

# EU Taxonomy: Environmental Delegated Act

## A Comparison of the Environmental Delegated Act and Recommendations of the Platform on Sustainable Finance



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### 1 Introduction

The EU taxonomy is an important instrument in the EU Sustainable Finance Framework. By creating sustainability criteria for activities and transparency on investments, it aims at redirecting financial flows towards sustainable investments and thus to support the EU's climate and sustainability goals set out in the European Green Deal. In its efforts to develop criteria for key sectors, the European Commission is supported by the EU Platform of Sustainable Finance (PoSF). Based on Article 20 of the EU taxonomy legislation (European Commission 2020), a multi-stakeholder expert group, the PoSF advises the Commission, among other aspects, on technical screening criteria (TSC) for the EU taxonomy. This factsheet analyses the TSC proposed by the PoSF (2022a, 2022b) to identify which of the criteria have been considered (and which have not) for the EU Taxonomy in the published Environmental Delegated Act (DA).

### 2 Execution of the analysis

The reports of the PoSF are structured by economic sectors and are not categorized by environmental objectives. However, the published PoSF reports (mostly) differentiate between climate-related and environmental objectives, which resonates with the division of the Climate DA (C/2020/852) and the Environmental DA (C/2023/2486) taken by the European Commission. Nonetheless, activities in the available reports were assigned to different environmental objectives.

The analysis is carried out in the following steps.

1. Identify TSC per Environmental Objective of Technical Working Group (TWG) Part B – Annex: Technical Screening Report (March 2022) and TWG Supplementary: Methodology and Technical Screening Criteria (October 2022).
2. Extract Environmental Activities in the annex from the DA (C/2023/2486).
3. Compare the Activities from the Technical Screening Report (March 2022) and TWG Supplementary: Methodology and Technical Screening Criteria (October 2022) with the DA (C/2023/2486).
4. Identify the activities suggested by the PoSF that were not included in the DA (C/2023/2486) and vice versa.

This analysis has been completed for the sectors and environmental objectives included in the published reports by the PoSF and published Delegated Acts. We provide an exemplary result table (see Table 1) of the analysis for the environmental objective pollution prevention and control (“Pollution”). This analysis reveals gaps in the current regulatory framework, particularly the absence of technical screening criteria for key economic activities. While it highlights where technical screening criteria for substantial contribution have been included and offers guidance on potential gaps in the EU Taxonomy, it does not provide information on whether the European Commission (EC) has considered the criteria with the same level of ambition as recommended by the PoSF.

### 3 Key results

The results presented in this chapter represent a selection of the available results. In view of space constraints, the following results are used to exemplify gaps in the EU Taxonomy’s degree of coverage of activities. To illustrate the results, Table 1 provides an overview of the gap analysis for the environmental objective of “Pollution”. The analysis allows us to identify gaps based on published recommendations by the PoSF and existing criteria in the published DAs. Below, we present the analysis for the objective “Pollution” (see Figure 1).

**Table 1: Analysis for Objective "Pollution"**

Environmental Objective 5 - “Pollution”			
Sector	Relevant reports		
	TWG Part B – Annex: Technical Screening Report (March 2022)	TWG Supplementary: Methodology and Technical Screening Criteria (October 2022)	DA (C/2023/2486)
Agriculture, Forestry and Fishing	0	0	0
Energy	0	0	0
Manufacturing	3	4	2
	2.1 Manufacture of chemicals (NACE C20)	2.14 Manufacture of chemicals (NACE C20)	1.1. Manufacture of active pharmaceutical ingredients (API) or active substances (NACE C21.1)
	2.6 Finishing of textiles (NACE C13.30)	2.15 Manufacture of chemical products (NACE C20)	1.2. Manufacture of medicinal products (NACE code C21.2)
	2.9 Tanning of leather (NACE C15.11)	2.16 Manufacture of basic pharmaceutical products (NACE C21.1)	

