



# UK Green Taxonomy Consultation Response

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July 2025







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# Foreword

Growth is the number one mission of this government and sustainable finance can be a key driver of that growth. London is already a leading global hub for sustainable finance – ranked first in the world for an eighth consecutive time in the Z/Yen Green Finance Index (April 2025). But the government knows that to maintain this leadership we need to give the long-term certainty that the sustainable finance industry needs to scale and focus on key emerging opportunities. This will ensure that the UK can continue to win the race for the global business that will drive the green transition and deliver economic growth right here in the UK.

To make sure the UK is well-positioned to capture this growth, the government is delivering a world-leading sustainable finance framework. This includes ensuring that we have the right tools in place and the proportionate regulation that is needed to support the transition, strengthening the UK's position as the sustainable finance capital of the world so that the UK can lead the clean energy transition at home and abroad.

That is why, after careful consideration, the government has concluded that a UK Taxonomy would not be the most effective tool to deliver the green transition and should not be part of our sustainable finance framework. Whilst our ambitions to continue as a global leader remain unchanged, the consultation responses showed that other policies were of higher priority to accelerate investment into the transition to net zero and limit greenwashing. The recently published consultations on the UK Sustainability Reporting Standards (UK SRS), assurance of sustainability reporting, and how best to take forward the manifesto commitment on the development and implementation of transition plans that align with the 1.5°C goal of the Paris Agreement demonstrate that we are working in partnership with industry to deliver on our plans to make the UK a global hub for green and transition finance activity.

The government remains committed to delivering our Clean Energy and Growth Missions and meeting our environmental targets. We will focus on delivering the plans that respondents have told us will have the greatest impact and will consider how best to align our ambitious policies to support investors to make investment decisions. This will help the UK accelerate investment into the global transition to net zero and nature restoration.

I would like to thank all those that responded to the consultation and look forward to delivering the government's wider vision for growing

the sustainable and transition finance market, as set out as part of the Financial Services Growth and Competitiveness Strategy.

A handwritten signature in black ink, appearing to read 'E Reynolds'.

Emma Reynolds MP

Economic Secretary to the Treasury and City Minister



# Chapter 1

## Overview of responses

**1.1** The aim of developing a taxonomy for sustainable activities is to facilitate an increase in sustainable investment, and/or to reduce greenwashing, including by providing a reference point for other policies. A taxonomy differs from other sustainability initiatives in that it is predominantly designed to apply at the level of economic activities, providing users with information about individual activities and processes.

**1.2** The government is aware that taxonomies can be complex to design and implement in practice, and that feedback on their value is mixed. Therefore, at Mansion House in November 2024, the Chancellor launched a consultation to assess the value case for a UK Green Taxonomy (UK Taxonomy) and the ways in which it would be used by the market. This consultation sought views on whether a UK Taxonomy would be additional and complementary to existing sustainable finance policies to inform an assessment of its value.

**1.3** The government did not put forward a specific UK Taxonomy framework for comment in this consultation. The aim was to have an open consultation with a focus on gathering evidence on the fundamental value of the policy outlined in Chapter 2 in the consultation.

**1.4** This consultation was open for 12 weeks, from 14th November 2024 until 6th February 2025. The government received 150 responses to the consultation, representing a broad range of sectors across the economy. Financial services organisations were the largest cohort of respondents with 59 in total (see Table 1.A). There were many different types of organisations represented, with trade bodies providing the largest input with 57 responses (see Table 1.B). In addition to this, the government undertook engagement with a variety of stakeholders from across sectors to gather feedback on a range of sustainable finance measures.

**Table 1.A Sector representation**

Sector	Number of respondents
Financial Services	59
Energy & Nuclear	25
Other sectors (eg Automotive, Aviation, Telecoms, Mining)	23

Legal & Professional services	13
Real Estate	11
Individuals	6
Waste & recycling	4
Academia	3
NGO	3
Charity	2
Trade Unions	1
<b>Total</b>	<b>150</b>

Source: response data

**Table 1.B Organisation representation**

Type of organisation	Number of respondents
Trade Bodies	57
Asset managers, Pensions, Insurance & Investment	14
Energy generation (inc. Nuclear & Energy from Waste)	12
Consultancy, Legal & Professional services	10
NGOs & Think Tanks	11
Banks & Building Societies	9
Real Economy firms	8
Data and Analytics	7
Individuals	6
Professional association	5
Academics	3
Financial advisors	3
Charities	2
Regulators	2
Trade Unions	1
<b>Total</b>	<b>150</b>

Source: response data

**1.5** It was clear from both the consultation responses and the stakeholder engagement that views on the value and use cases of a UK Taxonomy are very mixed. There was a positive sentiment towards the idea of a UK Taxonomy from 45% of respondents. Many appreciated the objectives of this policy and the idea of a common framework or language to better understand sustainable activities. However, 55% of respondents had a mixed or negative sentiment toward the idea of a UK Taxonomy. The concern largely centred around the real-world application of this policy, primarily driven out of experience of working with other taxonomies, and concerns on the extent to which taxonomies were delivering on desired objectives.

