



Advice

EU Taxonomy for Sustainable Activities and Draft Technical Screening Criteria for Fishing Activities

Brussels, 30 September 2022

1. Introduction

In 2018, the European Commission published the “Action Plan: Financing Sustainable Growth”¹, which called for the creation of a common classification system for sustainable economic activities, an “EU taxonomy”.

In 2020, the Taxonomy Regulation² was published in the Official Journal of the European Union, establishing the basis for the EU taxonomy by setting out four overarching conditions that an economic activity must meet to qualify as environmentally sustainable. The Regulation establishes six environmental objectives:

- 1) climate change mitigation,
- 2) climate change adaptation,
- 3) sustainable use and protection of water and marine resources,
- 4) transition to a circular economy,
- 5) pollution prevention and control, and
- 6) protection and restoration of biodiversity and ecosystems.

¹ [Communication from the Commission “Action Plan: Financing Sustainable Growth”](#)

² [Regulation \(EU\) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation \(EU\) 2019/2088](#)

An economic activity shall qualify as environmentally sustainable where that economic activity contributes substantially to one or more of the environmental objectives set out in the Regulation, does not significantly harm any of the environmental objectives and complies with technical screening criteria that has to be established by the Commission.

As a classification system, the EU taxonomy establishes a list of environmentally sustainable activities, which translates the EU's climate and environmental objectives into criteria for specific economic activities for investment purposes. Mandatory disclosure obligations are introduced for some categories of companies and investors, requesting them to disclose their share of taxonomy-aligned activities. Companies and investors can use the EU taxonomy to plan and implement their environmental transition and to attract investments. Financial institutions can use the EU taxonomy to design their green financial products.

Under Article 20 of the Taxonomy Regulation, the Platform on Sustainable Financing³, a permanent expert group of the European Commission, was established. The platform is an advisory body that advises the Commission on the further development of the EU taxonomy, including on the technical screening criteria, which the Commission takes into account when developing Delegated Acts. On 3 August 2021, the platform published a draft report on preliminary recommendations for technical screening criteria⁴, including for fishing activities. A call for feedback ran from 3 August to 28 September 2021.

The EU Taxonomy is not a mandatory list of economic activities for investment and does not set mandatory requirements on environmental performance on companies or financial products.

³ Further information on the platform is available online: https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/overview-sustainable-finance/platform-sustainable-finance_en

⁴ The draft report is available online: https://ec.europa.eu/info/publications/210803-sustainable-finance-platform-technical-screening-criteria-taxonomy-report_en



The majority of the members of the MAC worry that⁵, despite that voluntary nature, which is meant to incentivise sustainable activities, in practice, financial institutions are likely to follow the list of activities and criteria adopted. This means that there can be an impact on the operator's ability within the fisheries and aquaculture supply chain to raise financing / attract funds for their activities, even though the taxonomy does not mean that regular investments will not continue. Nevertheless, all members of the MAC think that the EU Taxonomy can be a positive opportunity to prevent “greenwashing” by financial institutions.

2. Establishment of the Platform for Sustainable Finance

In June 2020, a call for applications for the selection of members of the Platform on Sustainable Finance⁶ was launched. 50 members were selected based on their environmental, sustainable finance and, where relevant, social/human rights expertise, also aiming at a geographical, gender, cross-sectoral, type of organisation, and other balance. 7 members of public entities were directly appointed, and 11 observers were invited. Overall, the experts include private stakeholders from financial, non-financial and business sectors, NGOs and civil society, academia and think tanks, experts in personal capacity, as well as public and international institutions. Inter alia, the Platform was tasked with the development of draft technical screening criteria for fishing activities.

The MAC acknowledges that the establishment of the Platform on Sustainable Finance was done in an open manner and that the Platform held public calls for feedback, allowing stakeholders to contribute. However, the majority of the members of the MAC would like to point out some

⁵ The majority does not include five of the six OIG members of the Executive Committee, namely: ClientEarth, Environmental Justice Foundation, Good Fish, Oceana, and WWF.

