

## Spain position about taxonomy

### Background

1. The European Taxonomy is the **cornerstone** of the EU sustainable finance strategy. Sustainable finance is central to the Green Deal. Without sustainable finance, we will not be able to meet carbon neutrality by 2050.
2. With mandatory requirements for companies (Taxonomy Regulation), financiers and investors in Europe, the Taxonomy will influence the allocation of private capital.
  - The purpose of the Taxonomy is to guide companies on their climate and environmental transition plans, by identifying climate and environmentally friendly economic activities.
  - It serves as a means for investors and financiers to be informed about the 'green share' of the companies they invest in or they finance, and the financial products they buy or create.
  - It ultimately helps to raise the necessary funds for investment while directing them to where they are most needed.
2. But in order to fulfil its purpose, the taxonomy has to be credible, usable, as well as **science and evidence-based**.
3. The key rule of the Taxonomy is that for any given economic activity to be sustainable (to be included in the Taxonomy), it needs to contribute substantially ("Substantial Contribution") to one environmental objective, such as climate mitigation, without significantly harming the other (five) environmental objectives ("Do No Significant Harm"). *Substantial Contribution* and *Do No Significant Harm* are set by specific criteria that reflect the level of environmental performance needed.

### Natural gas and nuclear energy

4. Leading scientific climate scenarios like the Net-Zero 2050 Roadmap by the International Energy Agency project that **natural gas-fired energy (methane gas)** in the European Union needs to drop by around 90% until 2050. Natural gas-fired energy has an important role in contributing to energy security in Europe in the transition period, but it is ultimately a declining role because the methane emissions are not sustainable. It must not be categorised as green or sustainable in the Taxonomy.
5. **Nuclear energy** causes low greenhouse gas emissions during operation and contributes to climate mitigation, but it will be of utmost importance to apply strict criteria when assessing "do not significant harm" (a key feature of the Taxonomy) with respect to the other environmental objectives to identify a potential taxonomy alignment.

## Other solutions

6. **The role of natural gas and nuclear energy as generation technologies during the transition should be dealt with outside the Climate Taxonomy Delegated Act, either in the EU Taxonomy extension or through separate legislation related to "EU Strategy for financing the transition to a sustainable economy"** (published by the EC, 6 July 2021).
7. This approach should focus on the energy system decisions needed in Europe, which can include security of supply and cost considerations (beyond environmental performance).
8. This separate framing would cover economic activities which require policy interventions and support (both public policies and market response) to improve **their environmental performance** and to foster the green transition.
9. If natural gas is included as an extension of the Taxonomy, creation of an "amber" (not green or environmentally friendly) or "intermediate performance" category can provide opportunities for highly efficient combined heat and power facilities. If this approach is pursued, it must still be science-based and must not indicate that methane based natural gas energy is environmentally friendly.
10. It will increase the transparency and completeness of available tools to assess environmental performance levels of activities through the identification of intermediate performance levels (between *substantial contribution* and *do no significant harm*).
11. This "**Intermediate**" area would improve the ability for corporates to develop strategies and investment plans during the transition in order to ensure the attainment of environmental objectives.
12. It can help improve **clarity in financial markets** regarding different environmental performance levels and different levels of environmental impact, to **make transition finance available** more widely, whilst not diluting incentives to 'go green'.
13. It would support the urgent transition to a low-carbon, climate-resilient and more sustainable economy, as laid out in the EU Green Deal.