

14 April 2026

Call for Evidence on the Review of the EU Taxonomy Climate Delegated Act and Environmental Delegated Act

GENERAL COMMENTS:

The European Banking Federation **strongly supports the goal** of simplifying and harmonizing the technical screening criteria across the EU regulatory framework.

While we support all efforts for simplification, proportionality, practical applicability and consistency with EU law, **we believe the proposed simplification is insufficient to significantly improve the usability of the whole Taxonomy framework**. The complexity around technical screening criteria and incoherence with relevant legislation remains high, and the proposal would necessitate substantial efforts when adapting the internal processes to the new criteria.

The Taxonomy review process **should consistently follow the principles of simplification, proportionality and streamlining**, and should not result in increased complexity or additional tightening if such tightening is not related to changes to relevant legislation in the meantime.

Furthermore, while MSS is not part of the proposed changes in this consultation, **the MSS criteria should be significantly simplified** as well to improve the usability.

Therefore, we are calling on the **EC to ensure more ambitious and structural simplification of how taxonomy alignment is assessed**. The whole Taxonomy-alignment approach should become more pragmatic, the criteria should be clearer, easier to apply, and more directly grounded in existing legislation. This will strengthen the usability, legal coherence, and environmental integrity of the Taxonomy framework.

In addition, **sufficient time should be granted to implement the changes**, as any change requires changes in internal processes, systems, and documentation around taxonomy-alignment evaluation.

Finally, to simplify and increase the usability of the whole Taxonomy framework and ease the administrative burden for both individuals/companies and financial institutions, we would like to propose the following in the context of the ongoing review of the delegated acts:

➤ **EXEMPTION OF INDIVIDUALS AND SMES FROM DNSH ASSESSMENT**

SMEs and exposures by financial institutions towards them should be exempted on the basis of assumed compliance with the EU legal obligations, as long as they are not active in sectors covered by the Benchmark Regulation, as suggested by the EU Platform for Sustainable Finance.

Individuals also do not have access to detailed DNSH data, for instance, on climate adaptation concerning their properties, even though this data may become important in the future. Given the practical limitations in accessing detailed data, individuals and exposures by financial institutions towards them should also be exempted from such verification. Furthermore, the requirement to conduct detailed climate risk assessments and develop adaptation plans is not operational for retail portfolios, where financing is provided at the level of individual residential (see Appendix A in the revised regulation).

Alternatively, if an exemption cannot be considered, a simplified approach or safe harbours should be introduced, for example, through the use of size thresholds, sectoral risk filters, and reliance on existing permits, registrations or public databases, rather than requiring granular DNSH evidence that may not be accessible through reasonable effort. Such an approach would remain consistent with the proportionality principle and with existing practices in EU instruments, where smaller-scale or lower-risk activities are subject to simplified requirements.

➤ **EXEMPTION OF RETAIL EXPOSURES, PUBLIC ENTITIES AND EU COMPANIES OPERATING IN THE EU FROM MSS ASSESSMENT**

While MSS is not part of the proposed changes in this consultation, the MSS criteria should be significantly simplified and made more pragmatic. Currently, access to reliable social and governance data remains a significant barrier.

Retail exposures:

It is not feasible to analyse MSS for retail exposures (individuals and SMEs), which has also been confirmed by the Platform on Sustainable Finance. In practice, they have limited resources to produce detailed evidence on minimum social safeguards.

Public entities

Given the nature of public entities (e.g. EU local or regional governments), it should be possible to consider public entities as already compliant with the Minimum Social Safeguards (MSS) due to their public nature, as they are by definition:

- Subject to national and EU law, including binding human rights, labour rights, and environmental standards
- Accountable under public law mechanisms, including judicial review, transparency obligations, and democratic oversight
- Employers and procurers operating within frameworks that already integrate core MSS principles (e.g. collective bargaining, non-discrimination, social dialogue).

EU companies

Companies legally operating within the EU are bound by stringent social and labour laws, including human rights due diligence obligations under international frameworks incorporated into EU legislation. These obligations are monitored and enforced by dedicated authorities, reducing the need for financial institutions to duplicate MSS verification under the EU Taxonomy. It is therefore reasonable to exempt EU companies operating in the EU from the MSS verification by allowing financial institutions to rely on a company's legal compliance status as a baseline. This would enable a risk-based approach focused on companies or sectors with elevated social risks, while maintaining robust social safeguards and acknowledging that failure to comply with MSS would generally prevent lawful operation in the EU market.

We therefore proposed that financial Institutions can consider all companies legally established and operating in the EU — including those partially or wholly owned by public entities but incorporated under private law (e.g. local transport companies, etc.) — already compliant with the Minimum Social

Safeguards (MSS), since such compliance is a prerequisite for being allowed to operate in the EU, provided that:

- The entity is established under law in an EU/EEA Member State
- It is subject to national legislation aligned with international standards referred to under the MSS (e.g. ILO Core Conventions, OECD Guidelines, UNGPs)
- No substantial breaches of social or labour rights have been identified by competent authorities (e.g. national courts, ombudsman, EU institutions), which would reflect a risk-based approach.

➤ **STRICTER CRITERIA ARE REDUCING THE USABILITY OF THE TSCS**

The TSCs requirements should be as specific as possible, and wherever feasible, quantifiable or parameterised in a yes/no or complies/does not comply format, to facilitate a consistent and proportionate application.