**1.6** In addition to this, a third of respondents highlighted that other policies would be more impactful in achieving the two core objectives set out for any taxonomy – channelling investment and tackling greenwashing. This included policies such as UK Sustainable Reporting Standard (UK SRS), transition plans and sector roadmaps, as well as real economy policies and economic incentives. Some respondents also noted the amount of work required to develop and maintain this policy, and questioned whether that would impact resourcing of other sustainable finance policies. Many respondents commented that they would need to see a final design of a UK Taxonomy to comment fully and offer endorsement on anything other than the principle. A more detailed analysis of responses to questions on the value and use cases of a UK Taxonomy follows in Chapter 2.

# Chapter 2

## Assessing the value of a UK Taxonomy

**2.1** The first question sought to understand the value of a UK Taxonomy in supporting the two objectives of channelling capital and preventing greenwashing in the context of current and planned sustainable finance policy. 86% of respondents addressed this fundamental question within their response. There were some respondents who chose to focus less on this and concentrated more on setting out the case for inclusion of a specific sector within any future UK Taxonomy. Other respondents were keen to detail specific issues linked to existing taxonomies.

### Box 1.A Question 1

1. To what extent, within the wider context of government policy, including sustainability disclosures, transition planning, transition finance and market practices, is a UK Taxonomy distinctly valuable in supporting the goals of channelling capital and preventing greenwashing?
  - a. Are there other existing or alternative government policies which would better meet these objectives or the needs of stakeholders?
  - b. How can activity-level standards or data support decision making and complement other government sustainable finance policies and the use of entity-level data (e.g. as provided by ISSB disclosures or transition plans)?

### Channelling capital

**2.2** The first objective assessed was whether a UK Taxonomy would channel capital into the net zero transition. More specifically, the hypothesis behind many taxonomies is that it is difficult to identify credible, sustainable investment opportunities and that a UK Taxonomy could improve clarity about what activities are 'green' so that investors could confidently compare financial products and deploy capital towards sustainable goals. The government was interested in testing

this hypothesis to understand the extent to which a UK Taxonomy could translate into real world investment strategies and decisions.

**2.3** Some respondents operating in sectors central to the net zero transition, such as energy, nuclear and waste, expressed support for this hypothesis and their opinions on a UK Taxonomy reflected their expectations on how their industrial activity might be classified. There was an expectation amongst some that classifications within a UK Taxonomy could have an impact on their ability to raise capital, whether that be positively or negatively.

**2.4** Whilst many firms operating in the ‘real economy’ reflected this expectation, this did not match the majority of views expressed by those in the financial services sector making investment decisions. Many respondents in this sector made the point that a UK Taxonomy, in itself, is not a policy lever that changes the risk profile or improves the scalability or viability of projects. These respondents viewed a UK Taxonomy as a classification tool that could serve as an additional data point among various factors considered when making investment decisions. However, it was unlikely to have a material impact on final investment decisions.

**2.5** This was supported by nearly a third of respondents who stated that other factors would be more influential in establishing the economic conditions to support investment decisions and cost of capital. Other factors put forward by respondents included sector-specific roadmaps outlining future government decarbonisation policies, transition plans, the forthcoming UK SRS, and decisions on future regulation, grant schemes, or taxation changes — all of which were viewed as more impactful.

## Preventing Greenwashing

**2.6** The second objective related to providing clarity and improving transparency on what activities are considered ‘green’ or potentially ‘transition-aligned’. This was based on the hypothesis that activity level data could help to verify green and sustainability claims in the absence of a clear framework, and that a taxonomy could be the solution by definitively setting out what activities are ‘green’.

**2.7** Many respondents indicated that they believed a UK Taxonomy would help to bring some structure and clarity for investors navigating ‘green’ and ‘transition’ investments. Respondents thought that this could help to increase consistency between financial institutions’ sustainable financing frameworks, and there was evidence from retail investors, intermediaries and retail banks that they would find this particularly helpful. Respondents from these groups indicated that they were more likely to find that there may be challenges in finding the right data to identify sustainable products and services, which they use to match with investment choices. This feedback suggests that a specific UK Taxonomy could help standardise and improve comparability of data at a UK level.

