

The Confederation of Swedish Enterprise (CSE) is committed to the EU's ambition of reaching carbon neutrality by 2050. The private sector will play an essential role in delivering the required capital, technologies, products and innovations needed to achieve such far-reaching goals. The EGD, EU climate policy and the framework for sustainable finance must support a strong and competitive European business. However, we are deeply concerned that the draft delegated regulation and the technical criteria will hinder carbon neutral investments.

Technology neutrality is key for an efficient path to climate neutrality. The negative implications of classifying large scale fossil free hydropower and potentially nuclear as unsustainable in the taxonomy therefore cannot be underestimated. Together they make up almost 80 percent of Swedish electricity production. It would mean that companies in Sweden may be perceived as generally less sustainable by investors. The fact that nuclear is not included in this delegated act is also a weakness, it is vital to have a holistic approach to sustainability.

It is central to have a forward-looking approach to mobilize the capital needed for transformational investments in both private and public sector. The current proposal has a rather static and limited approach which will hinder many economic activities that will support a transition from brown to green from being taxonomy eligible. New and emerging technologies will be needed to enable the transition to climate neutrality, but the taxonomy isn't flexible enough to handle such development. We are concerned that many investments needed to transform will not fit into this model.

Biofuels can play an important role in the transition to reach climate neutrality, in particular for the transport sector. The technical screening criteria contained in the draft delegated acts have not been developed with a use-case of taxonomy in mind and is excluding biofuels and a number of technologies which can play a part in our short to medium term sustainability.

The CSE also finds it problematic that the draft delegated acts:

- excludes the use of food and feed crops in several sectors.
- does not recognize that existing sustainably managed forests are an important contributor to climate change mitigation and adaptation.
- could affect Swedish property market negatively as the financial sector will look for other countries to invest in due to issues with the energy classification of existing buildings.

The taxonomy is currently unfinished and untested in practice. The CSE strongly advises against integrating its technical screening criteria into current and future rules and regulatory frameworks. This includes, but is not limited to, prudential rules and the EU recovery fund. Such integration could lead to unintended consequences. It would also give the taxonomy a disproportionate influence in terms of judging what is and is not sustainable, which would be problematic given the previously mentioned issues. It should also be noted that the taxonomy risks becoming of limited use to issuers and investors, unless the technical criteria reflect their views on sustainability to some extent.

The administrative costs of gathering, evaluating and presenting the necessary data and information required to comply with the different technical screening criteria will be substantial for businesses. We are also deeply concerned that the taxonomy regulation requires reporting entities to disclose KPI's for the climate related objectives for the financial year 2021. As neither the technical screening criteria nor the measurement principles are in place, reporting entities will not be able to make the appropriate preparations to provide these measures as of the beginning of next year. This will create a serious reporting obstacle as entities may have to rely on assessments and estimates the first year of reporting, which in turn may impair comparability over time.