



# The EU Taxonomy and the DNSH principle

31 May 2023

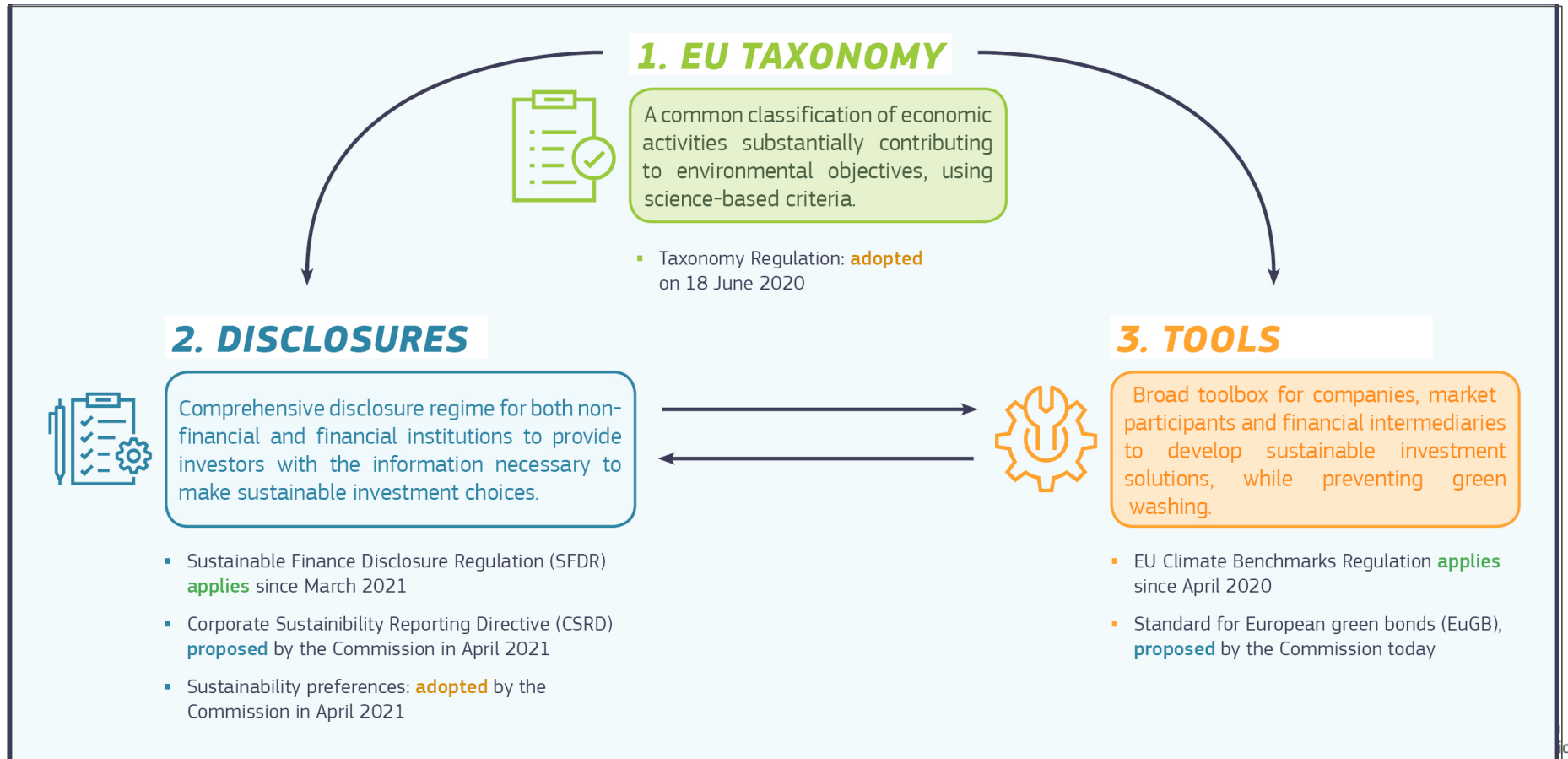
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ENV.E.1 Green Finance and Investments

# Agenda

1. Overview & update on the EU Taxonomy
2. The DNSH principle
3. Biodiversity in the EU Taxonomy

# The EU sustainable finance framework



# The EU Taxonomy

The Taxonomy is a classification system of science-based criteria for economic activities to substantially contribute to environmental objectives

## Three basic conditions

1

**Substantially Contribute**  
to one environmental objective

2

**Do No Significant Harm**  
to any other objective

3

**Minimum safeguards**  
Social/HR

Technical  
Screening  
Criteria

# Six environmental objectives

## 2 climate objectives



**Climate  
Change  
Mitigation**



**Climate  
Change  
Adaptation**

## other environmental objectives



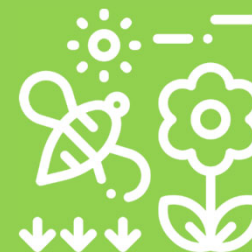
**Transition to  
a circular  
economy**



