

GTAG publishes advice on internationally interoperable UK Green Taxonomy

AT A GLANCE

February 2023

Contacts

Tom Bullock

Director

T: +44 (0) 7701 297359
E: thomas.h.bullock@pwc.com

Lucas Penfold

Senior Manager

T: +44 (0) 7483 407581
E: lucas.penfold@pwc.com

Rona Nairn

Manager

T: +44 (0) 7483 377662
E: rona.nairn@pwc.com

What's new?

- The Green Technical Advisory Group (GTAG) published [advice](#) on 23 February 2023 setting out a number of recommendations on how to promote international interoperability in a UK Green Taxonomy.
- The GTAG makes 10 recommendations which can be grouped under three broad headings: (1) interoperable Technical Screening Criteria (TSC), (2) interoperable disclosures, and (3) international engagement.
- This follows the GTAG's earlier [advice](#), published in October 2022, and reaffirms the GTAG's preference for using the EU Taxonomy as a basis for the UK Green Taxonomy and limiting divergence to promote international interoperability and minimise cost to business.

What does this mean?

- The GTAG is an expert group, established in 2021 and chaired by the Green Finance Institute. It provides non-binding advice to the Government on developing a UK Green Taxonomy.
- This latest advice focuses on how to promote international interoperability, and makes recommendations based on the GTAG's review of the international landscape of taxonomies.
- The recommendations relating to **interoperable TSC** include: adopting the same broad concepts, methodologies and metrics as the EU Taxonomy where possible; encouraging UK firms to report on their Taxonomy alignment under the UK Sustainability Disclosure Requirements (SDR); and streamlining language and requirements where appropriate to maximise interoperability with non-EU jurisdictions.
- The advice on **interoperable disclosures** include adopting taxonomy-related rules and guidance that cover subsidiaries and assets held in as many jurisdictions as possible, and publishing a list of equivalent units to facilitate the comparison of international data.
- The recommendations on **international engagement** include: supporting work to develop general international baseline principles for reporting; producing guidance to encourage voluntary reporting against the UK Green Taxonomy for non-taxonomy countries; and advocating for harmonisation and international cooperation.
- The GTAG's research showed that around two-thirds of country-led taxonomies in place or under development use the EU Taxonomy as a framework or view it as a benchmark. It references this as the basis for the UK adopting the same approach as the EU, making adaptations only where there is a strong case to do so. It thinks that this will help to build baseline interoperability with the EU and beyond.



AT A GLANCE

February 2023

- The advice also notes that granting equivalence across jurisdictions via disclosure rules could minimise duplicative reporting processes and costs. The report explores the advantages of different approaches to equivalence on disclosures for UK-based investors. The approaches explored range from allowing firms to report in line with the taxonomy relevant to the location of the activities being reported on to 'hard equivalence' where only assets directly covered by the UK Green Taxonomy (or an equivalent regime) can be classed as green.
- The advice also notes that granting equivalence across jurisdictions via disclosure rules could minimise duplicative reporting processes and costs. The report explores the advantages of different approaches to equivalence on disclosures for UK-based investors. The approaches explored range from allowing firms to report in line with the taxonomy relevant to the location of the activities being reported on to 'hard equivalence' where only assets directly covered by the UK Green Taxonomy (or an equivalent regime) can be classed as green.
- Following the Government [announcement](#) on 14 December 2022 that legislation on the UK Green Taxonomy would be delayed, firms should look out for publication of the updated Green Finance Strategy in early 2023. Government is expected to provide an update on its approach for a UK Green Taxonomy.
- Firms should also look out for follow-up advice, which the GTAG previously committed to publishing later this year, on issues including developing TSC for the remaining environmental objectives and how the UK Green Taxonomy can support the development of transition plans.

What do firms need to do?

- The advice reaffirms the GTAG's preferred direction of travel for the UK Green Taxonomy, which is to draw heavily on the approach in the EU Taxonomy.
- Should this advice be taken forward, firms can expect the UK Green Taxonomy to be similar in structure and content to the EU Taxonomy.
- Firms should begin work to align their business activities and/or investments with EU Taxonomy criteria and develop a plan for obtaining the necessary data to report on taxonomy alignment. Firms should consider engaging investee companies, suppliers and data providers (as appropriate) now to understand and improve their available data.
- Firms that have already applied the EU Taxonomy should identify existing processes and frameworks that could be adapted to accommodate a UK Green Taxonomy that draws heavily from the EU Taxonomy.
- The UK Green Taxonomy is another significant piece of regulation that relates to ESG reporting. Beyond linkages with the EU Taxonomy, there are also synergies with the wider ESG regulatory landscape, including UK SDR and transition planning requirements (which will be informed by the [recommendations of the UK Transition Plan Taskforce](#)). Firms should therefore start planning how the UK Green Taxonomy could be implemented strategically across their organisations, creating an operating model that is as future-proof as possible, is flexible enough to meet the requirements of new regulation as it develops, and is based on a forward-looking assessment of requirements and needs.

Contacts

Tom Bullock
Director

T: +44 (0) 7701 297359
E: thomas.h.bullock@pwc.com

Lucas Penfold
Senior Manager

T: +44 (0) 7483 407581
E: lucas.penfold@pwc.com

Rona Nairn
Manager

T: +44 (0) 7483 377662
E: rona.nairn@pwc.com

Next steps

The Government intends to provide an update on its approach to taxonomy development in the updated Green Finance Strategy, expected by the end of Q1 2023. The GTAG will also be publishing further recommendations later this year covering scope, the remaining environmental objectives and transition plans.

www.pwc.co.uk/regdevelopments

This content is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

© 2023 PricewaterhouseCoopers LLP. All rights reserved. PwC refers to the UK member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.

