



What is the EU Taxonomy?

The Taxonomy is a new classification system that is being established by the European Union to clearly define which types of economic activities can be called 'sustainable'. The Taxonomy is at the core of the EU's efforts to make European financial markets more sustainable and is meant to give consumers more clarity about the sustainability of their investments and combat greenwashing practices in the financial services sector. Once it fully enters into force, consumers should be able to easily assess the sustainability of financial products and choose the most sustainable option.

How would this help consumers?

Consumers increasingly want to invest sustainably. However, this is currently [not an easy task](#), because until now there has been no reliable, comparable sustainability metric for consumers to use when making investment decisions. On top of this, [greenwashing practices](#) are currently rife in the financial services sector, and consumers often lack trustworthy information on which they can base their investment decisions.

When the Taxonomy fully comes into force, European financial markets may be the first in the world to establish this degree of transparency allowing consumers to make well-founded sustainable investment decisions. For example, an investment could be 20 or 50% Taxonomy compliant, providing a comparable measurement for sustainability rather than the incomparable arguments, claims and impressions that abound on the market today.

A tool for mis-information?

Unfortunately, there is currently a significant risk that the EU will classify certain types of harmful economic activities as environmentally sustainable under the EU Taxonomy rules. [Intense lobbying by industry and EU Member States](#) is currently taking place to classify certain investments into nuclear energy or fossil gas as sustainable under the EU Taxonomy rules. Meanwhile, the inclusion of climate-harming practices in sectors such as forestry and bio-energy mean that the EU Taxonomy could [contribute](#) to intensive logging and the burning of trees.

Despite [calls](#) from 226 scientists, financial institutions and civil society groups for fossil gas to be removed from the EU's supposedly science-based Taxonomy, the European Commission confirmed in its 'Strategy on Financing the Transition to a Sustainable Economy' that it wants to maintain a key role for gas financing in the transition to a net-zero economy. Further decisions on whether to include nuclear into the EU Taxonomy rules are expected later in 2021.



What would be the harm for consumers?

BEUC has consistently [warned](#) about the potential risks associated with including nuclear and gas as green investments into the final EU Taxonomy rules. The adoption of such rules would mean that:

- The EU Taxonomy would become a greenwashing tool instead of the gold standard in the fight against greenwashing it was promised to be. The inclusion of harmful economic activities would undermine the usefulness and the credibility of the EU Taxonomy in the eyes of consumers, who would not wish to rely on the label when making investment decisions.
- The EU Taxonomy would encourage institutional greenwashing, rather than supporting consumers in making more sustainable choices. Consumers' investments would be directed away from genuinely sustainable economic activities intended to aid the green transition, to unsustainable economic activities.
- By labelling fossil gas as a green investment, the EU could encourage consumers to invest into economic activities that could become stranded, exposing consumers to significant investment risks.

Lastly, including nuclear or gas would expose the EU Taxonomy rules to legal challenges. In September 2021, the Austrian Government published a [legal assessment](#) stating that nuclear energy is incompatible with the requirements of the EU Taxonomy Regulation. In October 2021, civil society organisations [warned](#) that including certain types of gas as green would clash with EU law and international commitments such as the Paris Agreement.

What needs to happen?

The EU Taxonomy criteria should be strictly scientific. Sustainability is not a matter of political compromise, but of objective facts. Defining sustainability along political fault lines – instead of science – would amount to institutional greenwashing. BEUC urges EU legislators to adopt credible rules on the EU Taxonomy, that can truly support consumers in making effective decisions about the sustainability of their investments. Investments in gas and nuclear should be excluded from any future EU Taxonomy rules.

The European Commission should also urgently develop a harmful taxonomy of economic activities that negatively impact the environment and a social taxonomy of activities that have a positive impact on social cohesion.