**Pollution  
prevention and  
control**



**Sustainable use  
and protection  
of water and  
marine  
resources**



**Protection and  
restoration of  
biodiversity &  
ecosystems**

# Upcoming Environmental DA: Taxo4



**Climate DA\***

**Complementary Climate DA\***



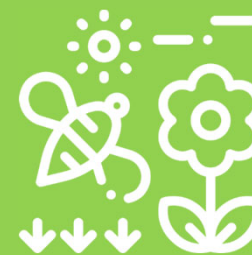
**Circular  
economy**



**Pollution  
prevention and  
control**



**Water**



**Biodiversity &  
ecosystems**

*Focus of the upcoming Environmental DA\**

+ *Upcoming amendments*

# DNSH principle for biodiversity

*Article 17 – Taxonomy Regulation - REGULATION (EU) 2020/852*

1. [...] an economic activity shall be considered to significantly harm [...] biodiversity and ecosystems, where that activity is:
  - (i) significantly **detrimental to the good condition and resilience of ecosystems**; or
  - (ii) **detrimental to the conservation status of habitats and species**, including those of Union interest.
2. [...] both the environmental impact of the activity itself and the environmental impact of the products and services provided by that activity throughout their life cycle shall be taken into account [...]

# Example | Biodiversity activities in Taxo4 \*

## Annex IV – SC to protection and restoration of biodiversity and ecosystems

Conservation, including restoration, of habitats, ecosystems and species

\* Under public consultation, not adopted yet

### Technical screening criteria

Substantial contribution to protection and restoration of biodiversity and ecosystems

#### 1. General conditions

1.1. The activity contributes to at least one of the following:

- (a) maintaining good condition of ecosystems, species, habitats or of habitats of species;
- (b) re-establishing or restoring ecosystems, habitats or habitats of species towards or to good condition, including through increasing their area or range.

1.2. The activity may be carried out by any type of operator irrespective of the main domain of activity.

#### 2. Initial description of the area covered by the conservation activity

2.1. The activity takes place in an area with a detailed description of its initial ecological conditions which contains the following elements:

- (a) mapping of the current habitats and their condition;
- (b) where applicable, the protection status of the area;
- (c) characterisation of the situation of the main species in terms of conservation relevance present in the area (including list of species, approximate size of the population, approximate size of the habitat of the species and its quality, period during which the area is used by the species);
- (d) the importance of the area to reaching good condition of species, habitats or habitats of species at regional, national or international level as appropriate;
- (e) where relevant, the potential for improving the condition of species, habitats or habitats of species present on the area or re-establishing habitats or habitats of species in the area or to enhance connectivity between habitats.

#### 3. Management plan or equivalent instrument

3.1. The area is covered by a management plan or by an equivalent instrument, such as a restoration plan<sup>7</sup>, which is regularly updated and in any case at least every ten years, and contains the following information:



European  
Commission



# Example | DNSH to biodiversity in Taxo4 \*

## Annex II – SC to Circular Economy

### Construction of new buildings

Do no significant harm ('DNSH')

(6) Protection and restoration of biodiversity and ecosystems

The activity complies with the criteria set out in Appendix D to this Annex.

The new construction is not built on one of the following:

- (a) arable land and crop land with a moderate to high level of soil fertility and below ground biodiversity as referred to the EU LUCAS survey<sup>94</sup>;
- (b) greenfield land of recognised high biodiversity value and land that serves as habitat of endangered species (flora and fauna) listed on the European Red List<sup>95</sup> or the IUCN Red List<sup>96</sup>;
- (c) land matching the definition of forest as set out in national law used in the national greenhouse gas inventory, or where not available, is in accordance with the FAO definition of forest<sup>97</sup>.

\* Under public consultation, not adopted yet

**Thank you!**



**EXTRA**

# Substantial contribution to the protection and restoration of biodiversity and ecosystems

*Article 15 – Taxonomy Regulation - REGULATION (EU) 2020/852*

1. An economic activity shall qualify as contributing substantially to the protection and restoration of biodiversity and ecosystems where that activity contributes substantially to protecting, conserving or restoring biodiversity or to achieving the good condition of ecosystems, or to protecting ecosystems that are already in good condition, through:

(a) **nature and biodiversity conservation**, including achieving favourable conservation status of natural and semi-natural habitats and species, or preventing their deterioration where they already have favourable conservation status, and protecting and restoring terrestrial, marine and other aquatic ecosystems in order to improve their condition and enhance their capacity to provide ecosystem services;

(b) **sustainable land use and management**, including adequate protection of soil biodiversity, land degradation neutrality and the remediation of contaminated sites;

(c) **sustainable agricultural practices**, including those that contribute to enhancing biodiversity or to halting or preventing the degradation of soils and other ecosystems, deforestation and habitat loss;

(d) **sustainable forest management**, including practices and uses of forests and forest land that contribute to enhancing biodiversity or to halting or preventing degradation of ecosystems, deforestation and habitat loss; or

(e) enabling any of the activities listed in points (a) to (d) of this paragraph in accordance with Article 16.

# Three key lessons learnt to date

1.

Strike a balance between **ambition** and **usability** (i.e. ease of implementation) when defining the Substantial Contribution criteria

2.

Ensure the Do No Significant Harm criteria can be **operationalised**, especially **for non-EU** economic operators

3.

Consistently monitor the **policy consistency** and **coherence** of criteria developed, especially when considering the wider **architecture of financial regulation**