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'I' ITEM NOTE

From:	General Secretariat of the Council
To:	Permanent Representatives Committee
No. Cion doc.:	COM(2018) 353 final
Subject:	Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the establishment of a framework to facilitate sustainable investment *- Mandate for negotiations with the European Parliament*

I. INTRODUCTION

1. In March 2018, the Commission published its Action Plan 'Financing Sustainable Growth', setting up an ambitious and comprehensive action plan strategy on sustainable finance. One of the objectives of that action plan is to reorient capital flows towards sustainable investment to achieve sustainable and inclusive growth. In line with the Paris Climate Agreement and the 2030 UN Sustainable Development Agenda, this proposal is part of a broader Commission initiative to facilitate investment in sustainable projects and assets across the European Union.

2. In this context, on 24 May 2018, the Commission submitted to the Council a package of legislative proposals:

- Proposal for a Regulation of the European Parliament and of the Council on the establishment of a framework to facilitate sustainable investment, also referred to as "Taxonomy Regulation";

- Proposal for a Regulation of the European Parliament and of the Council on disclosures relating to sustainable investments and sustainability risks and amending Directive (EU) 2016/2341, also referred to as "Disclosure Regulation"; and

- Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) 2016/1011 on low carbon benchmarks and positive carbon impact benchmarks, also referred to as "Benchmarks Regulation".

II. STATE OF PLAY

3. The Financial Services Working Party started the discussions on the three legislative proposals on 20 July 2018. Political agreements have been reached with the European Parliament on Disclosure and Benchmarks Regulations in March 2019, while discussions in the Council on a negotiation mandate for the Taxonomy Regulation continued.

4. On 28 March 2019, the European Parliament adopted a legislative resolution with its position at first reading concerning the Taxonomy Regulation[1].

5. The Presidency submitted a compromise proposal for a mandate for negotiations with the European Parliament on the Taxonomy Regulation, as set out in the Addendum to this note, to the Financial Services Working Party (Attachés) in a silence procedure launched on 13 September 2019. At close of business on 17 September 2019, the required majority of delegations supported the Presidency compromise. Germany, Luxembourg and Austria submitted a joint statement, set out in the Annex to this note.

[1] 7759/19.

III. CONCLUSION

6. In view of the above, it is suggested that the Committee of Permanent Representatives:

   – agrees the negotiating mandate with regard to the proposed Regulation, as set out in the Addendum to this note;

   – takes note of the joint statement set out in the Annex to this note to be entered into the COREPER minutes; and,

   – invites the Presidency to start, when practicable, negotiations with the European Parliament on the basis of that mandate with a view to reaching an agreement in the form of a (pre-negotiated) Council position at first reading[2].

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[2] Often referred to as an 'early second-reading agreement'.

ANNEX

Joint statement by Germany, Luxembourg and Austria

We share the objective to establish a credible taxonomy that will guide investors in identifying environmentally sustainable activities. We are however convinced that any taxonomy that would allow for nuclear energy to be qualified as sustainable would be inherently flawed and could give rise to severe criticism, as it would send the wrong signals and incentives to financial market participants and investors. While we would like for the taxonomy to be adopted as quickly as possible, we have strong concerns that the proposed framework would leave the door open to diverting financial resources away from environmentally sustainable activities and into technologies that cannot be considered either safe or sustainable. This would risk creating long-term "lock-in effects" into these technologies, thereby generating an undeterminable amount of additional costs, and would hence run counter the overall objective of the sustainable finance agenda.