However, several proposed TSCs are stricter or would require new kinds of certification or affect previously unaffected counterparties, in turn reducing usability or even reducing taxonomy conformity of the portfolio. This goes against the spirit of simplification.

Examples are 7.1. Construction of new buildings – where the threshold for testing for airtightness and thermal integrity was lowered from 5000m³ to 1000m³, and, as far as we are concerned, this change is not linked to the corresponding change to construction-related legislation. As a result, certification would be necessary for a much larger number of buildings, not only for new properties but also for existing ones (through the link in 7.7 “For buildings built after 31 December 2020, the building meets the criteria specified in Section 7.1 of this Annex that are relevant at the time of the acquisition.”).

➤ **ADAPTATION OF THE EXTENT TO WHICH STATUTORY REQUIREMENTS COULD BE ENVISAGED FOR COMPLIANCE WITH THE TSCS**

In order to substantially simplify the TSC criteria and ensure consistency across the EU regulatory framework, it should be aligned with EU legislation to the maximum extent possible (e.g. compliance with the building codes, and legislation on vehicle emissions, aligning car registration documents and EPCs with the Taxonomy). Reliance on the legal frameworks of the EU and MSs should be considered sufficient to demonstrate compliance, without requiring additional checks on the application of such legislation for financing purposes. Requesting additional technical evidence often proves redundant with minimum EU legal standards and can act as a barrier to accessing green financing products.

Examples of redundancy:

- DNSH criteria for transport (e.g. pollution, circular economy) are already verified through the EU's mandatory type-approval process before a vehicle enters the market. Requiring a second check by financiers is inefficient. These pre-existing institutional controls should be recognized as sufficient proof of compliance.
- For renewable energy financing (e.g., solar, wind, storage), projects approved by authorities following an Environmental Impact Assessment (including compensation measures) could still be deemed non-compliant under the EU Taxonomy. This creates uncertainty for financiers and risks delaying or discouraging investment despite valid permits. It cannot be reasonably expected of financial market participants to verify the outcomes of the EIA or other conditions under which the permit was granted by the relevant authorities.

To ensure robustness, the presumption of meeting the DNSH criteria when aligned with the EU and MS's legislation, supervisory authorities should focus on effective enforcement and verification of compliance (e.g. valid permits, supervisory controls), rather than introducing parallel technical screening criteria or requiring documentation beyond valid permits.

If stringent requirements are necessary to limit environmental harm and address weaknesses in certain areas in a balanced way, this should be addressed through changing the relevant sector-specific legislation and not by imposing stricter criteria in the Taxonomy Regulation.

➤ **MAKING AVAILABLE A LIST OF TSC CRITERIA MAPPED AGAINST RELEVANT EU REGULATIONS, AS WELL AS NATIONAL LEGISLATION OF THE MEMBER STATES (E.G., IN THE EU TAXONOMY COMPASS TOOL)**

This would clarify where existing laws already ensure DNSH compliance and where additional checks are genuinely required, thereby reducing duplication of assessments, enhancing consistency across Member States and providing greater legal certainty for both corporate and financial institutions. Such mapping should remain indicative as opposed to forming a prescriptive or exhaustive list of criteria, neither creating an additional verification layer. The mapping should primarily serve to highlight where existing EU legislation already ensures DNSH compliance, while maintaining flexibility and avoiding fragmentation stemming from differences in national frameworks.

Where relevant, this mapping should also extend to the environmental and social legislation of non-EU jurisdictions.

➤ **ALIGN THE TSC CRITERIA ACROSS THE VALUE CHAIN**

TSC criteria applied to downstream economic activities, such as the financing or leasing of vehicles, should not be different and more extensive or stringent than those applied upstream to manufacturers.

Requiring a second check by financiers is inefficient. The Taxonomy framework should explicitly recognise these pre-existing institutional controls as sufficient proof of compliance.

➤ **STREAMLINING EVIDENCE BY ACCEPTING RECOGNISED CERTIFICATIONS AND REGISTRATIONS**

Evaluation of TSC alignment could be supported by providing a list of existing labels, certificates or regulatory standards that could be considered as aligned with a particular EU Taxonomy activity, without the need for further evaluation (e.g. BREEAM and FSC). Any list of recognised labels or standards should remain non-exhaustive and be used as a tool to facilitate assessments.

In addition, it would be important for future guidance to take into account the role of financial institutions as intermediaries. In many cases, financial institutions do not have operational control over the financed activities nor access to fully harmonised information.

Guidance should therefore define a clear, proportionate and verifiable minimum set of evidence requirements, which does not exceed the reasonable verification capacity of financial institutions. It should also allow institutions, where appropriate, to rely on client-provided documentation, recognised certifications, or independent third-party assessments.

➤ **INCLUDING CLEAR GUIDANCE ON HOW TO ASSESS ALIGNMENT IN THIRD COUNTRIES**

Assets and economic activities that must be assessed against the TSC are not exclusively based in the European Union. Many TSC criteria are based on compliance with EU legislation, but only very few of these give guidance on how to assess these criteria in third countries. Whenever guidance is given, this guidance is often vague. In such cases, analysis of whether local standards are equivalent to EU legislation is complex and different actors arrive at different conclusions. For all TSCs linked to EU legislation, widely used international standards or certifications (Equator Principles, ISO standards, local green taxonomies, etc.) that are considered equivalent should be listed for the assessment of assets or activities in third countries. This would allow for speedy assessments and ensure the TSC are applied consistently.