### Environmental Objective 5 - "Pollution"

		2.17 Manufacture of pharmaceutical preparations (NACE C21.2)	
Civil engineering	0	0	0
Construction	0	0	0
Disaster Risk Management	0	0	0
Transportation and Storage	1	0	0
	7.1 Urban and suburban passenger land public transport		
Restoration, Remediation	1	0	2
	8.4.3. Remediation activities - Pollution prevention and control		2.3. Remediation of legally non- conforming landfills and abandoned or illegal waste dumps
			2.4. Remediation of contaminated sites and areas
Waste management	3	0	4
	11.2 Collection and transport of hazardous waste		2.1. Collection and transport of hazardous waste
	11.3.1 Treatment of hazardous waste - Pollution prevention and control		2.2. Treatment of hazardous waste
	11.5 Remediation of legally non- conforming landfills and abandoned or illegal waste dumps		
ICT	0	0	0
Services/Enabling/Others	0	0	0

Source: Own Illustration, Climate & Company. The numbers in the columns next to the sectors represent the number of criteria considered. The numbers next to criteria follow the numbering as provided by the respective documents.

Based on our analysis, the Environmental DA (European Commission, 2023) differs from the PoSF recommendations with regard to:

a) The number of activities covered:

a.1 Activities proposed in the PoSF reports that have not been considered in the DA: 2.1 Manufacture of chemicals, 2.6 Finishing of textiles, 2.9 Tanning of leather, 7.1 Urban and suburban passenger land public transport, 11.3.1 Pollution prevention and control and 11.5 Remediation of legally non-conforming landfills and abandoned or illegal waste dumps

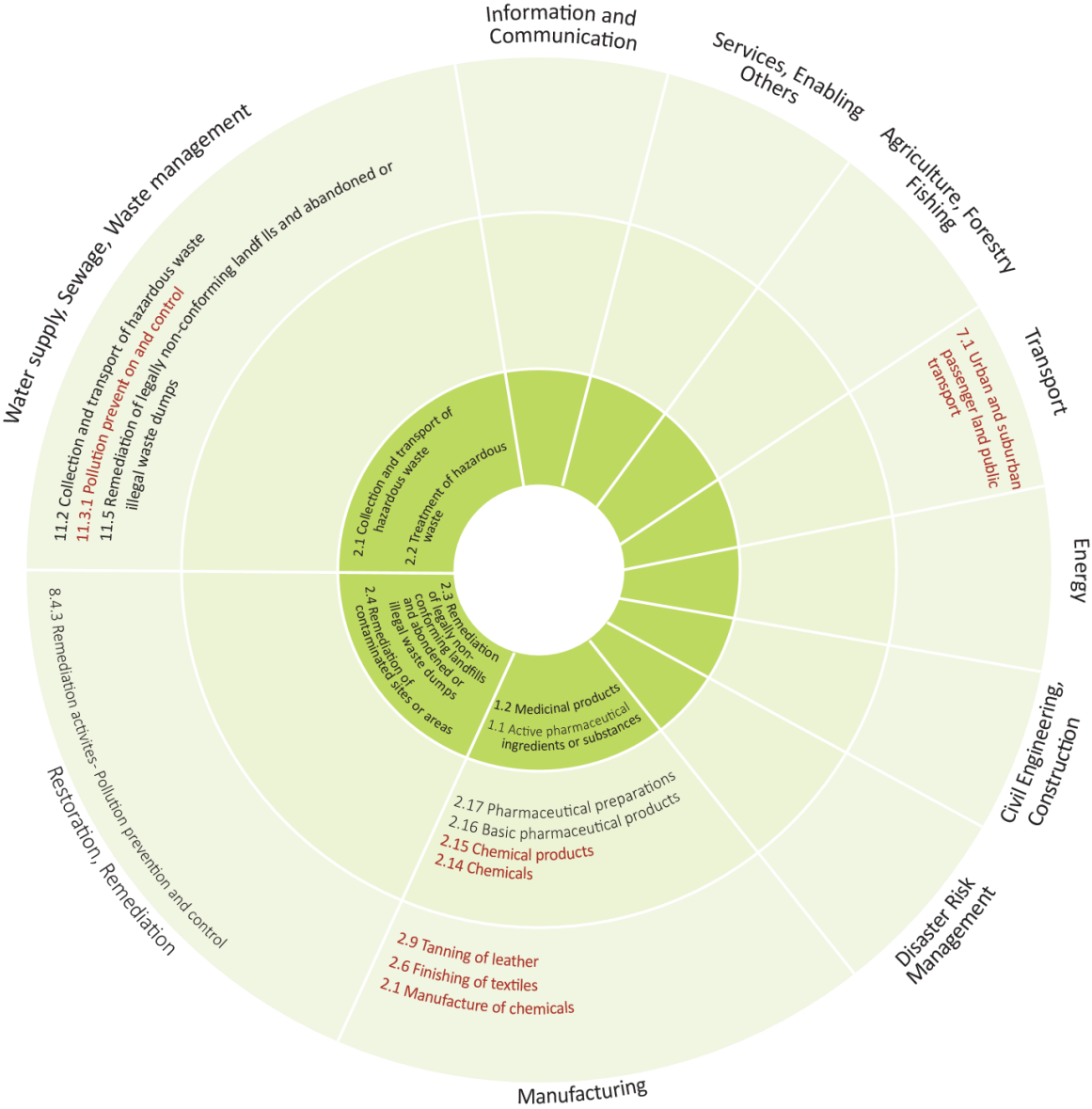
a.2 Activities that have been added by the DA that had not been previously suggested by the PoSF: 2.2. Treatment of hazardous waste

