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## UK Independent Green Taxonomy Advisory Group Publishes Advice and Guidance on Green Taxonomy

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In early September 2023, the Green Technical Advisory Group (GTAG) issued two reports relating to the treatment of green financial products and taxonomy reporting. GTAG was established in 2021 and is an expert group that provides independent advice in respect of the UK government's delivery of a Green Taxonomy, including the development of technical screening criteria. It is chaired by the Green Finance Institute and is comprised of key financial market stakeholders and subject matter experts.

### Developing a UK Taxonomy Adapted to the UK's Needs in the Short and Medium Term

GTAG has considered whether coverage of the UK Green Taxonomy should be adapted to better reflect the needs of the UK economy, drawing specifically on the experience of the EU and other jurisdictions. In this report, GTAG:

- emphasizes the need for the UK government to prioritize the delivery of a “credible, robust and usable” green taxonomy, with decisions regarding extension of the taxonomy to additional sectors (including for hard to abate sectors) for later review;
- highlights those sectors and industries in the UK which, according to GTAG, should be prioritized as part of such extension; and
- advises that the UK government outline how any existing and planned policy initiatives can enable the UK's transition, in order to consider the impact of an extended taxonomy in the short term.

GTAG's advice underscores the need for clear definitions and criteria in order to determine which economic activities qualify as environmentally sustainable, promoting transparency and reliability. The guidance highlights the significance of key performance indicators (KPIs) in monitoring and reporting on taxonomy-aligned activities. GTAG recommends aligning reporting with existing international standards where appropriate, to minimize complexity and promote international comparability.

## **Getting KPIs Right: Implementing an Effective Reporting Regime for the UK Green Taxonomy**

In this report, GTAG highlights the need for timely information and reporting from companies so that financial institutions are able to use such information for the purposes of their reporting and disclosure obligations.

GTAG outlines specific KPIs designed to measure the environmental impact of activities within the taxonomy with recommendations tailored to non-financial companies, credit institutions and investors. The KPIs are structured to address various environmental aspects, such as carbon emissions, water usage and waste generation. GTAG also highlights that the UK's non-adoption of Articles 5, 6 and 8 of the EU Taxonomy Regulation provides the UK with the opportunity to design a more effective reporting framework, informed by user experience of the EU framework.

**Taking the Temperature: We initially reported on GTAG's advice that the UK green taxonomy should diverge from the EU's as little as possible in October 2022. GTAG's latest reports echo this sentiment and reflect GTAG's commitment to establishing a clear and effective UK Green Taxonomy that aligns with international standards while addressing the unique challenges and opportunities within the UK market. Taxonomies provide companies and investors with an understanding of which products or services are deemed sustainable and thereby enhance consistency among different jurisdictions, provided that taxonomies are as globally aligned as possible, although inevitably differences remain among different jurisdictions. We have reported previously on controversies involving certain designations in green taxonomies, such as the inclusion of natural gas and nuclear fuel in the EU Taxonomy. We also have discussed the importance of a developed taxonomy in attracting capital for sustainable projects.**

**In February 2023, GTAG called on the UK to "significantly raise its own" climate efforts in order to compete for capital globally. GTAG's September reports provide comprehensive guidance to enable the UK to properly effect its transition plans, subject to political will, particularly in light of reports that the UK Prime Minister intends to scale back the country's green transition plans.**