**2.8** The responses from multinational organisations indicated that this may be less helpful for those with portfolios across multiple jurisdictions. Several multinational organisations noted that, at an international level, a UK Taxonomy could add further fragmentation. They were concerned that this might exacerbate some of the challenges and costs of arbitrage between the different existing taxonomies. For multinationals operating across several jurisdictions using taxonomies designed in different ways, comparing ‘green’ activities on an international level can prove difficult. For example, in Malaysia a principles-based system is used, whereas the EU uses a detailed Technical Screening approach, which can result in different classifications for the same activity. Some respondents argued that this increases the greenwashing risks.

**2.9** Respondents also highlighted that continued engagement between governments and providers of existing taxonomies would help in driving convergence between different frameworks. This work to deliver greater international alignment on sustainable finance frameworks was argued to be more impactful on greenwashing in the longer term than introducing a UK Taxonomy.

**2.10** Finally, the responses flagged that the challenges in the practical implementation of the EU Taxonomy mean that whilst the aim of the policy is to enhance transparency, its complexity can hinder effective reporting. Many pointed out that this can make it more difficult for consumers and retail investors to understand the output and then use this to make investment decisions or an assessment of green credentials. An example provided was the Green Asset Ratio (GAR), where due to guidance about what can be included in the numerator and the denominator, this can create a distorted and inaccurate picture of firm’s activities. This was used to demonstrate how the complexity of compliance can impact usability. This feedback aligns with findings from the Department for Business and Trade (DBT) in their research on the impacts of the EU Taxonomy on companies<sup>1</sup>. The EU are looking to reform this as part of their simplification agenda.

## Interaction with existing policy

**2.11** Questions (1)(a) and (1)(b) sought to understand what other policies might also achieve the government’s two objectives, and how a UK Taxonomy might interact with and support existing policy. Respondents highlighted that there is not a direct alternative to a UK Taxonomy in providing activity level standards. However, many pointed out that the sustainable finance policy landscape has developed significantly since a UK Taxonomy was first discussed. It was noted that any UK Taxonomy would need to complement the current policy

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<sup>1</sup> [The EU Taxonomy Framework: Research on the Impact on Companies](https://assets.publishing.service.gov.uk/media/673b32c6abe1d74ea7dade98/the-eu-taxonomy-framework-research-on-the-impact-on-companies.pdf)

<https://assets.publishing.service.gov.uk/media/673b32c6abe1d74ea7dade98/the-eu-taxonomy-framework-research-on-the-impact-on-companies.pdf>

landscape and not duplicate existing reporting frameworks and standards.

**2.12** Whilst many respondents felt that a UK Taxonomy could be helpful in some cases to meet the greenwashing objective, the point was repeatedly made that there are already several taxonomies or market frameworks available for use. These include the EU Taxonomy, the Climate Bonds Initiative (CBI) Taxonomy and the International Capital Markets Association (ICMA) Green Bond Principles. Some organisations are already using these due to the size of their operations in the EU, or some have chosen to voluntarily use them, for example when issuing green bonds. In this context, respondents were not clear how much additional value a specific UK Taxonomy would add.

**2.13** The policies that respondents considered most effective for channelling investment into the net zero transition and the environment are those that are sector specific, such as policy roadmaps setting out future investment, regulation and incentives.

**2.14** In addition, many highlighted existing policies that also address greenwashing effectively. For example:

- Standards and guidance from the **Competition Markets Authority (CMA)** to ensure claims are accurate and unambiguous.
- The **Advertising Standards Authority (ASA)** standards that complement the CMA guidance that help to address greenwashing. These ensure advertised claims are not misleading or unsubstantiated.
- The **FCA Sustainability Disclosure Requirements (SDR) and fund labelling regime** is designed to help investors navigate the market for sustainable investment products and limit greenwashing at the financial product level. Some respondents highlighted how taxonomy data could feed into the FCA process for approving fund prospectus disclosures as an additional data point.
- Future sustainability and climate related financial disclosure standards, which will be known as **UK Sustainability Reporting Standards or UK SRS**, will enhance the quality and comparability of information for investors. UK SRS will be based on the International Sustainability Standards Board (ISSB) standards, which will bring the UK into alignment with other countries. Enhanced entity level disclosures about climate and sustainability-related financial risks and opportunities will support more informed financial decision making.

