

PRESS RELEASE ON THE ECON-ENVI COMMITTEE VOTE AGAINST THE EU TAXONOMY CDA

The International Sustainable Finance Centre (ISFC) welcomes the vote by ECON-ENVI Committee in favour of a resolution to object to the EU Taxonomy Complementary Delegated Act (CDA) on June 14. The CDA would mislead and confuse financial markets by labelling natural gas and nuclear energy as green investments. This result in the two committees gives a good indication for the final vote in the European Parliament on July 4-7, fuelling efforts to safeguard the Taxonomy's scientific integrity. Our reaction builds on [ISFC's analysis](#) from January.

A green gas label would run counter to the EU's own RePowerEU plan and aid Russia

Since the final proposal by the Commission from February 2nd, the Russian invasion on Ukraine has fundamentally changed the assumption that new natural gas-fired power plants can serve as a transitional energy source. Gas has now become a driver of energy supply risks, geopolitical insecurities, and of inflation. Even if not retrieved from Russia directly, new gas infrastructure investments inevitably favour Russia. The CDA contradicts the [RePowerEU](#) plan to swiftly phase out Russian fossil fuels and accelerate the green transition. Meanwhile, it is a myth that the CDA helps countries to diversify and pivot to LNG gas, as neither LNG infrastructure nor gas pipelines are covered under the proposal, but only gas plants.

Our CEO **Linda Zeilina** outlines the implications for the CEE region:

"The Taxonomy CDA risks creating a new green iron curtain in Europe, which could make some CEE countries more reliant on gas supplies from foreign powers, rather than energy-independent. As a result, the region risks struggling to maintain economic competitiveness in a decarbonising Europe. More importantly, this would come as a financial gift to Putin's regime, driving a rise in global demand and prices of gas, allowing Russia to wage war over years to come."

Confusion among the investor community

*"Hijacked by vested interests, the EU Taxonomy leaves investors grappling with a mere skeleton of what has originally been a science-based body." - **Linda Zeilina***

Contradictory to its original purpose, it has become clear that the green label for gas and nuclear is not helpful to financial markets, as it would raise serious doubts. Even nuclear-friendly investors are aware that clarity, scientific integrity and thus investors' widespread trust is key, which is why they see a distinct amber label for both energy sources as preferable to reflect energy transition needs. Financial actors who spoke out against the CDA include a variety of asset managers and pension funds. The EU's own investment institution, the European Investment Bank (EIB), has criticised the CDA heavily and will apply its own stricter science-based definitions. Meanwhile, the Commission for the most part ignored feedback on the CDA by the EU Platform on Sustainable Finance (PSF), its own main expert body.

While ISFC acknowledges a last-minute change to add a transparency tool in the Commission's final CDA proposal, it is highly questionable how workable and effective this will prove in practice. For easy comparability, it is possible that in practice investors will focus on a single figure (Green Asset Ratio) that puts renewables projects on the same level as gas and nuclear investments. One way or another, the CDA contains major additional reporting challenges compared to the Taxonomy's previous version. With a green label for gas and nuclear, the Taxonomy would not become a gold standard. Instead, markets will simply develop their own definitions, according to PSF Chair Nathan Fabian.

David Nemecek, our Head of Sustainable Banking, highlights the CEE perspective of banks:

"Commercial banks in the CEE region are increasingly aware of the risks that the energy transition and investments in stranded assets pose for their portfolios. To deal with such risks, they therefore call for sound and reliable criteria that will give the right signals to the markets. Even though the CDA has been a very heavy blow to the Taxonomy, the Parliament can still save its position as a credible green investment label by rejecting the CDA."

Further, financial markets see two major shortcomings of the Act, as also [highlighted by Nancy Saich from the EIB](#) at the last plenary session of the Parliament.

1. First, it contains no enforcement or sanction mechanism. Criteria for gas and nuclear to qualify as green – which are neither strict nor research-based – are solely based on voluntary commitments far in the future. A pre-emptively granted green label may in several decades turn out to have been wrong all along the way. This is a huge credibility issue to investors.
2. Second, the CDA contradicts the principle of technological neutrality and does not create a level playing field. Instead, it skews the market as it cherry-picks natural gas and nuclear energy based on future promises over other technologies. For example, to 'do no significant harm' to climate mitigation, geothermal and hydropower are subject to the stricter 100g CO₂e/kWh conditions recommended by the [Technical Expert Group](#), whereas gas plants can emit almost three times as much (270 g CO₂e/kWh) and still benefit from the green label. Investors, however, are mindful that technological neutrality is key to foster innovation.

All in all, the Taxonomy CDA does not deliver on its core purpose to harmonise financial markets. Instead, it creates more confusion than it solves, and it comes with some unpleasant side-effects. The Parliament should vote the CDA down and push to restore the Taxonomy's original, science-based design.

For our technical analysis of the initial CDA proposal from January, that is still largely relevant, read [here](#).

For additional shortcomings of the CDA, read our one-pager in the Annex I.

You can find further ISFC Publications on our [website](#).

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ANNEX I Additional shortcomings of the EU Taxonomy CDA

Dodgy procedure:

- Gas and nuclear energy have been introduced ‘through the backdoor’ of a Complementary Delegated Act, communicated during the holiday season on New Year's Eve. In addition, the timeline for consultations with expert advisors has been unreasonably short and public consultations non-existent.
- The Commission’s argument that all stakeholders have previously had plenty of time to convey their general stance on nuclear and gas in the taxonomy falls short, as this took place before the special criteria of both were introduced in the CDA. Recklessly, the Commission did not conduct any impact assessments.

Unscientific criteria:

- In labelling gas and nuclear as green, the advice of the EC’s two main expert groups on the issue has been thrown overboard (EC Technical Expert Group & Platform on Sustainable Finance). The criteria in the CDA for gas in particular are loose and heavily politicised. In its final version, the Commission even weakened its gas criteria further due to lobby pressure, by scrapping 2026 and 2030 emission thresholds.
- The framing of gas as a transition fuel was wrong from the beginning as new conventional plants with about 350–330 gCO₂ would pull the average emission footprint of the EU grid up, not down.

Inconsistent and possibly illegal:

- A green badge for gas runs counter to the EU’s own climate ambitions and may be legally inadmissible. According to legal experts from Client Earth, it goes against the EU’s obligations under the Paris Agreement and violates both European Climate Law and the EU Taxonomy Regulation itself. In addition, the Commission may have overstepped its power by introducing a green label for such “essential elements” as nuclear energy and gas.
- For a delegated act, only the co-legislators (EU Council & EP) are entitled to sue. Both Austria and Luxembourg have repeatedly reiterated their intentions to challenge the Complementary Delegated Act in front of the EU Court of Justice, should the Act pass in the Parliament and Council.

No credibility and triggering a race to the bottom:

- With these unscientific and politicised criteria, the EU Taxonomy is unfit to serve as a global gold standard. The EU loses its credibility as a standard setter around the globe. More so, the EU risks triggering a ‘race to the bottom’ worldwide, encouraging other countries to water down their sustainability definitions as well.
- For example, Australia’s fossil fuel lobby leverages the EU’s green gas label as an argument in favour of its expansion. Also, South Korea suggested the inclusion of nuclear energy in its green taxonomy “in light of international trends” (i.e. the EU Taxonomy CDA), after having added gas already in December 2021.