

GTAG

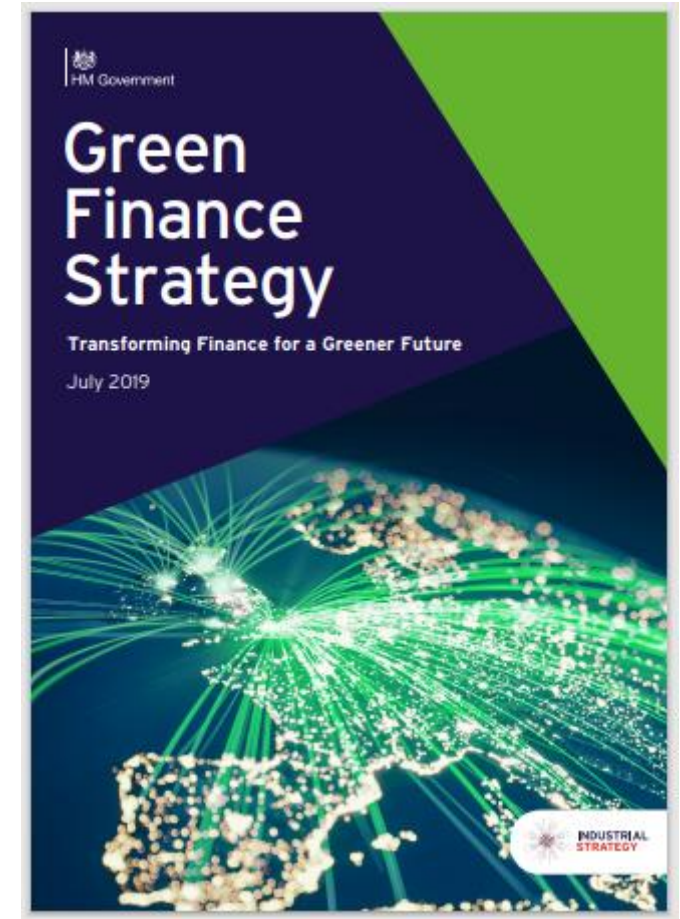
Green Technical Advisory Group

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The Green Finance Institute: Background

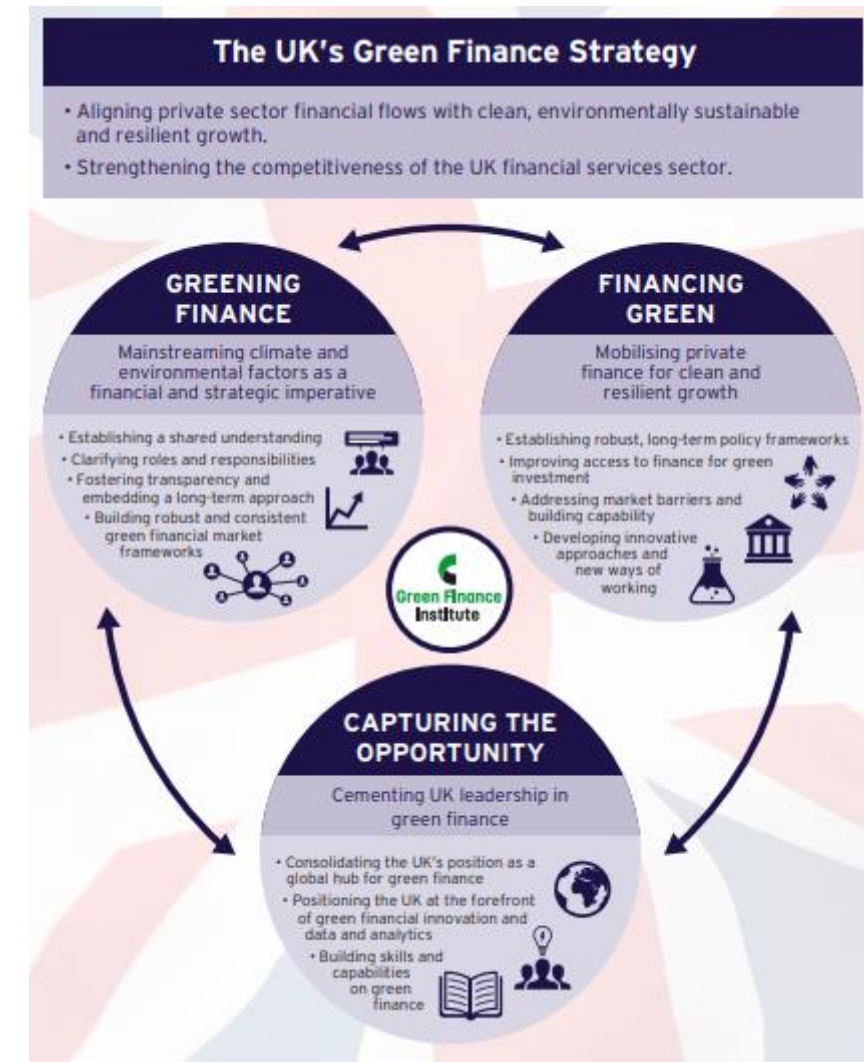
- **Launched in mid-2019, with an announcement in the Green Finance Strategy**
- Part funded by UK government and the City of London, with broader funding now (workstream-dependent)
- Work in partnership with government, financial services and key stakeholder groups
- **Mission-led coalitions to convene stakeholder groups to address barriers to deploying green capital**
- Driving forward the green finance agenda