## Use Cases

### Box 1.B Question 2

2. What are the specific use cases for a UK Taxonomy which would contribute to the stated goals? This could include through voluntary use cases or through links to government policy and regulation.
  - a. What are respondents' views on the benefits of the proposed use case (paragraph 2.2)?
  - b. Are there any other use cases respondents have identified?
  - c. How does each use case identified link to the stated goals?
  - d. Under these or other use cases, which types of organisations could benefit from a UK Taxonomy?
  - e. For each use case identified, do respondents have any concerns or views on the practical challenges?
  - f. What is the role for government within each use case identified, if any (i.e. to provide oversight, responsible for ongoing maintenance, implement legislation, including disclosure requirements)?

**2.15** This question aimed to better understand the ways in which a UK Taxonomy could be used to support these objectives in practice. The consultation set out several potential use cases. These ranged from very focused uses, such as providing a tool for appraising green bonds, and broader applications, such as supporting investor decision making. The examples tested in the consultation were:

- Acting as an input to project and business finance decisions, providing consistent standards to allow meaningful comparisons over time;
- Supporting investor stewardship and engagement;
- Informing the development of sustainability-focused financial products, such as green bonds;
- Application to investment fund and investment portfolio product disclosures; and
- Use as part of the government's wider climate and environment strategy.

**2.16** Broadly, respondents agreed in theory with the example use cases presented, with 64% supporting one or more of the use cases, or



referencing the use cases identified by the Green Technical Advisory Group (GTAG). However, specific examples of how a UK Taxonomy could be used in practice, either as part of the UK's wider sustainable finance framework or for other purposes, were more limited. The two highlighted were:

- 8% respondents suggested that UK Taxonomy alignment data could feed into the **FCA SDR and fund labelling regime** to help in the process for approving fund prospectus disclosures. UK Taxonomy alignment could be used in this way, though it is not a requirement from the FCA. Respondents' suggestions reflect the way the EU Taxonomy interacts with their Sustainable Finance Disclosure Regulation (SFDR) regime.
- 6% respondents said that a UK Taxonomy could be particularly useful as a reference **for 'use of proceeds' instruments** which finance specific activity. It should be noted that existing taxonomies or market frameworks, such as the International Capital Markets Association (ICMA) Green Bond Principles and the Climate Bonds Initiative (CBI) already provide a framework for those who require one for this purpose. 7 respondents indicated that it could be used in the development of other sustainable finance products, but without specifying what they could be.

**2.17** Aside from the two examples above, respondents did not suggest that the EU Taxonomy, or other available frameworks, were used consistently for any of the other use cases put forward.

**2.18** Some respondents also pointed out that designing a UK Taxonomy to fulfil all, or even some, of the various potential use cases would be very difficult to balance and could undermine the usability of the end product. Furthermore, many highlight that there are other policies that support some of these use cases in a more effective way (as set out in 2.14). The suggestion from some respondents was that the government should focus on a particular use, with some arguing this should be solely for defining and supporting the government's Net Zero strategy. These respondents argued that existing market taxonomies and policies meet the needs of the other examples, and this was the only distinct use case.

**2.19** The consultation did not ask an explicit question on whether a UK Taxonomy should be accompanied by voluntary or mandatory disclosure requirements, but many respondents shared their views on this in relation to question 2(f). 40% of respondents stated that any UK Taxonomy introduced should be voluntary. Largely, this seemed to be as a result of facing challenges in complying with the mandatory disclosure reporting requirements with the EU Taxonomy. It should be noted that the EU are looking to reduce this burden through the ongoing Omnibus process.

**2.20** One point highlighted for consideration in developing a voluntary UK Taxonomy instead of a mandatory UK Taxonomy is that it may impact how well it meets the ‘greenwashing’ objective. Those in favour of a UK Taxonomy were keen to point out that if companies are not compelled to report, then there is a risk that they will choose not to disclose what might be considered ‘poor’ taxonomy alignment. There is inconclusive evidence that the EU Taxonomy has reduced greenwashing with its mandatory reporting requirements, and there have been difficulties measuring impact. It should be acknowledged that reporting against the EU Taxonomy is a relatively recent requirement, with the first companies required to disclose the proportion of Taxonomy-eligible activities from 2022.

## Accounting for transition activities

### Box 1.C Question 3

3. Is a UK Taxonomy a useful tool in supporting the allocation of transition finance alongside transition planning? If so, explain how, with reference to any specific design features which can facilitate this.