➤ **IMPROVING DATA AVAILABILITY THROUGH PUBLIC DATABASES AND MAKING PUBLIC STUDIES**

Public authorities should make all efforts to provide access to data already available at the national level, facilitate the creation of data platforms that could be made accessible to authorized users and facilitate and coordinate collaborative efforts towards data collection among different stakeholders. Improved public databases would also reduce the cost and operational burden for obtaining reliable information, while avoiding inconsistencies. For instance, regarding real estate financing, a legal obligation for all property owners to comply with data provision requirements and to provide the necessary information within an appropriate (publicly governed) data repository accessible to banks would support banks in assessing compliance with the DNSH criteria.

Public authorities should also conduct and publish studies identifying the top 15% of the most energy-efficient buildings.

➤ **ALLOW GREATER USE OF CREDIBLE ESTIMATES IN PROVING TAXONOMY ALIGNMENT**

The ongoing process of simplification will widen the data gap, making estimates even more relevant. There is a general need for more flexible documentation requirements in situations where limited data availability makes compliance nearly impossible.

Furthermore, for retail portfolios, the use of EPC data alone is insufficient due to limited availability. For instance, it is very difficult to demonstrate that a single-family home has reduced its energy consumption by 30%. It requires the household to obtain an energy performance certificate both before and after the improvement. In addition, one must wait 12 months after the improvement to calculate the new average consumption. This makes it difficult to offer a suitable financing solution, as the customer needs the loan at the time of the investment.

Therefore, it is essential to allow the use of proxies such as building age, type, heating system, and renovation data to ensure practical applicability. Therefore, it is crucial for the financial industry that the reviewed criteria clearly state that, whenever an EPC is unavailable, an estimate, a public study or an EPC equivalent may be used.

➤ **ENSURE CONSISTENT APPLICATION ACROSS THE EU**

Implementing new regulations presents challenges for both reporting entities and audit firms. There are already significant differences in Taxonomy reporting for different reporting entities. A major challenge arises from the lack of reliable data and the ambiguous interpretations that create uncertainty about what is required to meet the criteria. There is a pressing need for more practical examples to help comply with the Taxonomy criteria and harmonise the application of the

regulations. To date, there have been fewer illustrative examples available for financial institutions compared to non-financial institutions.

➤ **NO FURTHER VALIDATION OR VERIFICATION OF DOCUMENTS PROVIDED BY THE CLIENT**

Information on taxonomy alignment should be usable by banks without further validation or plausibility checks. Banks should not have to review verification documents provided by the counterparty to reconfirm Taxonomy alignment, also for the use of proceeds lending. The validation/verification requirement is administratively burdensome with no value added.

➤ **CONTRACTS AS SUFFICIENT MEANS TO DEMONSTRATE DNSH-COMPLIANCE**

The principle of considering a contractual agreement as sufficient to demonstrate DNSH-compliance is introduced in the new “In Appendix A, ‘Generic criteria for DNSH to climate change adaptation’ under (*7). This principle should apply to all DNSH criteria, including but not limited to climate change mitigation objectives (Annex 2). If a financial institution signs a financing contract with the economic operator that includes a legally binding contractual condition for the operator to meet the DNSH of an activity, financing provided under that contract should be considered as aligned with the DNSH.

➤ **ACTIVITY SHOULD REMAIN TAXONOMY ALIGNED FOR THE ENTIRE DURATION OF THE LOAN**

Credit institutions should assess the alignment of their exposures at the time of granting the use of proceeds loans only. An activity or asset deemed assessed (aligned or not aligned) may remain so until the maturity of the financing (as long as the financing is not renegotiated or transferred) without the bank having to conduct a new alignment analysis, in case of changes to the technical screening criteria or underlying legal standards.

Alternatively, if the continuity of an assessment result for the entire duration of the loan cannot be considered, it should be clarified that the grandfathering provision (5-year transitional relief period) under Article 7(5) of Commission Delegated Regulation (EU) 2021/2178 covers all taxonomy-assessed assets. Without such clarification, financial undertakings would face difficulties in meeting the 10% materiality thresholds for use-of-proceeds financing, as all non-aligned assessments would otherwise need to be updated immediately.

This also applies to EPCs. They should be considered valid for the entire duration of the loan. Financial institutions should not be required to re-verify their validity ex-post, as the energy performance of a building can reasonably be assumed to remain unchanged in the absence of modifications.

Detailed comments on selected activities

Substantial Contribution Criteria (SC)

Storage of electricity

Proposal: Remove unnecessary reference to battery manufacturing criteria, which adds complexity without improving environmental outcomes

Justification: The energy transition, including the extension of renewable energy projects and energy storage for stabilising the energy network, is the backbone of the European Clean Energy Strategy. Increasing the complexity of the EU Taxonomy assessment for SC I CCM for the EA 4.10 Storage of electricity will not facilitate

the financing of the energy transition. The additional reference to the SC criterion of EA Manufacture of batteries (3.4) creates an unnecessary additional burden. This criterion, which requires that electricity storage solutions “enable substantial GHG emission reductions”, is redundant, as this outcome is inherent in their core function of balancing fluctuating renewable electricity in the electricity grid. We therefore propose eliminating this reference.