Source: Green Finance Strategy, July 2019.

The Green Finance Institute: Role

- The Green Finance Strategy had two objectives:
 1. **Align private sector financial flows with clean, environmentally sustainable and resilient growth, supported by Government action**
 2. **Strengthen the competitiveness of the UK financial sector**
- Three pillars to achieve this:
 1. **Greening Finance**
 - E.g. Green Taxonomy
 2. **Financing Green**
 3. **Capturing the Opportunity**



Source: Green Finance Strategy, July 2019.

Green Taxonomy announcement

- In June 2021, **the UK Chancellor announced a new independent expert group** to advise on standards for green investment – the Green Technical Advisory Group (GTAG)
- The **UK government committed to a “Green Taxonomy”** – taking the **EU Taxonomy as the base framework**, the UK will now develop its TSC
- **GTAG is chaired by the Green Finance Institute** (who also carry out the Secretariat function) and provides non-binding advice to government on the implementation and design of the Taxonomy
- **22 expert GTAG members**, drawn from finance, business, academia & NGOs
- Observers from the **UK Government and regulators**
- **5 main workstream areas**

Chair: Ingrid Holmes (GFI)

22 GTAG members, plus HMG, FCA, PRA observers
Appointed members from a range of sectors, including finance, business, academia & NGOs

WS1 - Addressing UK-Specific Needs
WS Chair: Rain Newton-Smith

To provide strategic advice to government on next steps with UK taxonomy development, including advice on approaching overlaying UK-specific transition and adaption pathways when assessing EU TSCs and ensuring coverage is UK-appropriate.

WS2 - Usability and Data
WS Chair: Lily Dai

To provide advice to HMG on how to optimise the usability of the taxonomy through design and application of related disclosures regimes; considering interoperability with other international regimes – including methodological equivalence; and reviewing approaches to DNSH. Assessing the risk of data gaps and need to develop mitigants will have primacy.

WS3 – Policy Links
WS Chair: Kate Levick

Exploring how the taxonomy can be best used to support the UK's transition to net zero as well as exploring how the taxonomy can be used to support the delivery of wider HMG policy.

WS4 - Fully Realised Taxonomy
WS Chair: Faith Ward

To set out how best to provide market certainty now and in the future. To determine the value case for, and potential scope and uses for, a fully realised taxonomy.