**2.21** The government was keen to understand whether a UK Taxonomy is a suitable tool for supporting the mobilisation of transition finance, including financing for activities that enable other sustainable activities. Supporting companies to transition is vital to facilitating growth and reducing emissions. The UK has taken a leading position on this through the work of the Transition Plan Taskforce (TPT) and the recently published Transition Finance Market Review (TFMR).

**2.22** Half of respondents were keen to stress that a UK Taxonomy should account for transitional activities to better support transitioning firms or projects to access finance, rather than a binary green/not green threshold. However, the binary nature of typical taxonomy classifications mean that respondents also stated that it would be challenging to account for transitioning activities within any taxonomy framework. Some respondents highlighted that it could potentially be helpful if changes were measured over time, or if the information was used to help formulate and track an organisations transition plan.

**2.23** Suggestions for incorporating transitional activities included creating a ‘transition taxonomy’, considering ‘shades of green’ or having a ‘neutral’ or ‘enabling’ category. All of these would require further consideration to develop into workable propositions.

**2.24** Many respondents were supportive of the Singapore Taxonomy, which includes a traffic light system, and suggested replicating the transition design in any UK Taxonomy. Whilst this has been well received, UK firms generally have less interaction with the Singapore

market than the EU, so it is less widely used in the UK. The development of a UK 'traffic light' system, or any of the other transition ideas would result in significant divergence from the EU Taxonomy structure.

**2.25** This highlights some of the conflict and tension in the responses to this question. Two thirds of respondents wanted any UK Taxonomy to be aligned with the EU Taxonomy. However, it was often cited that the EU Taxonomy does not account well for transition activities. It should be noted that the EU have tried to build in transition activities and this criticism is probably more linked to the binary definitions inherent in any taxonomy framework. In addition, simplicity was a key ask, with many wanting a 'stripped back' version of the EU Taxonomy, though the nature of evolving transitional activities would likely create complexity.

**2.26** Many highlighted the importance of other policies over a UK Taxonomy in delivering the transition. The three main suggestions were transition plan requirements, acting on the TFMR recommendations, or the government producing sector specific decarbonisation pathways. The TFMR recommended developing and embedding the Guidelines for Credible Transition Finance which is being led by the Transition Finance Council. These Guidelines set credibility and integrity parameters which help promote transition finance and provide additional confidence to the market. These other policies were seen as priorities to focus on over the development of a UK Taxonomy.

## Evaluating success

### Box 1.D Question 4

4. How could the success of a UK Taxonomy be evaluated? What measurable key performance indicators could show that a UK Taxonomy is achieving its goals?

**2.27** The answers to this question were very varied and largely reflect some of the challenges with developing a UK Taxonomy. There were a number of different metrics suggested by respondents which related to the policy objectives, for example, emissions reduction. However, it was noted that this is hard to attribute precisely to a UK Taxonomy given its role as an 'enabling' policy. Alternatively, there were some other metrics suggested by respondents that are quite hard to measure, for example, its usability, or the interoperability with other sustainable finance policy.

**2.28** Other suggestions from respondents included aligning with the metrics used by the EU, which include assessing taxonomy eligibility and alignment of Capital Expenditure, Operating Expenditure, and Turnover. These seemed to be the most accessible data points. However, many respondents pointed out some of the limitations with this data. Metrics such as the percentage of taxonomy-aligned activities

compared to taxonomy-eligible activities, can give some indication of a company's activities, but challenges with complying with complex Do No Significant Harm (DNSH) criteria as designed by some jurisdictions mean that this may not fairly reflect an organisations activity.

**2.29** The final suggestions from respondents focused on gathering more qualitative feedback on user experience with any taxonomy through periodic surveys and assessments. This would likely complement any measurable outputs. This indicates that measuring the impact of a UK Taxonomy would not be straightforward.

## International interoperability

### Box 1.E Questions 5-7

5. There are already several sustainable taxonomies in operation in other jurisdictions that UK based companies may interact with. How do respondents currently use different taxonomies (both jurisdictional and internal/market-led) to inform decision making?
6. In which areas of the design of a UK Taxonomy would interoperability with these existing taxonomies be most helpful? These could include format, structure and naming, or thresholds and metrics.
7. Are there any lessons learned, or best practice from other jurisdictional taxonomies that a potential UK Taxonomy could be informed by?

**2.30** The government considers international interoperability to be a particularly important factor in any future development of a usable UK Taxonomy. This is clearly important to respondents where there was a concern that divergence could create additional cost, burden and friction.