b) The scope of the activities:

b.1 Activities in the DA that differ in the naming from the platform suggestions: 2.16 Manufacture of basic pharmaceutical products has been changed to 1.1. Manufacture of active pharmaceutical ingredients (API) or active substances, 2.17 Manufacture of pharmaceutical preparations has been changed to 1.2. Manufacture of medicinal products (NACE code C21.2),

b.2 Activities where the DA differentiates from published PoSF recommendations: 8.4.3. Remediation activities - Pollution prevention and control has been changed to 2.3. Remediation of legally non-conforming landfills and abandoned or illegal waste dumps and 2.4. Remediation of contaminated sites and areas

**Figure 1: Comparison of the TSC of the PoSF and the Delegated Act (C(2023) 2486 for the environmental objective “Pollution”**



The outer circle shows the Platform criteria from March 2022, followed by the platform criteria from November 2022. The third and inner circle indicates the criteria that are included in the final DA. If there are no activities in a field, no criteria are proposed for the activities. The activities marked in red are proposed activities by the platform that were not included in the final DA. The numbering of the activities results from the respective reports of the PoSF (2022a, 2022b) and the DA (C/2023/2486) (European Commission 2023).

In March 2022, the PoSF has first published recommendations relating to TSC for the environmental objectives 3-6 (non-climate related objectives) of the Taxonomy Regulation. This task led to the Technical Annex (Part B) containing technical screening criteria for economic activities contributing to all six environmental objectives of the Taxonomy Regulation, including the rationale for those criteria (PoSF 2022a). In addition, the PoSF has published a supplementary report that provided additional technical screening criteria for climate and environmental goals (PoSF 2022b). The supplementary report furthermore addressed activities that required further work. These included (1) an additional activity option for agriculture for biodiversity (2) Forestry activity for biodiversity (3) Manufacturing of basic pharmaceutical products and pharmaceutical

preparation (4) Manufacturing of chemical products (5) Waterborne Transportation. Furthermore, some existing activities were updated based on the development of similar activities or the finalization of enabling frameworks. Manufacturing of chemicals, manufacture of plastic packing goods, enabling activities to a standalone substantial contribution to biodiversity and ecosystem protection where thus included in the supplementary report.

Based on the comparison of the PoSF reports and the Delegated Acts, the following gaps can be identified:

- ▶ With regard to the non-climate environmental objectives 3-6, we find that about 61% (33/54) of the total activities recommended by the PoSF in their published reports have been considered for the DA(C(2023)2486). (a.1)
- ▶ Ten activities have been added in the DA despite missing recommendations by the PoSF in their published reports: 1.1. Manufacture, installation and associated services for leakage control technologies enabling leakage, reduction and prevention in water supply systems, 4.1. Provision of IT/OT data-driven solutions for leakage reduction, 5.4. Sale of second-hand goods, 5.5. Product-as-a-service and other circular use- and result-oriented service models, 5.6. Marketplace for the trade of second-hand goods for reuse, 2.2. Treatment of hazardous waste, 3.4. Maintenance of roads and motorways, 3.5. Use of concrete in civil engineering, 7.1 Urban and suburban passenger land public transport, 4.1. Provision of IT/OT data-driven solutions. (a.2)
- ▶ Three of the activities have been subject to name changes: 6.9 Nature based solutions for flood and drought risk prevention and protection for both inland and coastal waters to 3.1. Nature-based solutions for flood and drought risk prevention and protection, 5.3 Demolition of buildings and other structures to 3.3. Demolition and wrecking of buildings and other structures. (b.1)
- ▶ Three activities have been changed in the DA: 2.16 Manufacture of basic pharmaceutical products has been constrained to 1.1. Manufacture of active pharmaceutical ingredients (API) or active substances, 2.17 Manufacture of pharmaceutical preparations has been extended to 1.2. Manufacture of medicinal products, 8.4.3. Remediation activities - Pollution prevention and control has been divided into two activities 2.3. Remediation of legally non-conforming landfills and abandoned or illegal waste dumps and 2.4. Remediation of contaminated sites and areas. (b.2)