In case of using batteries as electricity storage, those batteries comply with the technical screening criteria specified in section 3.4 of this Annex and maintain the existing criteria.

Hydropower

Proposal: Differentiate thresholds for new and existing plants. Recognise existing plants and refurbishment as substantially contributing when they maintain renewable output and follow environmental rules.

The criteria for substantial contribution to climate change mitigation for hydropower should be refined to clearly differentiate between (i) new hydropower installations and (ii) existing assets, including maintenance, refurbishment and repowering activities.

Applying the same substantial contribution thresholds to both new and existing hydropower does not adequately reflect the role of existing installations in delivering renewable, low-carbon and dispatchable electricity within the current energy system. In the context of increasing electricity demand and the urgent need to displace fossil-based generation, continued operation and upgrading of existing hydropower plants provide a clear and immediate contribution to climate change mitigation.

Therefore, we propose to:

- Recognise existing hydropower plants as making a substantial contribution where they continue to generate renewable electricity in compliance with applicable environmental legislation.
- Explicitly include maintenance, refurbishment and repowering activities as substantially contributing, provided they maintain or enhance generation from renewable sources and, where applicable, lead to measurable improvements in environmental performance.

Data Centres

Proposal: Replace unrealistic SC metrics with market-aligned thresholds using PUE, WUE, and NWE (ISO/IEC 30134 series).

Current SC metrics are hard to achieve and disconnected from reality. Therefore, we propose to adopt the Power Usage Effectiveness (PUE) as a metric – this should be aligned with the market. The taxonomy should require a best-in-class or top-quartile threshold across three industry-standard metrics: PUE, Water Usage Effectiveness (WUE), and Network Efficiency (NWE). This aligns with the ISO/IEC 30134 series, the EU Code of Conduct for Data Centres, and the Digital Compass 2030 targets.

Biomethane

Proposal: Align eligible feedstock definitions with WFD and RED III to avoid excluding valid waste-based feedstocks

Justification: In terms of substantial contribution, the technical screening criteria for biomethane production define eligible feedstocks using a classification that contradicts the EU Waste Framework Directive (WFD) and the Renewable Energy Directive (RED III). Consequently, many plants using valid waste feedstocks

(e.g., agricultural residues, food waste, animal manure) are unfairly deemed non-aligned due to a definitional inconsistency.

Therefore, we propose to align the feedstock definitions in the Taxonomy with the WFD and RED III to remove this critical barrier to green finance and support the REPowerEU target of 35 billion cubic metres by 2030.

Climate adaptation

Proposal: Further clarify or provide additional guidance for the qualification of a substantial contribution to adaptation, similar to those that exist for climate mitigation.

Justification: Adaptation is a critical and urgent issue, and banks' clients clearly understand its immediate challenges. However, the criteria introduced by these delegated acts modify existing references without providing sufficiently clear and operational metrics that would allow for effective application in business practices. Therefore, they are not usable in practice. More practical, operational guidance is needed to allow businesses to demonstrate a substantial contribution to adaptation.

Green Hydrogen Electrolysers

Proposal: Relax additionality and hourly correlation rules; align with RED III and allow monthly/annual matching during a transition to support commercial electrolyser deployment

Justification: Electrolyser technology for green hydrogen production is currently included in the EU Taxonomy, but the technical screening criteria, particularly the rules on additionality and temporal correlation of renewable electricity, are widely regarded as too restrictive to enable commercial-scale deployment.

The criteria should also better reflect the role of electrolysers as a flexible demand asset that actively supports grid balancing and the integration of variable renewables — a function that is currently not rewarded under the taxonomy framework. Aligning the electrolyser criteria with the delegated acts under the Renewable Energy Directive (RED III), which adopt a more graduated approach to these same conditions, would remove a significant barrier to green hydrogen investment without compromising environmental integrity. Under the current criteria, electrolysers must source renewable electricity on an hourly matching basis and from newly built renewable capacity, conditions that are operationally and commercially unworkable for the majority of projects at this stage of market development. It is essential to allow monthly or annual matching in the near term, with a transition to hourly matching as grid infrastructure and renewable capacity mature.

Real estate and buildings

Proposal:

1. Keep the current thresholds to avoid widespread non-alignment, especially in retail lending.
2. Incorporate a clear transitional provision for buildings constructed before the revision of relevant criteria and allow using current thresholds when assessing taxonomy alignment of existing buildings to safeguard market confidence and preserve comparability across reporting periods.
3. The entire mortgage, rather than just the portion used for renovations, should be classified as taxonomy-aligned if the renovation meets the criteria set for building renovations
4. Buildings qualifying as taxonomy-aligned under Section 7.2 should automatically qualify under Section 7.7 for a defined transitional period following renovation
5. Clarify whether the shift from Primary Energy Demand (PED) to broader energy performance indicators under EPBD is intended to be equivalent for the purpose of Taxonomy assessments.