**2.31** The challenges in the practical implementation of the EU Taxonomy clearly had a heavy influence on the responses. Whilst two thirds of the responses asked that a UK Taxonomy align with the EU Taxonomy, a large number also cited significant concerns with the EU Taxonomy framework, though acknowledged that there is ongoing work to address this through the EU Omnibus process.

**2.32** Some responses proposed that the government develop a UK-specific voluntary Taxonomy framework to avoid some of these challenges. The ask was for this to be based on the existing EU Taxonomy but aligned with UK priorities and legal commitments, whilst also being much simpler and removing the design features that have led to the challenges experienced in the EU. This is in addition to ensuring that transition is addressed as mentioned previously.

**2.33** The concept of interoperability was considered by respondents in in several different ways. These include:

- At a high-level, such as through the structure, objectives (e.g. mitigation and adaptation) and the inclusion of transition activities;
- At a more detailed level looking at in-scope activities, their activity level criteria and thresholds;
- With a focus on specific principles such as the inclusion of Do No Significant Harm (DNSH) principle and minimum social standards;
- How a UK Taxonomy would fit into wider regulation, including any future disclosure and reporting requirements like a Green Asset Ratio, or eligibility and alignment reporting.

**2.34** Largely, there was support from respondents for alignment on the first two elements, but the second two were much less popular and many asked that these were simplified or not included in any UK framework. Though achieving alignment on the first two points would not be simple, particularly whilst ensuring any UK Taxonomy links to UK policy and law. Previous work by the GTAG highlighted how difficult this balance would be to achieve. This challenge was acknowledged by many of the respondents, with some questioning whether the ongoing work to develop and maintain a UK Taxonomy would be time well spent.

## Taxonomy updates over time

### Box 1.F Question 13

8. It is likely a UK Taxonomy would need regular updates, potentially as often as every three years.
- a. Do you agree with this regularity?
  - b. Would this pose any practical challenges to users of a UK Taxonomy?
  - c. Would this timeframe be appropriate for transition plans?

**2.35** Two thirds of respondents answered this question. There was a consensus that a UK Taxonomy would require regular updates, though mixed opinions on what time frame would be appropriate and the approach to take. Many highlighted the need to balance a responsive framework with the necessity for long-term certainty, to avoid a situation where an activity classified as green falls out of the classification. Some respondents pointed out that infrastructure projects often have long lifespans of 20 – 30 years. Frequent changes in

regulation or any taxonomy criteria could introduce instability into investment decision making.

**2.36** Some respondents raised the concern that whilst alignment with the EU Taxonomy could in theory be achieved initially, their own ongoing updates and revisions could mean that this does not last. The EU have already implemented a number of revisions and are now going through the Omnibus process.

**2.37** Half of those that did respond to this question suggested a three-year or five-year update cycle would be practical, or possibly even longer to give certainty. Respondents suggested that this could align with the EU Taxonomy updates, or potentially UK Carbon Budgets. An alternative view was that more frequent updates, or even a dynamic approach might be more appropriate. Where respondents thought that this could respond to sector specific changes more rapidly, with updates driven by technological advancements rather than arbitrary review points.

**2.38** The feedback on this question was very helpful in understanding the likely ongoing work required across government to maintain a UK Taxonomy and the trade-off between providing certainty and having a response framework. What was clear was that any commitment to create a UK Taxonomy would be a long-term project. This was a point made by the GTAG when they considered the need for an 'institutional home' for a UK Taxonomy in their final statement.

## Summary of assessment

**2.39** The government has set out plans to deliver a world-leading sustainable finance framework. This is about putting in place the structure needed for the UK to have a world-leading sustainable finance market and carefully testing the justification for introducing new policies. This ensures international partners and firms have confidence in its integrity and will allow the UK to lead the clean energy transition at home and abroad. The UK has a history of supporting international alignment across sustainable finance standards, drawing together over forty jurisdictions and organisations to support the creation of the International Sustainability Standards Board at COP26 in Glasgow.

**2.40** After careful consideration of the evidence, the government has concluded that a UK Taxonomy would not support the government's vision for the sector, and that work to develop a UK Taxonomy should therefore not proceed.

2.41 Having used consultation responses to inform an assessment against the two objectives of channelling capital and reducing greenwashing, the government does not consider there to be compelling evidence that a UK Taxonomy would deliver these objectives in a proportionate way. Whilst there is some indication that there is positive sentiment towards the policy, the distinct value of a UK Taxonomy over and above other policy was not clear. There was limited evidence of a compelling use case for a specific UK Taxonomy that would achieve outcomes which could not be otherwise achieved using existing taxonomies or market frameworks, or other policy.

