Companies, regulators and financial market actors (investors, lenders and insurers) use taxonomies to make informed decisions on sustainable economic activities which can help achieve net-zero or decarbonisation goals.

A green taxonomy is a classification system that defines which economic activities and assets are “green” or environmentally sustainable.

Taxonomies aim to increase investment in green activities or assets, and facilitate greenwashing detection.

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Why have a green taxonomy?

- Increase transparency for better risk assessment
- Align financial markets with net-zero goals
- Cultivate an environmentally sustainable economy
- Reorient capital towards environmentally sustainable economic activities

To be taxonomy aligned, most taxonomies require an economic activity to meet necessary thresholds:

- Substantially contribute to one or more environmental objectives
- Do no significant harm to any other objectives defined in the taxonomy
- Comply with minimum social safeguards

Determining thresholds or technical screening criteria which need to be fulfilled for substantial contribution and doing no significant harm is set by agencies such as the OECD and the UN.
European Parliament votes to label nuclear and more natural gas as green

Sri Lanka publishes green taxonomy

Colombia publishes green taxonomy

South Africa publishes green taxonomy

Indonesia launches green taxonomy

Kazakhstan adopts a Taxonomy of Green Projects

South Korea publishes green taxonomy

ASEAN Taxonomy Board releases the ASEAN Taxonomy

Russian Federation adopts a green taxonomy

People’s Bank of China issues an updated Green Bond Endorsed Project Catalogue

Malaysia releases a ‘principal based’ green taxonomy

Bangladesh publishes sustainable finance policy

European Union publishes EU sustainable finance taxonomy

Mongolian green taxonomy, developed in collaboration with International Finance Corporation, is published

People’s Bank of China issues a Green Bond Endorsed Project Catalogue (generally referred to as China’s Green Taxonomy)

Other jurisdictions such as India, the UK, Singapore and Vietnam are also in the process of developing green taxonomies

Banks/Financial Institutions
- Develop green financial products with lower transaction costs

Financial Regulators
- Green the financial sector by encouraging lending to taxonomy aligned activities and facilitating sustainability disclosures

Policymakers
- Facilitate the development of a pipeline of green projects and track progress on national energy transition goals

Investors
- Disclose exposure to sustainable investments and identify opportunities that conform to the sustainability goals set by the investor

About IEEFA
The Institute for Energy Economics and Financial Analysis (IEEFA) examines issues related to energy markets, trends and policies. The Institute’s mission is to accelerate the transition to a diverse, sustainable and profitable energy economy.

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