Justification:

1. It is important to ensure that EU Taxonomy criteria for buildings are proportionate, operational and aligned with data availability. Proposed new requirements (ZEB, thermal assessments, GWP calculations) risk being impractical due to missing data. While the EU Taxonomy framework for buildings should remain operational and proportionate, current proposals risk increasing complexity without improving environmental outcomes.
2. For acquisition and ownership of existing buildings, it is essential that the Taxonomy criteria incorporate clear transitional provisions for buildings constructed before the implementation of the revision of the EU Taxonomy Climate Delegated Act and Environmental Delegated Act. This will safeguard market confidence and preserve comparability across reporting periods.
3. Furthermore, the entire mortgage, rather than just the portion used for renovations, should be classified as taxonomy-aligned if the renovation meets the criteria set for building renovations. This classification should apply at least during a clearly defined transitional period. Renovations are often co-financed with a mortgage. In many cases, only a small portion of the mortgage is allocated for the renovation itself. However, if the energy efficiency improvements achieved after the renovation exceed 30 per cent, but do not meet the strict Taxonomy thresholds, such as obtaining an EPC rating A or being within the top 15% energy efficient buildings, only the renovation part of the mortgage (and not the entire mortgage) will be considered Taxonomy-aligned.
4. Buildings qualifying as taxonomy-aligned under Section 7.2 should automatically qualify under Section 7.7 for a defined transitional period following renovation. Such an approach would better reflect real market practices, reduce documentation burdens, and provide stronger and more predictable incentives for deep renovation, while maintaining the environmental integrity of the framework.

More detailed suggestions:

TSC/EA	Content of Draft DA	Suggestion	Justification
SC I CCM for EA 7.1 Construction of new buildings contribution to climate mitigation	a) Application of Zero Emissions Building Standard (ZEB) b) Thermal Integrity and air-tightness Assessments for buildings with more than 1000 m ² floor space c) life-cycle Global Warming Potential for all buildings	a) Maintain existing criteria: 10% below NZEB b) Maintain threshold at 5000 m ² or exempt "residential building units" in line with criteria under EA 7.2 DNSH III and V c) Maintain threshold at 5000 m ² or exempt "residential building units" in line with criteria under EA 7.2 DNSH III and V	a) ZEB is set by EPBD and not nationally implemented yet. There are no standardized data points available for scaling up EU Taxonomy assessment of large portfolios b) Data collection difficulty will increase disproportionately, especially in retail lending, due to additional effort and costs for banks' clients; in practice this will lead to missing data points and therefore

			decreasing EU Taxonomy alignment c) As the life cycle GWP calculation will only be mandatory for all new buildings starting from 2030, data availability for buildings built between 2022 and 2030 will be scarce and effectively lead to non-alignment. As the data point will only be included in EPC labels “if available” (EPBD Annex V 1e), data will also often not be available beyond 2030 leading to non-alignment. Especially for retail mortgage portfolios, data needed for assessments must be available on EPC labels. Any data requirements beyond that will lead to non-alignment, as private individuals are unable to provide technical building data.
SC I CCM for EA 7.7 Acquisition and ownership of buildings built after 31 December 2020	For buildings built after 31 December 2020, the building meets the criteria specified in Section 7.1 of this Annex that are relevant at the time of acquisition.	For buildings built after 31 December 2020, the building meets the criteria specified in Section 7.1 of this Annex that are <u>applicable at the time of construction</u>. The assessment is based on data and thresholds included in energy performance certificates that are valid at the time of initial assessment.	Applying the revised criteria retroactively for existing buildings constructed after 31 December 2020 would result in buildings that were previously compliant with SCC no longer qualifying, despite having been developed in accordance with the regulatory framework in place at the time of construction.

			It will be difficult to evidence taxonomy alignment based on the current EPCs obtained for buildings built after 2020 (but before the new national EPC rules apply), since the existing EPCs don't correspond to the requirements for ZEB. The current drafting risks excluding certain newer buildings from being taxonomy-aligned, while older buildings (built before 31 Dec 2020) can be considered taxonomy-aligned if they belong to the top 15% of the regional stock. Effectively, this means that certain newer and more energy-efficient buildings will be excluded, while older and less efficient buildings will qualify. This misalignment can be addressed by referring to the TSC "applicable" at the time of construction", instead of requiring to use TSC relevant at the time of acquisition (i.e. when the borrower buys the building or apartment). Furthermore, as energy performance certificates are valid for ten years, they may include NZEB-values that do not reflect the latest national NZEB-standards, which are needed to perform the assessment. To avoid non-alignment in these cases, it should be allowed to use the data given on the certificates if these are valid at the time of assessment.
DNSH IV CE for EA 7.2	a) Remaining DSNH IV	a) Eliminate the requirement of	a) Ensuring consistency for improving

Renovation of existing buildings contribution to climate mitigation	assessment for households respectively owner used residential objects	performing the DNSH IV CE assessment for households in line with the corresponding exception of DNSH III Water for households	practical applicability b) The criteria must be applied in a way that does not undermine the economic feasibility of renovation projects, which already face higher upfront costs and documentation requirements.
SC I CCM for EA 7.7 Acquisition and ownership of buildings	a & b) n/a c) Reduction of primary energy demand by 60% within 10 years	a) International standards or methodology for demonstrating energy efficiency should be included as appropriate documentation when EPC, as EU standard, is not available b) Under point 1, the words "For buildings built before 31 December 2020" should not be placed in point a but directly after point 1. c) Verification should rely on simple/standardized documentation (submission of updated EPC after renovation) and instead of 60% threshold: lower the threshold, or align it with the 30% minimum reduction used for renovation activities	a) Increasing practical applicability of EU Taxonomy assessments in third countries b) Disproportionate additional effort for duplicative assessment of the same aspect (building energy efficiency) for buildings built after 2020 first in line with EA 7.7 SC 1 points b or c and then again in line with EA 7.1 SC 1. c) 10-year verification period is excessively long and difficult to operationalize. Uniform 60% reduction threshold creates disproportionate barriers, particularly for inefficient buildings, e.g. moving from EPC class G to C would be required, whereas for already efficient buildings marginal improvements suffice.

