

## **Closing statement from the Chair of the GTAG | GTAG has advised, now the UK must implement**

Today, 5 October 2023, sees the publication of the final Green Technical Advisory Group (GTAG) paper on the long term 'institutional home' for the Green Taxonomy. This completes the suite of 9 GTAG papers that have summarised the independent advice the GTAG has offered to the UK Government since the inception of GTAG in June 2021.

It's been a long journey. Since the UK announced its plan to introduce a Green Taxonomy and establish GTAG to advise on design and implementation issues, an additional 21 taxonomies have been announced or come into force globally, reaching 47 across the world. But the considered approach to introducing a Green Taxonomy in the UK has brought benefits. Principally, the opportunity to learn from the efforts of those implementing taxonomies in other regions: what has worked well and what has worked less well. But it has also generated an opportunity to ensure that GTAG's advice could be provided to Government officials ahead of final decisions about the form and function of the taxonomy being made.

GTAG's membership remain convinced of the need for a usable and scientifically robust green taxonomy, aligned to the UK's net zero investment and wider environmental needs, within the increasingly busy disclosures landscape. Designed well, it will be an invaluable transparency tool, helping to ensure the integrity of disclosures and enabling reporting on objective measures of environmental sustainability. Given for some sectors – including steel, cement and agriculture – there are no absolutist definitions of net zero-aligned economic activity, and so transitional definitions will be needed, the taxonomy will be constantly evolving. This is what makes the last GTAG paper – looking at options for the 'institutional home' of the taxonomy - so important. But the objectivity brought by benchmarking progress against a robust state-of-the-art green taxonomy can surely only help the corporate and financial world wrestling with their own net zero targets in the race to avoid the worst effects of unfettered climate change through providing much needed clarity on what counts as an environmentally sustainable investment in today's terms.

The green taxonomy will also, of course, play an important role in tackling greenwashing. UK capital markets – which are some of the deepest in the world and internationally focused – are concerned about the number of taxonomies proliferating globally that they may have to report against. However, this too is an opportunity. An opportunity to understand the teething problems experienced with taxonomy reporting elsewhere, which GTAG has noted principally hinge on the definition of do no significant harm criteria and the approach to key performance indicator reporting, and responding with an iteration of these elements that others can also adopt. This is a precedent we are already seeing play out as the European Union looks to the UK approach to fund labelling as it seeks to work through reforms to the Sustainability-related Financial Disclosure Regulation. In this way, a path toward harmonisation can be created across jurisdictions as one learns from another, reducing the friction in reporting for obligated firms – as we are seeing emerge at a company level through the innovation of the International Sustainability Standards Board.

The need to deploy capital as efficiently as possible in the race to net zero and nature recovery has never been as great it is now – a Taxonomy can provide vital clarity and certainty on where this capital should be invested. GTAG's membership now wait for government consultation– due Autumn 2023 - with great anticipation and look forward to supporting the next stage of the Government's efforts to introduce a UK Green Taxonomy that is welcomed by the market as being robust, useful and usable.