

GTAG sets out advice on UK Green Taxonomy

AT A GLANCE

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What's new?

- The Green Technical Advisory Group (GTAG) published [advice](#) on 7 October 2022 setting out a number of recommendations on developing a UK Green Taxonomy.
- The advice makes recommendations relating to several key issues, namely: (1) whether the UK should adopt the EU Technical Screening Criteria (TSC); (2) how the UK should approach 'do no significant harm' (DNSH) criteria; and (3) international interoperability. It also sets out the principles that should underpin a UK Green Taxonomy, use cases and plans for future advice.
- The advice reaffirms the GTAG's preference for taking the EU Taxonomy as a basis for the UK Green Taxonomy, matching the ambition of the EU TSC 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, that provides non-binding advice to the Government on developing a UK Green Taxonomy.
- The GTAG advice sets out three principles to guide the implementation process, i.e. that the UK Green Taxonomy should be robust and science-based, accessible, and built for the UK to support a global transition.
- Based on those principles, the advice recommends: (1) adopting the EU TSC, making revisions as necessary; (2) reviewing and streamlining the DNSH criteria; and (3) carefully considering deviations from taxonomies in major jurisdictions, particularly the EU, and avoiding substantial deviations to promote international interoperability.
- The advice outlines and prioritises 'use cases' for the UK Green Taxonomy. Priority use cases include addressing data gaps in the real economy, combatting greenwashing and underpinning Government policy design.
- The GTAG intends to publish further advice on:
 - embedding international interoperability in the UK Green Taxonomy;
 - expanding the Taxonomy to increase coverage of the UK economy;
 - developing TSC for the remaining environmental objectives; and
 - how the UK Green Taxonomy can support the development of transition plans.
- The GTAG recommends that the Government should reconsider its original timeline to allow for incorporation of GTAG advice and full market consultation.

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What do firms need to do?

- The advice is high-level but confirms the GTAG's intended direction of travel for the UK Green Taxonomy, which is to draw heavily on the approach in the EU Taxonomy.
- Firms should look out for follow-up advice, which the GTAG committed to publishing later this year. Firms should also look out for the Government's consultation on detailed proposals for the UK Green Taxonomy, expected later this year, but should note that the consultation was originally due in Q1 2022 which could indicate possible changes to the Government's implementation timelines.
- If this advice is 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 investments and/or business activities 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 consider how their existing processes and frameworks could be adapted to accommodate a UK Green Taxonomy that draws heavily from the EU Taxonomy.
- Firms should start to consider where, based on the GTAG's advice, the UK may diverge from

the EU. For example, the advice indicates that some EU TSC (e.g. the Buildings TSC) contain metrics and references that are not appropriate for the UK. Firms should consider whether the TSC applicable to their sector align with UK standards and calibrate their processes towards UK-appropriate criteria. Similarly, firms should consider how the UK will look to simplify the DNSH criteria and how they can capitalise on this opportunity for streamlined reporting.

- Firms should also consider how this fits into broader UK ESG regulatory requirements, particularly the Sustainability Disclosure Requirements regime and transition planning requirements (which will be informed by the recommendations of the UK Transition Plan Taskforce).
- 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. 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.

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Next steps

The Government intends to consult on TSC in relation to the first two UK Green Taxonomy objectives (climate change mitigation and climate change adaptation) later this year. GTAG also commits to publishing further recommendations later this year, covering international interoperability, scope, the remaining objectives and transition plans.

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