⁶ https://ec.europa.eu/info/files/200618-sustainable-finance-platform-call-for-applications_en

shortcomings regarding transparency and participation in the process, which can translate into a lack of trust from the sector's operators⁷:

- The call for application for the selection of members of the Platform went largely unnoticed for many fisheries stakeholders, since the initiative was mainly led by DG FISMA and was not publicised by DG MARE; consequently, the membership of the Platform did not include stakeholders representing the fishing sector and the value chain, which leads to a lack of contributions and expertise from the sector⁸,

- In the same vein, the public call for feedback by the Platform did not actually reach the bulk of the sector representation, only some of them - additionally, those who gave feedback did not receive any response to their remarks.

The five OIGs note that, in fact, several fishing industry organisations provided feedback in the public call on the draft screening criteria, which was assessed by the Platform and will be reflected in the upcoming revised screening criteria, if deemed appropriate by the Platform: they estimate that the views of the sector have been heard and have been discussed by the Platform. It is important to note that updated screening criteria will be published this Fall. In the consultation process, all stakeholders were invited and encouraged to participate in the process in multiple instances.

3. Technical screening criteria for fishing activities

The draft technical screening criteria developed by the Platform for Sustainable Finance focuses primarily on production aspects that can be better addressed by the regional Advisory Councils.

⁷ The listed points do not represent the views of the previously mentioned five OIG members (ClientEarth, Environmental Justice Foundation, Good Fish, Oceana, and WWF).

⁸ Under the call for applications, FEAP proposed an aquaculture expert with a background in finance and economics, who is also CEO in a medium-sized aquaculture company, but the application was not selected

Nevertheless, there are general views expressed by members who contributed to the call for feedback⁹ which are worth highlighting:

- 1) The importance of clear and specific criteria to facilitate implementation and verification;
- 2) The majority of the members of the MAC note the importance of avoiding criteria that are unreachable for a significant portion of EU fisheries with the ambition to incentivise a transition towards more sustainable fisheries. However, the five OIG members stress that the taxonomy is only about green investments, not investments in general, which explains the high ambition.

4. Recommendations

In the context of the further development of the EU taxonomy, the proposal of draft technical screening criteria for fishing activities of the Platform on Sustainable Finance, and the preparation of upcoming Delegated Acts, the MAC believes that the Commission should:

- a) Raise awareness of the development and of the expected impacts of the EU taxonomy and the activities of the Platform on Sustainable Finance among fisheries and aquaculture stakeholders, including through the involvement of the Advisory Councils;
- b) Promote and support representativeness of the operators and other stakeholders of the fisheries and aquaculture supply chain in the composition and work of the Platform on Sustainable Finance as well as broader expertise;
- c) In the view of the majority of the members of the MAC, even though the taxonomy can go beyond existing legislation, take also into account the recognised role of the objectives and guiding principles on sustainability of the Common Fisheries Policy - these stimulated

⁹ MSC's contribution: <https://marketac.eu/wp-content/uploads/2022/05/2021-09-24-MS-Response-to-TSA-TSC-Consultation-via-PSF.pdf> and Europêche's contribution: <https://marketac.eu/wp-content/uploads/2022/06/EP33-Europeche-feedback-evaluation-technical-screening-criteria-for-the-EU-taxonomy.pdf>

the transition towards sustainability in fisheries production -, and respect the concept of sustainability provided by the regulation (Article 2.1), which covers the three pillars of sustainability: environmental, social and economic. The conclusions of the ongoing report on the functioning of the CFP Regulation should also be taken into account¹⁰. – The five OIG members underline that the purpose of the Taxonomy is in fact to have a higher ambition than the existing legislation and thus does not need to solely respect the concept of sustainability as per the CFP – in fact, it is important that the standard is set higher to avoid business as usual;

- d) Considering that the market supply originates from both fisheries and aquaculture production, proceed with the development of technical screening criteria for aquaculture activities, plus, where possible, align the application of the technical screening criteria for fishing activities with the technical screening criteria to be developed for aquaculture activities, in order to ensure a level-playing-field;
- e) Ensure policy coherence between the EU taxonomy and other upcoming initiatives affecting the concept of environmental sustainability, such as the revision of the marketing standards framework for fishery and aquaculture products¹¹, the sustainable food system framework¹², the initiative on substantiating green claims and PEFCR

¹⁰ On 23 March 2022, the MAC adopted advice on the current functioning of the Common Fisheries Policy and post-2020 perspectives, which is available online: <https://marketac.eu/advice-on-the-functioning-of-the-cfp/>.