For manufacturing, only 41% (12/5) have been transferred, indicating the lowest “Adoption Rate”<sup>1</sup> among all sectors. This could indicate an initial direction for prioritization, as sectors previously omitted due to timing constraints, data gaps, or insufficient scientific evidence could now be examined for further analysis. Furthermore, the analysis illustrates that no criteria for Agriculture, Forestry and Fishing, Energy as well as civil engineering have been included in the DA(C(2023)2486), although the platform has made four recommendations for substantial contribution to the protection and restoration of biodiversity and ecosystems.

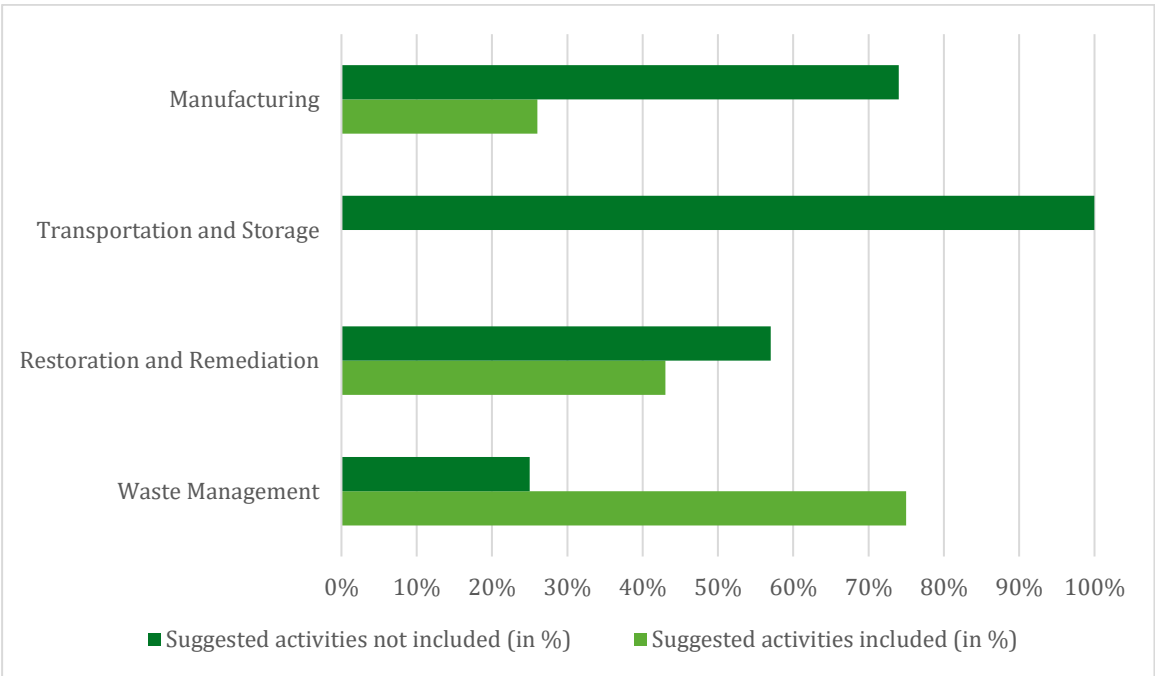
The only sectors where all propositions (or more) have been considered is DRM and ICT. All other sectors still have remaining recommendations for TSC’s by the PoSF which offer potential for the

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<sup>1</sup> Adoption Rate = Technical Screen Criteria (TSC) presented by PoSF (2022a, 2022b) divided by criteria for substantial contribution in the DA (C/2023/2486).