2.42 There is some evidence that a UK Taxonomy framework could be helpful in providing clarity and transparency to prevent greenwashing. However, significant work would be required to navigate the challenges of interoperability. The broader context of the FCA's fund labelling and anti-greenwashing rules, and the government's consultations on proposed next steps on the UK Sustainability Reporting Standards, the assurance of sustainability reporting, and how best to take forward the manifesto commitment on the development and implementation of transition plans that align with the 1.5°C goal of the Paris Agreement, will support transparency in the market for sustainable funds and corporate reporting. The government will continue to monitor and assess whether more needs to be done to mitigate greenwashing outside of a green taxonomy framework.

2.43 There is also limited evidence that a mandatory or voluntary UK Taxonomy framework would meet the objective of channelling capital towards the transition. Taxonomies can provide a helpful data point, but do not directly impact the risk profile or economics of an investment, which are the fundamental drivers of funding decisions and the cost of capital.

2.44 What is clear is that international experience suggests designing and maintaining any UK Taxonomy would be a time-consuming and ongoing process. This could risk diverting public and private sector energy from other activities that are more likely to drive UK economic growth, the net zero transition, plans to restore and protect our natural world and adapt to the changing climate. The government is clear that, in a time where resources are limited, it is important to give stakeholders clarity on the approach to a UK Taxonomy and it would be more impactful to focus on other policies to achieve the objectives of channelling capital and reducing greenwashing.

2.45 The government remains committed to delivering an effective sustainable finance framework to facilitate progress towards the Clean Energy and Growth Missions and meeting the governments environmental targets. This will help accelerate investment into the domestic and international transition to net zero and nature restoration.





# Chapter 3

## Design Questions

**3.1** Subject to positive stakeholder responses to proceed with a UK Taxonomy, Chapter 3 covered some of the fundamental design questions. There were some elements of this section that were helpful in considering the overall value of a UK Taxonomy and its usability, which have been covered in the assessment above. However, as the government has decided not to proceed with a UK Taxonomy, this consultation response will not address these questions. Box 1.F sets out the questions from this chapter.

**3.2** 20% of respondents did not answer questions in this section and instead chose to focus their answers on Chapter Two or gave a summary position. 35% of respondents partially answered this section.

**3.3** As with opinions on the overall value case, respondents' views on the design of any taxonomy were also very mixed. For example, some respondents thought that a broad sectoral focus that reflected the wider make up of the economy would be most effective, whereas others commented that any taxonomy should be focused on sectors that are a priority for the UK transition or aligned with existing taxonomies. Some respondents simply put forward the scientific merits of the sector or activity they represented for inclusion.

**3.4** The theme of interoperability remained strong across responses to this section, with many respondents requesting that the design of any UK Taxonomy aligned with existing taxonomies on features such as sector coverage, environmental objectives, a Do No Significant Harm (DNSH) principle and metrics. However, there were also calls from many respondents for simplification and streamlining.

**3.5** When considering governance and oversight, the responses indicated that there would be a need for ongoing oversight to manage the maintenance and updates required to any taxonomy.

### Box 1.G Questions 9-14

9. What is the preferred scope of a UK Taxonomy in terms of sectors?
10. What environmental objectives should a UK taxonomy focus on (examples listed in paragraph 3.3)? How should these be prioritised?

11. When developing these objectives, what are the key metrics which could be used for companies to demonstrate alignment with a UK Taxonomy?
12. What are the key design features and characteristics which would maximise the potential of a UK Taxonomy to contribute to the stated goals? Please consider usability both for investors and those seeking investment. This may include but not be limited to the level of detail in the criteria and the type of threshold (e.g. quantitative, qualitative, legislative)
13. What are respondents' views on how to incorporate a Do No Significant Harm principle, and how this could work?
14. What governance and oversight arrangements should be put in place for ongoing maintenance and updates to accompany a UK Taxonomy?