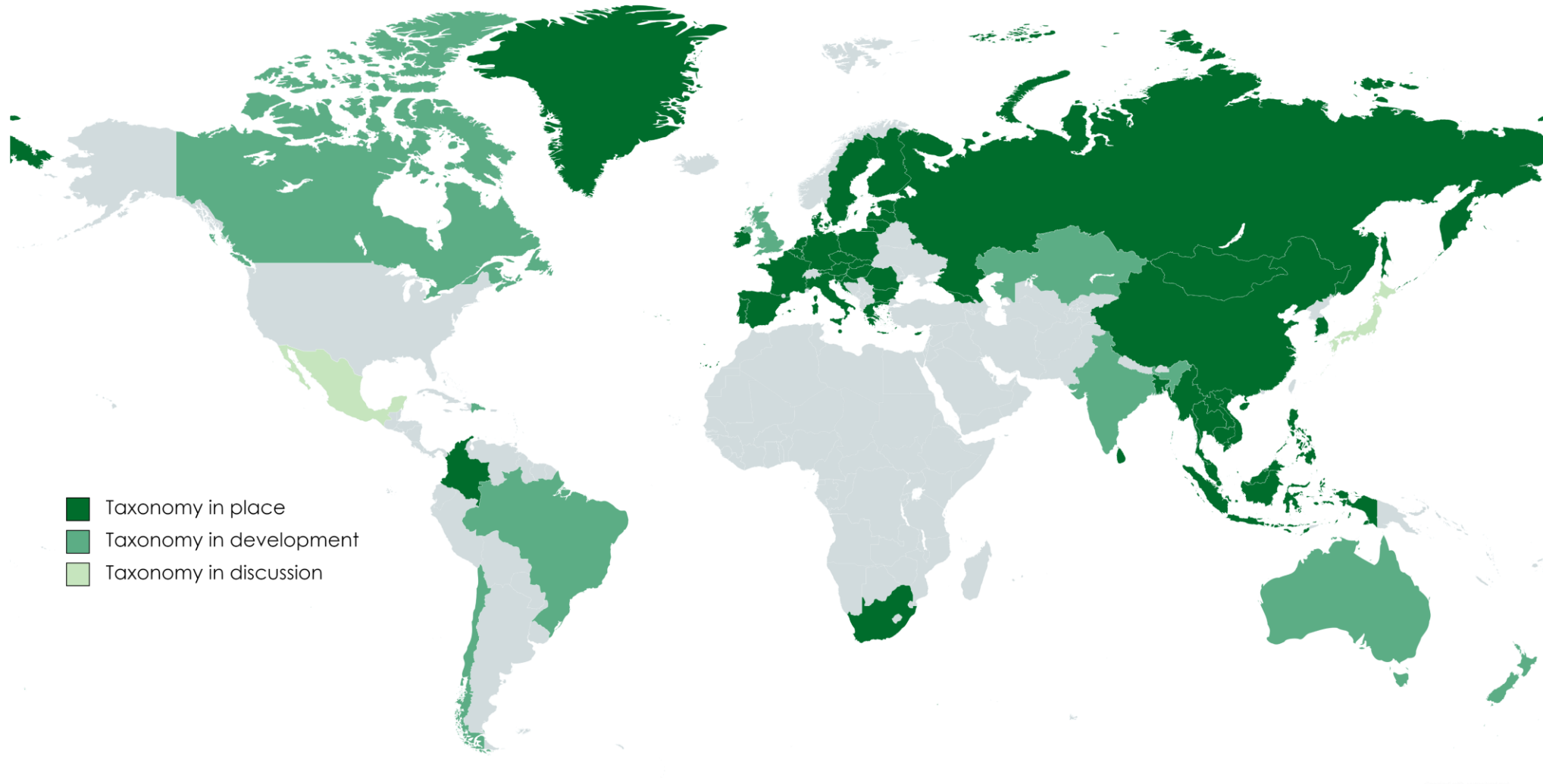
WS5 - International Interoperability
WS Chair: Paul Fisher

To assess the conditions necessary for interoperability and explore avenues for influencing international taxonomy development in a "race to the top". To analyse implications of and remedies for risks of international fragmentation.

Future Workstreams

Further workstreams will be developed as the GTAG evolves and via the monitoring of EU Taxonomy updates.

