

## Next steps for a Green Taxonomy: promoting UK global leadership in finance

### *Statement from the Green Technical Advisory Group*

Today, the Green Technical Advisory Group (GTAG) is pleased to publish part one of its independent advice on the design and implementation of a Green Taxonomy. **GTAG: Advice on the development of a UK Green Taxonomy** provides a summary of the first stage of analysis undertaken by GTAG and the recommendations provided to the UK Government, focusing on the following key areas: Onshoring the EU Taxonomy, International Interoperability, Do No Significant Harm (DNSH) and Taxonomy use cases.

The GTAG was established in 2021 to provide independent advice to government on implementing a Green Taxonomy and, over the last 15 months, has made significant progress in providing advice to officials in relation to how the UK can build and improve upon existing taxonomies – including that developed by the EU. Through this approach, the UK has benefited from being a fast follower, and now has an opportunity to develop a taxonomy that works effectively for the market.

Introducing a Green Taxonomy will build upon the UK's strong track record in world-leading environmental and green finance policy. From being the first country to commit to legally binding climate targets in 2008 (further updated in 2019 to enshrine a net zero target by 2050), to launching the UK Infrastructure Bank and issuing the world's largest sovereign green bond programme at the time of issuance.

Delivering a robust and science-based Green Taxonomy is the crucial next step in the UK's green finance journey. It will ensure that the UK's globally focused financial sector, which has some of the deepest pools of internationally oriented capital, with 12% of the global total of foreign listed companies listed in London, supports green investment and institutions committed to net zero.<sup>1</sup> This, in turn, will ensure the UK is well placed to take advantage of growth in the global green finance market, which has increased from \$5.2bn in 2012 to more than \$540bn in 2021.<sup>2</sup>

A Green Taxonomy is also good for UK businesses. Of the UK's two thousand listed companies, almost 80% are in scope for EU taxonomy reporting under the Corporate Sustainability Reporting Directive (CSRD). This task is proving both complex and costly due to elaborate compliance requirements and reforms are needed. The UK has an opportunity to shape this debate and become a leading voice on Green Taxonomy development.

Usability and scientific integrity are at the heart of GTAG's recommendations. As today's report sets out, the GTAG recommends that the Green Taxonomy balances the need for scientific rigour and alignment to the UK's net zero policy objectives, with ensuring the instrument is welcomed by local and global capital markets as both useful and usable.

Done well, a highly usable science-based taxonomy welcomed by the market will help businesses and financial institutions direct capital towards net zero at a time when many are calling for regulatory measures to help deliver their green ambitions.<sup>3</sup> A green taxonomy will also play an important role in tackling greenwashing as one of a series of disclosure-related tools companies and investors can use to report on progress in their transition to net zero alignment.

The GTAG remains committed to its role advising the UK Government on the market, regulatory and scientific considerations for developing and implementing a Green Taxonomy, playing its part in greening financial flows to accelerate the delivery of the UK's net zero ambitions.

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<sup>1</sup> The Global City (2022), [Our global offer to business: London and the UK's competitive strengths in a changing world](#)

<sup>2</sup> TheCityUK (2022), [Green finance: a quantitative assessment of market trends](#)

<sup>3</sup> CISL (2022), <https://www.cisl.cam.ac.uk/news/new-poll-indicates-strong-business-appetite-net-zero-regulation>