

Fact Sheet:

Green Taxonomies Explained



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



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

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

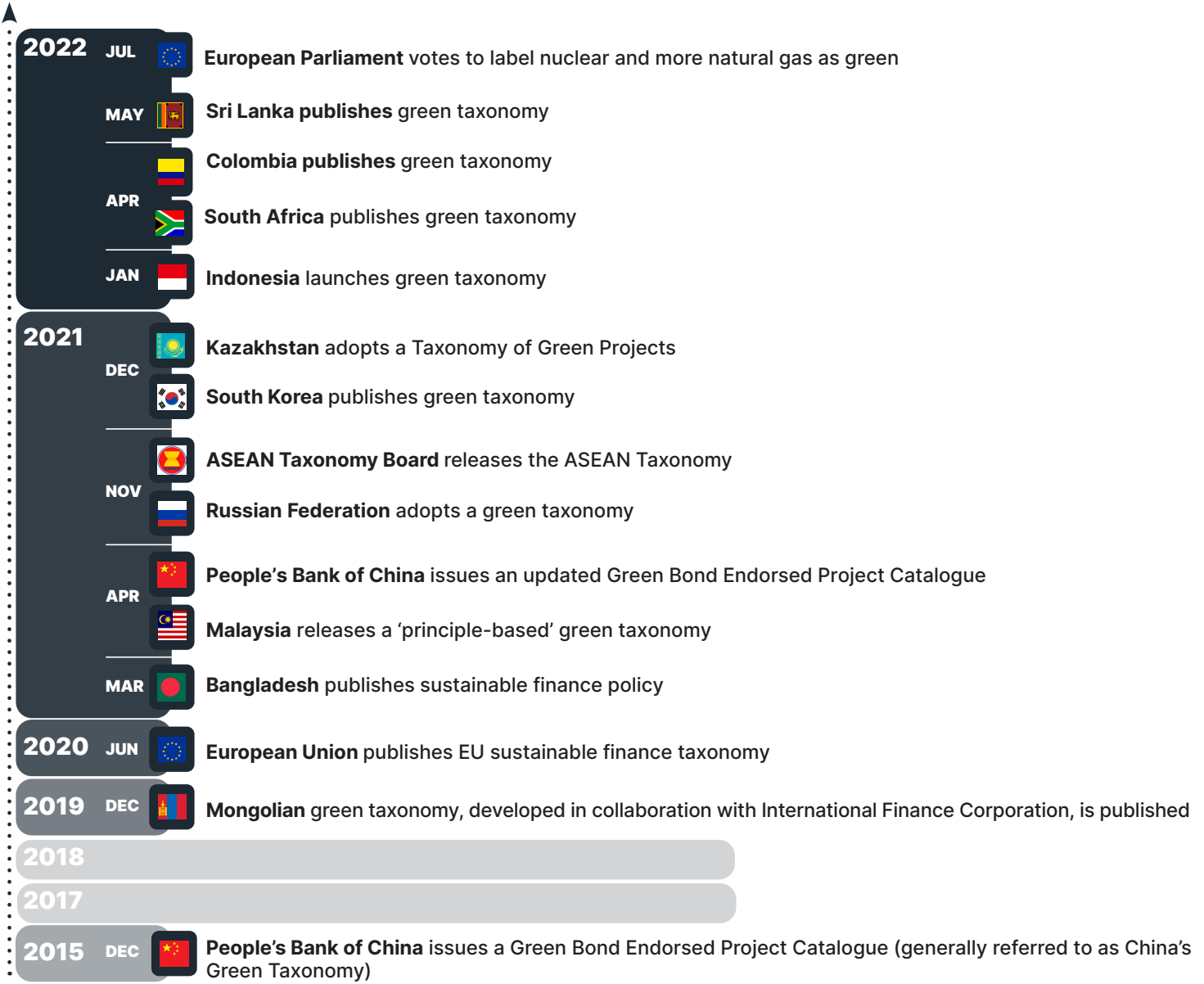


Determined through performance thresholds or technical screening criteria which need to be fulfilled for substantial contribution and doing no significant harm



Safeguards for international human and labour rights set by agencies such as the OECD and the UN

Progress on Taxonomy Development Worldwide



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

How different stakeholders use taxonomies



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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