DO NO SIGNIFICANT HARM (DNSH) CRITERIA

Sector Transport; DNSH Circular Economy

Proposal: It is proposed to consider the DNSH criteria to be automatically satisfied for EU-registered vehicles, avoiding redundant documentation requests. The DNSH criteria applicable to financed and leased vehicles should not go beyond the DNSH criteria applicable to the manufacture of vehicles.

Currently, the DNSH criteria align with existing EU regulatory requirements mandating that vehicles be at least 85% reusable and 95% recyclable by weight, with adequate waste and battery management systems in place. Compliance is ensured through type-approval procedures under Regulation (EC) No. 715/2007 and Directive 2005/64/EC, which are fully applied within all 27 Member States by national authorities, making these obligations both legally binding and subject to formal regulatory verification by national authorities.

For clarification purposes, it is essential to note that, in any case, the substantial contribution criteria should be assessed also for EU-registered vehicles, therefore recognising as taxonomy-aligned only those vehicles that substantially contribute to one of the environmental objectives set out in the Taxonomy Regulation.

Justification:

Existence of a legal obligation that is already controlled by selected Institutional bodies, which are controlling the ex-ante fulfilment at the market entrance of the product, making control redundant in the case of the financing of the purchase of a mobile asset which is already in the market.

- **Legislation:** includes Article 1 and Article 15 of Regulation (EU) No. 540/2014 concerning the simplification of vehicle registration, sale and entry into service within the EU, as well as Directive 2005/64/EC on the type-approval of motor vehicles. The directive is fully applied by local legislation within local national legislation (all 27 Member States)
- **The control and enforcement framework:** before entering in the market a new product (i.e. a new car) is already controlled (in fulfilment of the Directive 2005/64/EC, Regulation (EC) No. 715/2007 and Regulation (EU) 2018/858) by determined Institutional bodies (es. EU type-approval issued by a designated approval authority such as Italian Ministry of Infrastructure and Transport, accredited technical services such as TÜV, CSI, UTAC etc.)
- **DNSH go beyond legal requirements:** The DNSH minimum thresholds for the reuse or recyclability (85%) and the reuse or recoverability (95%) of vehicles is not aligned with the minimum thresholds for the recyclability and recoverability of vehicle batteries under the EU Batteries Regulation (EU) 2023/1542 for lithium-ion batteries. Pursuant to Annex XII, Part B, of the EU Batteries Regulation (EU) 2023/1542, a target for recycling efficiency of 65 % of the average weight of lithium batteries is applicable since 31 December 2025, increasing to 70 % by 31 December 2030. For the recovery of lithium in lithium batteries, a target ratio of 50% until 31 December 2027 has to be achieved, which will increase to 80% until 31 December 2031.

Sector Transport; DNSH Pollution Prevention

Proposal: Given that compliance is formally overseen by competent authorities before commercialisation, it is proposed that vehicles approved under EU regulations be considered compliant by law with the DNSH pollution prevention criteria, without requiring additional documentation for the purchase of such products. Therefore, for financing the transport sector, the requirement is verified before entering the market.

The DNSH criteria on pollution prevention require compliance with limits on emissions, noise, vibrations, and tyre performance, which are already covered by EU type-approval rules through mandatory testing and EPREL registration. In other words, products already present in the market are controlled by designated institutions, making redundant the financial sector control of such requirements.

Justification: Existence of a legal obligation that is already controlled by selected bodies. Legislation includes Regulation (EC) No. 715/2007 and Directive 2009/33/EC (already implemented in all 27 EU Member States) concerning emission thresholds, as well as Regulation (EU) 2020/740 regarding tyre requirements and energy efficiency, with verification through the EPREL database. The control and enforcement framework consists of Regulation (EU) 2020/740, Regulation (EU) 2018/858, Regulation (EC) No. 715/2007 and Directive 2009/33/EC (already implemented in all 27 EU Member States). For example, the “Operational Guidance for compliance with the DNSH principle” published by the Italian Ministry of Economy and Finance (MEF*) confirms that such environmental requirements are already ensured through existing EU regulatory frameworks and certification processes

Sector Building Construction and Renovation; DNSH Circular Economy and Pollution

Proposal:

- 1) **Keep the DNSH criterion on circular economy for new construction unchanged**
- 2) **Substitute the DNSH assessment with the authorisation to construct and renovate, because such authorisation already implies the control of the requirements behind the DNSH of Pollution, Biodiversity and Circular Economy.**

Justification:

- 1) Contrary to the simplification objective, the DNSH criterion on circular economy for new construction has been raised from 70% to 85% of construction and demolition waste directed to recovery. First, this goes beyond existing horizontal EU waste regulation and may require additional, building-level DNSH checks, thereby increasing complexity rather than reducing it. Second, this requirement is not operationalised in retail portfolios today. Banks typically rely on EPC data and simplified assumptions, as construction-level waste data is not available for individual residential properties. This highlights a clear gap between regulatory requirements and practical implementation.
- 2) Concerning Construction and Real Estate activities, and specifically the construction and renovation of buildings (7.1 and 7.2), the DNSH criteria are already fulfilled ex-ante with the permission to proceed to the construction and renovation (building permit) by Institutional Bodies
- 3) The construction and renovation sector of existing buildings is governed by a comprehensive set of regulations (in all EU 27 Member States) that enable compliance with and even go beyond the DNSH principle. For instance, the DNSH of Biodiversity for construction recalls the Directive 2011/92/EU and 2014/52/EU on Environmental Impact Assessment to ensure the respect of Natura2000 principles. Such a Directive is fully applied and monitored by local Institutions which control whether a new construction project conflicts with the Directive. The construction permit, therefore, implies the DNSH fulfilment and control.
- 4) Compliance with environmental regulations (e.g. asbestos removal, waste management) is subject to verification by the competent authorities through formal authorisation requirements, inspections, and controls. This framework effectively ensures that all DNSH requirements are duly met. DNSH should be considered fulfilled with the construction permit.

Substantive legal obligations (technical requirements)

- National laws banning the extraction, import, export, marketing, and production of asbestos
- Directive 2011/92/EU and 2014/52/EU on Environmental Impact Assessment ensure the respect of Natura2000 principles.
- National EIA laws and planning regulations transposing the above directives
- Directive 2008/98 on the obligation of recycling of material

Control and enforcement framework

- Local building permit procedures: renovation projects involving asbestos require declaration and approval
- ASL (local health and safety authority): conduct on-site inspections and verify asbestos management plans
- EIA screening and full assessments required before permitting
- Obligatory involvement of environmental authorities in EIA
- Monitoring and enforcement by competent national and local authorities (e.g., ARPA, environmental departments)

Sector Renovation of existing buildings; DNSH Circular Economy

Proposal: We propose that this DNSH be deemed satisfied where interventions are already subject to regulation requirements on waste and the oversight of competent authorities. We therefore suggest that the DNSH criteria can be considered already verified by institutional bodies.

DNSH criteria on circular economy require that at least 70% by weight of construction and demolition waste be directed to recovery operations (category “R”). However, the obligation, according to the EU Directive 2008/98 (already implemented in the 27 EU member states), to recycle at least 70% of waste exists. Moreover, this obligation is verified by the Institutional Body (e.g., ARPA, EEA). In addition, not all renovation works produce relevant waste volumes, especially in the case of light or non-structural interventions (e.g. window replacement, energy efficiency upgrades).

While larger or structural renovations can have biodiversity impacts (e.g., land take, landscaping, loss of green infrastructure), for Taxonomy usability purposes, it is essential to ensure coherence between Taxonomy and relevant legislation. More specifically, if it is necessary to provide some specific biodiversity safeguards, these safeguards should be provided through changing the relevant sector-specific legislation.

Justification/Supporting evidence:

EU Directive 2008/98 (already implemented in the 27 EU member states) that verifies and controls recycling targets for construction and demolition activities (recycling at least the 70% of waste). Furthermore, the DNSH Principle (3rd edition), published by MEF as part of the PNRR funded by the Next Generation EU program, allows DNSH criteria to be considered not applicable when technically or materially irrelevant. In line with this interpretation, the Circular Economy criteria are not applicable in the absence of demolition waste.

Sector Renovation of existing buildings; DNSH - Pollution Prevention

Proposal: This DNSH should be deemed satisfied for buildings built after the asbestos ban as legal obligations and supervisory mechanisms already ensure environmental protection and risk prevention.

Justification: The DNSH criteria on pollution prevention require, in cases of thermal insulation works on the envelope of existing buildings, an asbestos risk assessment and, where necessary, safe removal of any asbestos-containing materials. However, for buildings constructed after the asbestos ban, the presence of asbestos can be reasonably excluded. Furthermore, asbestos-related obligations are already covered by

national legislation, which includes strict requirements on identification, removal and disposal of asbestos, and is subject to oversight by public authorities. This regulatory framework ensures compliance through building permits and inspections by local health and safety authorities (ASL). Therefore, when financing building and construction renovation, the granting of a construction permit should provide sufficient assurance of compliance.

Supporting evidence: Legal and enforcement framework at the MS level

Control and enforcement framework

- Local building permit procedures: renovation projects involving asbestos require declaration and approval
- ASL: conduct on-site inspections and verify asbestos management plans
- ARPA: support monitoring and reporting

Sector Construction; DNSH - Biodiversity

Proposal: Consider the DNSH criteria on biodiversity to be deemed satisfied for construction activities subject to EIA/screening procedures under Directive 2011/92/EU, as well as national building laws. These frameworks ensure the protection of biodiversity through formal authorization and monitoring processes.

