



Conclusions of the Workshop on practical linkages between the EU Taxonomy and EIA processes

Zagreb, 4-5 December 2023

The Regional Sustainable Finance and Impact Assessment knowledge-sharing platform (RSFIA) was launched by the Croatian Association of Experts in Nature and Environmental Protection (HUSZPO) to implement the conclusions of the European Conference on “Environmental Assessment and the European Green Deal” (September 2022, Vodice, Croatia) that highlighted the need for the financial sector, environmental authorities, and environmental experts to discuss the diverse linkages between the new sustainable finance frameworks and formal environmental decision-making and impact assessment processes that already exist in all European states and beyond.

The RSFIA held its first technical workshop on practical linkages between the EU Taxonomy and EIA processes in Zagreb on 4-5 December 2023 in order to prepare the ground for a larger conference on this topic in Croatia in September 2024. The workshop was attended by 41 participants who included experts of the European Commission, EIB, UNDP, EBRD, World Bank, environmental competent authorities, and consultants in environmental and social assessment disciplines with direct relevance for the EU Taxonomy, and came to the following overall conclusions and recommendations:

1. Sustainable finance is a top priority at the EU level since urgent action is needed to promote a more sustainable model of financing. The EU's sustainable finance agenda is multifaceted, encompassing various initiatives to promote sustainable investments, enhance transparency, and strengthen risk management practices. Its elements include:
 - the Taxonomy Regulation that defines environmentally sustainable activities;
 - the Sustainable Finance Disclosure Regulation (SFDR) that mandates financial institutions to disclose their sustainability-related risks, exposures, and opportunities to investors;
 - the Corporate Sustainability Reporting Directive (CSRD) that aims to improve the quality and comparability of sustainability reporting by large companies; and
 - the European Sustainability Reporting Standards that establish a comprehensive framework for corporate sustainability reporting within the EU.
2. These new reporting and disclosure requirements have the power to engage the financial sector and large companies in green transition at a level that was so far inaccessible to existing environmental decision-making processes. They re-orient investment decisions and economic activities towards those that deliver positive environmental impacts and cause no significant environmental and social harm, and strengthen our societies' ability to cope with the rapidly advancing consequences of climate change, biodiversity loss and resource depletion.
3. The cornerstone of these new tools – the EU Taxonomy for sustainable activities – at the same time goes beyond the disclosure and reporting and effectively establishes new environmental and social requirements that economic activities must meet if they are to be classified as ‘environmentally sustainable’. Some of these requirements are however not fully aligned with the requirements of the mandatory environmental assessment and management systems

established through the cornerstones of the EU environmental *acquis communautaire* – the Environmental Impact Assessment Directive, Industrial Emissions Directive, Habitat and Birds Directive, Framework Water Directive, Marine Strategy Framework Directive, Framework Waste Directive, and also Strategic Environmental Assessment Directive and related environmental sectorial legal instruments that have evolved in the EU through decades of careful negotiations, testing and in-depth performance evaluations.

4. In addition, the EU Taxonomy stipulated novel requirements that are not yet – but with some efforts could be - linked with environmental and social standards used by the UN system¹, MDBs², or global vertical funds³ that collectively support sustainable finance mobilisation outside the EU's borders. It may be useful to explore these linkages as they may facilitate cooperation between the future sustainable finance products and services developed within the EU and related climate/environmental initiatives in countries outside the EU jurisdiction. When doing so, it may be useful to draw on the experience of EIB and EBRD, which have effectively combined the EU *acquis communautaire* with global environmental and social standards for decades and may offer valuable lessons in this regard.
5. Reflecting on these insights, the workshop felt that significant simplification and efficiencies could be gained from linking the EU Taxonomy requirements with these well-established tools. For instance, the EIA process and IED/BAT permitting can address large-scale EU Taxonomy activities (albeit not all) and enable investors to declare, where possible, whether a project is EU Taxonomy-aligned and its Substantial Contribution. Also, Strategic Environmental Assessments could, where applicable, be used to integrate appropriate Taxonomy-related considerations into plans and programmes that set the frameworks for economic activities addressed by the EU Taxonomy. Such linkages could create system-wide linkages and solutions that have multiple benefits and support the practical use of the EU Taxonomy.
6. A year ago, EU Commissioner Mairead McGuinness announced that it is her top priority to make the EU taxonomy easier to apply for investors. The Regional Sustainable Finance and Impact Assessment knowledge-sharing platform (RSFIA) stands ready to support the European Commission's aspirations to develop a highly efficient and effective sustainable finance system. by further facilitating constructive technical discussions with the competent authorities and the experts in the relevant assessment disciplines of direct relevance to the EU taxonomy.
7. The RSFIA would like to thank the HUZSP organisers and all speakers and the participants of the Zagreb workshop for their valuable inputs, and the EIB and the UNDP for their financial and technical support of this event. Their support for future RSFIA activities, together with other potentially interested partners, will be much appreciated.

¹ E.g., the proposed Model Approach to Environmental and Social Standards for UN programming, or UNDP Social and Environmental Standards.

² E.g., the World Bank's Environmental and Social Framework, EIB's Environmental and Social Sustainability Framework, or EBRD's Environmental and Social Policy.

³ E.g., the GCF's Environmental and Social Policy, GEF's Policy on Environmental and Social Safeguards, and Adaptation Fund's Environmental and Social Policy.