¹¹ In the context of the revision, the European Commission is considering the incorporation of sustainability aspects, particularly environmental and social ones, for seafood products. The latest advice was adopted on 30 March 2022: <https://marketac.eu/public-consultation-on-revision-of-eu-regulation-on-the-provision-of-food-information-to-consumers/>.

¹² Under the Sustainable Food System Framework initiative, the Commission aims for the adoption of a horizontal framework law to accelerate and facilitate the transition and ensure that food placed on the EU market increasingly become sustainable, including through the introduction of sustainability objectives and principles and a proposal for a sustainable food labelling framework. Advice on the initiative was adopted on 15 February 2022: <https://marketac.eu/sustainable-food-system-framework-initiative/>.

project¹³, the legislative proposal on Corporate Sustainability Due Diligence¹⁴, and the legislative proposal on empowering consumers for the green transition¹⁵;

- f) In the view of the majority of the members of the MAC, ensure coherence with the principles and requirements for access to public financing by the EU fleet under the European Maritime, Fisheries and Aquaculture Fund (EMFAF), as agreed by the EU legislators, under which only operations or expenditure considered sustainable are eligible for support, without undermining the ambitions of the taxonomy. The five OIG members stress that taxonomy goes beyond the objectives of the CFP, and that not all expenditures under the EMFAF are environmentally sustainable;
- g) Provide information on the expected percentage of the EU fleet, across different fleet segments, that would be aligned with the proposed draft Technical Screening Criteria;
- h) Clarify the expected process, in practice, of the use by financial institutions of the EU taxonomy and Technical Screening Criteria for fishing activities, including required expertise, transparency, scrutiny of the conclusions, and potential verification processes by independent third parties;
- i) In the view of the majority of the members of the MAC, provide the appropriate incentives to drive measurable sustainability in fishing sector, while not leaving behind

¹³ The European Commission launched a policy initiative to require companies to substantiate environmental claims in their products and services. Product Environmental Category Rules (Rules), including for unprocessed Marine Fish Products, are being developed by external experts. The latest advice connected to this initiative was adopted on 24 May 2022: <https://marketac.eu/recommendation-of-mac-concerning-product-environmental-category-rules-pefcr-for-marine-fish-for-human-consumption/>.

¹⁴ The initiative aims to improve the EU regulatory framework on company law and corporate governance, including through better management of sustainability-related matter in the operations of companies and value chains as regards social and human rights, climate change, and environment: https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12548-Sustainable-corporate-governance_en.

¹⁵ The initiative aims to help consumers play their part in achieving a more sustainable economy, including through measures against greenwashing and the setting of minimum requirements for sustainability logos and labels: https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12467-Consumer-policy-strengthening-the-role-of-consumers-in-the-green-transition_en.

any EU operator. The five OIG members argue that green investments should only be given to those activities that damage the environment less;

- j) When developing further policy to promote sustainability in the market, keep in mind existing initiatives designed by the market, such as the important role and positive contribution of credible third-party public and private schemes for environmental certification¹⁶;
- k) In the next steps of the taxonomy process, clarify who will apply the criteria as well as when and where, including on the potential involvement of independent third parties to ensure a credible assessment;
- l) Reply to the feedback provided by MAC members in their contributions to the call for feedback on the Platform for Sustainable Finance's draft technical screening criteria as well as to the feedback provided in the present advice by the MAC;
- m) Take into account the importance of the EU taxonomy initiative for the market of fishery and aquaculture products, particularly analysing the potential impact on the ability of operators to raise financing / attract funds for their activities, including through close cooperation between DG FISMA and DG MARE.

¹⁶ Advice on voluntary sustainability claims on fishery and aquaculture products, including ecolabels and certification schemes was adopted on 15 June 2021: <https://marketac.eu/voluntary-sustainability-claims/>.