

ACATIS FAIR VALUE SPECIAL

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EU Taxonomy – a practical view

Proponents of sustainable financing swear by the so-called EU Taxonomy as a successful enabler of the Green Economy. To get an idea of what this means for e.g. banking customers, here is an example from the climate taxonomy, chapter 7, "Construction and real estate", 7.1., "Construction of new buildings".

They conform to the taxonomy if they make a significant contribution to realising the climate targets (Significant Impact). Because of environmental objective #1, "Climate change mitigation", primary energy requirements must be 10% below the threshold for the lowest-energy buildings (less than 22.5 kilowatts per m²/year in Germany). Climate risk and vulnerability analyses (e.g. with regard to storms) must be performed to comply with environmental objective #2, "Adaptation". However, compliance with objectives #1 and #2 is not sufficient; the remaining four EU environmental targets may not be negatively affected ("Do No Significant Harm"). Environmental objective #3, "Water and marine resources" must be adhered to: For example, taps in hand wash basins / sinks can only have a maximum water flow of 6 litres/minute; showers 8 litres/minute; toilet sinks/tanks max. 6 litres/minute and an average of max. 3.6 litres/hour). Compliance with EU environmental objective #4, "Transition to a circular economy" is ensured if at least 70% of non-hazardous construction site waste can be reused, recycled or used for fill works; if waste volumes are kept to a minimum and if the configuration of buildings and building parts support the circular economy (dismantling, adaptability). To comply with environmental objective #5, "Pollution prevention and control", building components and building materials can only contain a maximum of 0.06 mg formaldehyde per cubic metre, and less

than 0.001 mg other carcinogenic compounds (EU category 1A and 1B) per cubic metre of building material. An investigation for potentially harmful substances must be performed if a new building is constructed on a former brownfield site. Noise, dust and pollutant emissions must be reduced during the construction phase. Environmental objective #6, "Protection and restoration of biodiversity and ecosystems" must be observed with (among others) environmental compatibility audits; new buildings cannot be constructed everywhere, e.g. not on agricultural or cultivated land. Compliance with the "minimum social protection for employees" is mandatory in addition to these requirements. These are examples for 7.1.

In the 600-page Schedule II, the current climate taxonomy also lists many more "green" requirements - a big challenge for financial institutions and customers. With the still-outstanding taxonomies for the environment, social matters and transition, along with countless subsidy programs such as REPower EU, Corona Recovery Funds and the current Green Deal Industrial Plan, the EU and the rest of the world will see the biggest government-driven control of investment activities in history - after it was thought that the socialist structures abolished in the 1990s had become a thing of the past.

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