Interoperability: ~30 Green Taxonomies in development



Interoperability: the UK inherited the EU's Taxonomy framework

Six environmental objectives against which activities are checked

Climate change mitigation

Stabilisation of greenhouse gas emissions consistent with the Paris Agreement and net zero by 2050



Climate change adaptation

Reducing risk of adverse impact of current/future climate change on economic activity, people, nature, or assets



Sustainable use and protection of water and marine resources



Transition to a circular economy



Pollution prevention and control



Protection and restoration of biodiversity and ecosystems



Existing areas future UK Green Taxonomy could link to UK policy

UK Infrastructure Bank (UKIB)

- Public bank with £22 billion of capital
- The **UK Infrastructure Bank confirmed it will align with the UK Green Taxonomy** in its July 2022 Strategic Plan.

Green Gilts

- The UK issued its first green gilt in September 2021 – the £10 billion issuance was more than 10 times oversubscribed
- HM Treasury have stated their intent to align their Green Financing Framework (published June 2021) with “updated versions of the ICMA Green Bond Principles, as and when they are released, **as well as the UK Taxonomy as it develops.**”

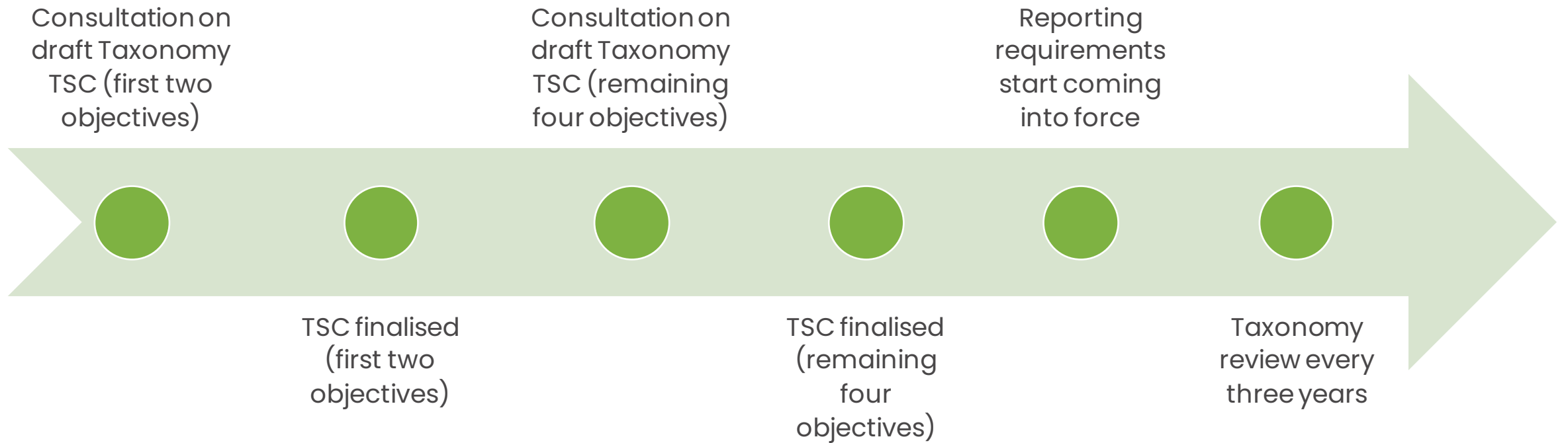
Financial Conduct Authority (FCA)

- The Financial Conduct Authority published a discussion paper in November 2021 on new sustainability disclosures (SDR) and sustainable investment labels.
- The FCA have noted that **a UK Green Taxonomy, once developed, could be one way of demonstrating that assets meet a credible standard of sustainability.**

Transition Plan Taskforce (TPT)

- At COP27, the Transition Plan Taskforce published its consultation on what private sector companies need to do to implement and disclose a transition plan.
- **A UK Green Taxonomy could help businesses by providing a set of definitions that can be used to report transition plans and evidence Net Zero-alignment**

UK Taxonomy timeline



GTAG's Advice: first paper published October 2022

- A summary was published in October 2022 on the GFI website
- The summary covers advice on four key areas:
 - Onshoring the EU Technical Screening Criteria
 - Do No Significant Harm (DNSH)
 - International Interoperability
 - Taxonomy Use Cases
- Future publications are planned, to cover more recent GTAG advice and other topics
- **GTAG's advice on international interoperability will be the next paper published by GTAG**

