suspending classification for SMEs for a transitional period should also be considered – at least until there is sufficient experience with the application of the Taxonomy to large companies and Midcaps.

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EUROCHAMBRES – The Association of European Chambers of Commerce and Industry represents over 20 million enterprises in Europe – 98% of which are SMEs – through 45 members and a European network of 1700 regional and local Chambers.

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