

The spirits that were called: How the EU taxonomy leads ad absurdum

Ralph Thurm, expert in sustainable transformation and Managing Director of the R3.0 initiative

Since autumn 2021 there has been a bitter dispute about nuclear power and natural gas as "sustainable technologies", with biting criticism as a result. The EU Commission made the crucial mistake back in 2019: Already then, it left the path of science, says Ralph Thurm, an expert in sustainable transformation and Managing Director of the NGO R3.0, in his error analysis.

You can't negotiate with Gaia, that should have been understood in politics by now. And yet this has apparently still not reached the EU, the lobbyists there and many working group members selected as experts for the elaboration of the taxonomy.

r3.0 - Redesign for Resilience and Regeneration, was very critical of the Green Deal's chances of success from the start. The Berlin-based NGO, which has been working on the development of a regenerative and distributive economy since 2012 and also presented a report on sustainable finance in 2020, is examining very closely how sustainable performance can be measured at all. Pure window dressing is still practiced here. And this despite the fact that thousands of companies have been publishing sustainability reports since 2002, but without relating their performance to the necessary allocations, the fair share of a threshold previously aligned with the system boundaries.

Put more simply, how much of a scarce resource am I entitled to as a user of a global public good, and is my performance within that bounds? The term threshold is therefore central to the assessment of sustainable technologies and investments, is scientifically based or ethical norm-based. Softening it would contradict the principles of sustainability. And yet that is exactly what happened in the early stages of taxonomy development.

The structural error happened in 2019

The Technical Expert Group (TEG), set up by the EU Commission, presented a status report in June 2019 and a final report on the taxonomy in March 2020. The June 2019 report clearly interprets the use of the term threshold in a politically motivated and unscientific way, which has fundamentally corrupted the idea of sustainable finance and is at the heart of the entire taxonomy failure. There you can read the following paragraph:

“To ensure the broadest usability of the Taxonomy possible, the TEG had to arbitrate between granularity and flexibility as well as between complexity and clarity. A very granular Taxonomy, which uses precise metrics and thresholds, is expected to provide clarity and to minimize the risk of greenwashing. Nevertheless, there is a risk that requirements that are

too granular and stringent lower the willingness of stakeholders to take up the Taxonomy, due mainly to the costs to access the necessary data and adapting their internal processes. On the other hand, more flexibility in the definition of screening criteria may facilitate the use of the Taxonomy but increase significantly the risk of divergent interpretations and greenwashing. Another challenge regarding the definition of the screening criteria is setting the adequate level of thresholds. Setting too low or too high thresholds, which do not reflect best market practices, would undermine the Taxonomy's ultimate goal of redirecting financial flows towards sustainable investments. Consequently, the selection of the Taxonomy's thresholds has been carefully considered, based on existing standards and consultation processes with experts in the relevant sectors."

The taxonomy degenerates into a political pawn

This explanation makes it clear that the TEG does not approach thresholds as biophysical realities that must be strictly adhered to in order to achieve real-world sustainability, but rather as political variables open to negotiation between people with different positions of power. Therefore, it is important to understand that the term threshold as used by the TEG does not refer to sustainability, but defines what value reflects as best market practice, with the ultimate goal of redirecting financial flows towards sustainable investments. Investments fundamentally cannot be sustainable if the thresholds against which they are measured are disconnected from biophysical reality!

Since then, the development of the taxonomy has been a political pawn for unspeakable power games and national selfishness. With the decision of the EU Commission to declare gas and nuclear energy (subject to conditions) to be sustainable investments, the taxonomy abolishes itself. It is degenerating into a farce, and although it is still not clear whether there will be a social taxonomy at all, the armaments industry is already announcing through its industry association BDSV that it is sustainable - after all, armaments are a prerequisite for security and peace (Tagesspiegel Background reported) .

The spirits you summoned... you can't get rid of them. And with that, the Green Deal is already obsolete. You just had to be honest. You should have just listened to science. How else can you explain this to our children?

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