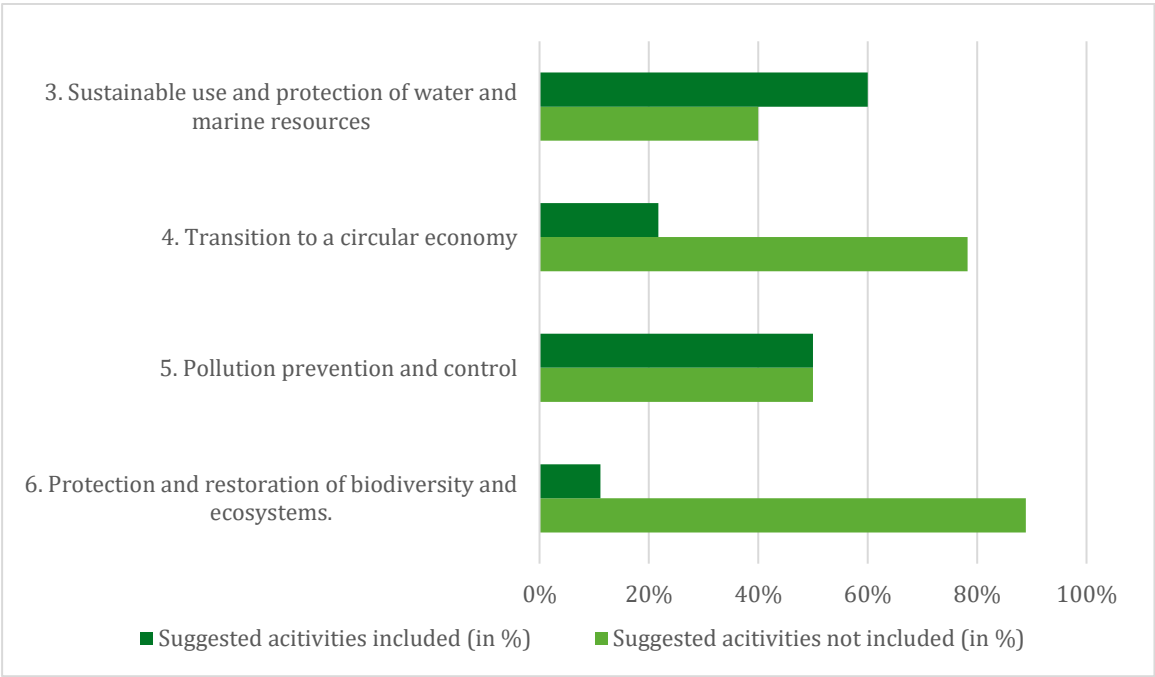
inclusion in the DA(C(2023)2486) in the future. Figure 2 and 3 illustrate the percentage of activity criteria recommendations by the PoSF included in the Delegated Act (C(2023)2486) per sector (see Figure 2) and per environmental goal (see Figure 3).

**Figure 2: Comparison of the activities recommended by the PoSF that are (not) included in the Delegated Act (C(2023)2486) per sector**



Source: Own figure, Climate & Company

**Figure 3: Comparison of the activities per environmental objective suggested by the PoSF that are (not) included in the Delegated Act (C(2023)2486)**



Source: Own figure, Climate & Company

## 4 Conclusion

The analysis highlights that gaps between activity criteria recommended by the PoSF in their published reports and activity criteria included in the Environmental Delegated Acts remain. These gaps can be identified particularly for two environmental goals: the uptake of PoSF recommended activities is comparatively low for the goals of 1) transition to a circular economy and 2) the protection and restoration of biodiversity and ecosystems (see Figure 3). Furthermore, the analysis highlights significant gaps in the uptake of recommended activities for two sectors: 1) transportation and storage and 2) manufacturing (see Figure 2). Moreover, the analysis shows that for the environmental objective of pollution prevention and control no environmental criteria have been proposed by the PoSF for the following sectors: (1) Information and Communication, (2) Services, Enabling and Others, (3) Agriculture, Forestry and Fishing, (4) energy, (5) Civil Engineering, Construction and (6) Disaster Risk Management (see Figure 1). The analysis also highlights that in some instances, the Delegated Act included PoSF recommendations under different names or with changed scopes. Other times the DA included criteria that were not part of the published recommendation by the PoSF (see above).

No conclusion can be made, however, on the substance of the criteria of the DA. The conducted analysis does not provide additional information on changed level of ambition from the PoSF published recommendations and the final Delegated Act. For this, additional research needs to be undertaken.

## 5 Sources

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