Justification: The DNSH criteria on biodiversity are already embedded within existing EU and National legal frameworks. In particular, Directive 2011/92/EU mandates Environmental Impact Assessments for projects likely to affect biodiversity, including screening procedures to determine significance. These obligations are implemented through national permitting processes, which include mandatory consultation with environmental authorities and public disclosure. Moreover, national building permits require site-specific checks against biodiversity-sensitive areas and must comply with planning regulations. As such, the DNSH requirement is already enforced through legal procedures and formal oversight mechanisms. Therefore, DNSH could be considered already fulfilled and controlled.

Supporting evidence:

Substantive legal obligations (technical requirements)

- Directive 2011/92/EU and 2014/52/EU on Environmental Impact Assessment
- National EIA laws and planning regulations transposing the above directives

Control and enforcement framework

- EIA screening and full assessments required before permitting
- Obligatory involvement of environmental authorities in EIA
- Monitoring and enforcement by competent national and local authorities (e.g., ARPA, environmental departments)

DNSH – Biodiversity – More broadly

Proposal: We propose to remove the sentence from Appendix D, 2nd paragraph, including footnotes “Activities that require compensatory measures to offset significant negative impacts on habitats or species identified in the assessment (*6) do not comply with Appendix D (*7)”.

Justification: Appendix D, DNSH VI Biodiversity now includes the relevance of legally legitimate compensation measures as a condition of the EIA. However, a requirement for banks to analyze the exact permit conditions resulting from the EIA process goes far beyond legal compliance and makes the assessment process much

more complex. If a member state's authorities consider compensation measures sufficient to avoid harming biodiversity in the big picture, the EU-Taxonomy should not deviate from that judgment.

Sector Data processing, hosting and related activities contribution to climate mitigation; DNSH – Circular Economy

Proposal: Exclude this DNSH assessment from the evaluation of data centers in cases where the technical equipment with electrical and electronic devices is not part of the project development or operation of the data centers.

Justification: As part of the development of new data centers, the DNSH criteria on circular economy require compliance with the provisions of the Ecodesign Directive for servers and data storage products (Directive 2009/125/EC), the avoidance of hazardous substances in electrical and electronic equipment as per Annex II to Directive 2011/65/EU, a waste management plan for electrical and electronic equipment, as well as compliance with requirements regarding reuse, recovery, or recycling operations, or proper treatment in accordance with Annex VII to Directive 2012/19/EU.

A prerequisite for fulfilling and demonstrating compliance with the requirements under DNSH CE is that the selection, operation and decommissioning of electrical and electronic equipment is part of the project development for the construction or operation of a data centre. However, this is not always the case. Increasingly, project developers build data centres, including the necessary building infrastructure, and fully lease them to large customers. The equipment of the data center with the required electrical and electronic devices is then carried out by the tenant according to their own needs.

Thus, the requirements of the DNSH CE assessment are not relevant or assessable for the construction of the data center or its financing.

To promote the practical application of this economic activity for data centers as critical components of the digital infrastructure, a mechanism should be established to exclude non-applicable assessment criteria from the evaluation without negatively impacting potential taxonomy alignment.

DNSH applicability for services managed by third parties

Proposal: When DNSH criteria refer to a service managed by a third party outside the client's direct operational control, compliance can be demonstrated through third-party documentation

Justification: It is unclear whether financial institutions must verify DNSH compliance for external services which clients are outsourcing (e.g. waste management, IT security, maintenance) that fall outside their direct operational control. Clarification is needed on whether the contractual agreement between the financed counterpart and third party is sufficient or whether such DNSH criteria may be considered not applicable in specific contexts.

If the DNSH criteria refer to a service managed by a third party outside the client's direct operational control, compliance can be demonstrated through third-party documentation, provided that:

- The third party operates under a formal contractual agreement or regulatory framework.
- The documentation clearly specifies minimum environmental requirements aligned with the relevant DNSH criteria.
- There is reasonable assurance or verification that these requirements will be implemented (e.g. contractual obligation, certifications, permits, public authority oversight).

If such documentation is robust and traceable, it can serve as valid evidence of DNSH compliance. Alternatively, if the service is entirely outside the scope and influence of the project or entity, and there is no

material environmental impact attributable, the DNSH criteria may be considered not applicable. This approach ensures both pragmatism and consistency in applying DNSH to complex value chains or public infrastructure contexts.

Deletion of existing Activities

In the current draft, Activity 4.16. “Installation and operation of electric heat pumps” is deleted. We advise against this deletion, as it would effectively remove the operation of large-scale heat pumps (e.g. used for district heating) from the Taxonomy.

New Enabling Activities

We would encourage the Commission to consider the recognition of the following enabling activities not yet included in the Taxonomy:

- **Industrialised Construction as an enabling activity:** Industrialised or modular offsite construction is currently excluded as an enabling activity, despite its proven ability to reduce embodied carbon, material use, and construction waste. We propose recognising it under Construction and Real Estate, with eligibility criteria linked to material efficiency ratios, waste diversion rates, and lifetime carbon performance.
- **Solid Oxide Fuel Cells (SOFC) / Fuel Cells as an Enabling Technology:** High-efficiency SOFCs generate electricity electrochemically at highly superior efficiencies compared to conventional combustion. The taxonomy should recognise SOFC manufacturing and deployment as an enabling activity. Criteria should be based on electrical efficiency, lifecycle GHG intensity, and feedstock type.