# Annex A

## Consultation respondents

(Individual respondents are not named)

- Alternative Investment Management Association (AIMA)
- Associated of Real Estate Funds (AREF)
- Association for Financial Markets in Europe (AFME)
- Association for Renewable Energy & Clean Technology (REA)
- Association of Foreign banks (AFB)
- Association of Investment Companies (AIC)
- Aviation Working Group
- Aviva
- Ball Beverage Packaging EMEA
- Barclays
- BEAMA Ltd
- Bloomberg LP
- Boeing
- British Chambers of Commerce
- British Private Equity and Venture Capital Association (BVCA)
- British Property Federation (BPF)
- British Vehicle Rental and Leasing Association (BVRLA)
- Brunel Pension Partnership
- Building Research Establishment (BRE)
- Building Society Association
- BWD Strategic
- Carbon Capture and Storage Association (CCSA)

- Confederation of British Industry (CBI)
- Centre for Climate Engagement - Cambridge University
- Centrica
- Chartered Financial Analyst (CFA) Society and CFA institute
- Chemical Industries Association (CIA)
- Clarity AI
- Climate Bonds Initiative (CBI)
- Commercial Real Estate Finance Council (CREFC)
- Deloitte
- DNV
- Drees & Sommer UK
- E3G
- EDF Energy
- Elevation Asset Management
- Encyclis
- Energy UK
- Environmental Services Association (ESA)
- European Marine Energy Centre
- FCA Financial Services Consumer Panel
- FCA Smaller Business Practitioner Panel
- Federated Hermes
- Finance & Leasing Association (FLA)
- Finance Innovation Lab
- FloGas
- Fuels Industry UK
- Global Infrastructure Investor Association's (GIIA)
- Global Legal Entity Identifier Foundation (GLEIF)

- Grainger plc
- Great British Nuclear
- Gresham House
- HACE: Data Changing Child Labour Limited
- HSBC
- IIGCC
- Impax Asset Management
- European Association for Investors in Non-Listed Real Estate (INREV)
- Insight investment
- Institute and Faculty of Actuaries (IFoA)
- Institute of Chartered Accountants in England and Wales (ICAEW)
- Institute of Chartered Accountants of Scotland (ICAS)
- Institute of Energy Economics and Financial Analysis
- Institute of Environmental Management and Assessment (IEMA).
- International Capital Market Association (ICMA)
- International Organization for Standardization (ISO)
- International Regulatory Strategy Group (IRSG)
- International Underwriting Association (IUA)
- Investment Property Forum
- Investor Relations Society
- Japanese Bankers Association (JBA)
- Knight Frank Investment Management
- Law Committee of the City of London Law Society (CLLS)
- Liquid Gas UK
- Lloyds Banking Group
- Lloyds Market Association
- Lloyds of London

- Loan Market Association (LMA)
- London Stock Exchange Group (LSEG)
- Longevity Partners
- Local Pensions Partnership Investments (LPPI)
- M. Rodrigues consulting
- Mighty Earth
- Mineral Products Association (MPA)
- Morningstar
- MSCI
- NatWest
- Nationwide
- Nest
- National Farmers Union (NFU)
- Nuclear Consulting Group
- Nuclear Free Local Authorities
- Nuclear Industry Association
- Nuclear Institute
- Offshore Energies UK
- Pensions for Purpose
- Personal Investment Management & Financial Advice Association (PIMFA)
- Positive Money
- Principles of Responsible Investment (PRI)
- Prospect
- Prosperity Institute
- PwC
- Quilter
- Royal Institution of Chartered Surveyors (RICS)

- ROCKWOOL Ltd
- Rolls Royce SMR
- Roundtable on Sustainable Palm Oil (RSPO).
- RWE
- Save the Children & Catholic Agency for Overseas Development (CAFOD)
- Schroders
- Scientists for Global Responsibility UK
- Severn Trent Water
- Share Action
- Sizewell C
- SMBC Bank
- Society of Motor Manufacturers and Traders (SMMT)
- Solar Energy UK
- SRI Services
- SSE
- St James Place
- Standard Charter
- Tech UK
- The Aldersgate Group
- The Carbon Trust
- The Crown Estate
- The Investment Association (IA)
- Triodos Bank
- UBS
- Uk Chamber of Shipping (UK CoS)
- UK Marine Energy Council
- UK Sustainable Investment Association (UK SIF)

- UK Finance (UKF)
- Unburdened Solutions
- Uniper
- University of Manchester Dalton Nuclear Institute
- Urenco
- Veolia
- Virgin Media
- Viridor
- WeeFin
- Weightmans LLP
- World Nuclear Association
- World Wildlife Fund (WWF)
- XPS Investment
- 6 x Individuals



### **HM Treasury contacts**

This document can be downloaded from [www.gov.uk](http://www.gov.uk)

If you require this information in an alternative format or have general enquiries about HM Treasury and its work, contact:

Correspondence Team  
HM Treasury  
1 Horse Guards Road  
London  
SW1A 2HQ

Tel: 020 7270 5000

Email: [public.enquiries@hmtreasury.gov.uk](mailto:public.enquiries@hmtreasury.gov.uk)

