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## 'I' ITEM NOTE

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From:	Presidency
To:	Permanent Representatives Committee (Part 2)
No. Cion doc.:	COM(2018) 353 final
Subject:	Proposal for a Regulation of the European Parliament and of the Council on the establishment of a framework to facilitate sustainable investment - Progress report

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## I. INTRODUCTION

1. The Commission's proposal for a Regulation of the European Parliament and of the Council on the establishment of a framework to facilitate sustainable investment was transmitted to the Council on 24 May 2018 (doc. 9355/18).
2. During the Romanian Presidency the proposal was examined by the Working Party on Financial Services at four meetings (9 April, 7 May, 23 May and 6 June 2019).
3. During the discussions and in order to take into account Member States' concerns, the Romanian Presidency tabled three overall compromise texts.
4. The position of the European Parliament was adopted on 28 March 2019.

## II. STATE OF PLAY

5. Following the previous six Working Parties under the Austrian Presidency, during the meeting on 9 April 2019, the Presidency presented a non-paper regarding the development of technical screening criteria for the taxonomy, the Platform on Sustainable Finance ('the Platform') and the involvement of Member States in developing and maintaining the taxonomy. The main goal of this non-paper was to open a discussion and improve the last compromise text drafted under the Austrian Presidency on these important issues.
6. In view of the comments provided by Member States, during the Working Party meeting held on 7 May 2019, the Presidency presented a non-paper on a possible way forward on an approach for a classification system of environmentally sustainable economic activities. The Presidency suggested keeping the definition of a fully environmentally sustainable economic activity based on the technical screening criteria while extending the scope of the taxonomy by creating additional categories of transition activities and activities enabling other economic activities to improve their environmental performance.
7. During the Working Party held on 23 May 2019, the Presidency presented a non-paper on the disclosure obligation under the Taxonomy Regulation. In view of the comments made by Member States, the Presidency provided some further explanations on this legal obligation and its interaction with the Disclosure Regulation. The main goal was to clarify that the disclosure obligation under the Taxonomy Regulation will not lead to duplicative requirements.

Based on substantive input by Member States, the Presidency suggested legal drafting extending the scope of the taxonomy to:

- economic activities that enable another economic activity to improve its environmental performance with regards to one or more of the six environmental objectives as set up in the taxonomy;
- economic activities that contribute substantially to climate change mitigation where they supports transition to a climate neutral economy while avoiding carbon-intensive lock-in during the economic lifetime of the funded economic activity.

Member States have acknowledged the efforts made by the Presidency to address the concerns related to the scope of the taxonomy.

The Presidency proposed to clarify that the Platform should be constituted under the general rules on Commission Expert Groups and to improve the representativeness of the Platform by adding academics and experts representing civil society to its composition. The Presidency suggested adding the principle of transparency for the carrying out the tasks of the Platform and requiring the Commission to transmit any assessments and reports of the Platform to the Member States Expert Group.

The Presidency proposed legal drafting on the involvement of Member States in developing and maintaining the technical screening criteria for the taxonomy.

8. In view of the diverging comments made by Member States, the Presidency presented during the last Working Party of 6 June 2019 a non-paper on the process of developing technical screening criteria on the taxonomy in the form of non-binding guidelines in the interim period and the delegated acts in the steady phase. The Presidency also presented a non-paper regarding the compliance with the disclosure obligation before and after the full development of the delegated acts on taxonomy. Further discussions are needed to clarify how the Taxonomy Regulation could interact with the coming disclosure Regulation.
9. During the four Working Party meetings the main political concerns of Member States have crystalized. The last Presidency compromise text was aimed at:
  - improving the functioning of the Platform and achieving a better involvement of Member States in developing and maintaining the taxonomy;
  - extending the scope of the taxonomy to economic activities that support transition and enable better environmental performance;
  - clarifying the interaction between the disclosure obligation under the Taxonomy Regulation and the Disclosure Regulation.

10. The Presidency has also provided in its non-papers a basis for further discussions on a possible way forward on:

- developing the technical screening criteria that could, in the first phase, be applied as non-binding guidelines, to be followed in the second phase by delegated acts;
- how disclosure obligations could apply.

Further discussions are needed on the process of developing and application of technical screening criteria and on how disclosure obligations could apply if these obligations are kept in the text.

During the Romanian Presidency, the legal text was also improved in many technical aspects as regards environmental objectives. These technical provisions could still be further improved.

### **III. CONCLUSION**

10. Against this background, the Permanent Representatives Committee:

- is invited take note of the progress achieved with regard to the abovementioned proposed Regulation; and
- invites the incoming Finnish Presidency and Member States to continue work on this legislative proposal with a view to reaching timely an agreement on a negotiating mandate.