

## **Abstract**

This study is to implement the project of the Financial Supervisory Commission Republic of China, Taiwan (hereinafter referred to as FSC) and aims to establish “Taiwan Sustainable Taxonomy” based on international experiences. The key outcomes, conclusions and recommendations are as follows:

### **1. Outcomes**

- a. Collect and analyze international sustainable finance actions and related standards

This study has completed the collection of information of six areas, including the European Union, the United Kingdom, Japan, China, Singapore, and Malaysia. It shows that:

- Sustainable taxonomy is the key policy trend for sustainable financial development and the taxonomy of the European Union, Singapore and Malaysia are more forward-looking (Chapter 2);
- The scope of sustainable finance in the EU is the most common and priority for facing climate issues. Also, it is the foundation to shape “Taiwan Sustainable Taxonomy” in terms of methodology and related indicators (Chapter 2).

- b. Establish the objectives and impacts of the introduction of “Taiwan Sustainable Taxonomy”

We have collected a large amount of data on the important thinking required for the establishment of taxonomy regulations, including the scope, environmental objectives, qualitative and quantitative indicators, technical screening criteria, policy objectives, and connectivity with the current system. The results are as follows:

- The establishment of “Taiwan Sustainable Taxonomy” initially focused on 22

economic activities in three categories: manufacturing, construction, transport and storage (Chapter 3);

■ The environmental objectives of “Taiwan Sustainable Taxonomy” are consistent with that of the European Union, with climate change mitigation; climate change adaptation; sustainable use and protection of water and marine resources; transition to a circular economy; pollution prevention and control; protection and restoration of biodiversity and ecosystems (Chapter 3);

■ The three categories of “Taiwan Sustainable Taxonomy” pay equal attention to qualitative and quantitative indicators. The methods and principles of technical screening criteria are consistent with those of the European Union. They are the following three (Chapter 3):

i. At least one of the six environmental objectives has a substantial contribution;

ii. For other environmental objectives, none of them caused significant harm;

iii. Meet the minimum safeguards requirements.

■ The quantitative target setting of “Taiwan Sustainable Taxonomy” is temporarily based on the 2030 target to reduce emissions by 20% compared with 2005. The future will depend on domestic policies and adopt a rolling review (Chapter 3);

■ The quantitative technical screening criteria for the manufacturing industry are based on the benchmark value of emissions per/emissions intensity (Scope 1 and Scope 2). It is recommended that the emission database of domestic enterprises and the benchmark value of products be established as a reference source for setting standards in the future. (Chapter 4);

■ The technical screening criteria for quantification of construction refer to

Green Building Label, Building Energy Usage Intensity (EUI) and Building Carbon Footprint (CFI) (Chapter 5);

- The quantitative technical screening criteria for transport are formulated regarding international low-carbon and zero-carbon vehicles (Chapter 6).

c. Invite experts within finance, environment, energy and industry fields to form a technical team to formulate Taiwan Sustainable Taxonomy

To make the design of Taiwan Sustainable Taxonomy more thorough and closer to industry practice, this study has been established a joint technical team. In terms of the composition of experts, considering the diversity of professional fields in various industries, each industry group has experts from the environment, finance, and industry; and during the implementation of the plan, it needs government representatives and group experts for assistance and rolling review of the structure of Taiwan sustainable taxonomy. We have held three industry group meetings and three joint group meetings for the three industries. A total of twelve meetings have been completed. The results are as follows:

- Considering the key projects of the introduction of green finance funds in the past, it is recommended that 12 new forward-looking economic activities be added to Taiwan Sustainable Taxonomy (Chapter 3);

- The EU information disclosure is the main application of taxonomy regulation, and the information disclosure requirement should be regarded as one of the important policy packages when the policy is promoted (Chapter 7);

- Taiwan Sustainable Taxonomy will bring in sustainable funds when the introduction of sustainable funds will produce more attractive green financial products or financing tools, as well as more flexible financial industry customers, creating demand for the transformation of various domestic economic activities (Chapter 7);

- The trial plan can effectively clarify the challenges related to the implementation of the sustainable taxonomy. It is recommended that the trial plan be implemented before the policy is promoted and could refer to the case of foreign banks (Chapter 7);
- The promotion of Taiwan Sustainable Taxonomy policy should also consider the supporting mechanism of incentives (Chapter 8);
- The FSC may consider “praise in public” , “increasing financing tools” , “ decreasing loan interest rates ” , and “ encouraging sustainable investment” for companies that meet the sustainable taxonomy; financial institutions that support benchmarking companies for investment and financing may consider " praise in public ", "automatic approval for climate financial products," or "reduction of capital requirement " (Chapter 8);
- The relevant ministries will work together to promote further incentive mechanisms for the manufacturing sector, including the electricity prices, green factories, carbon emissions trading, etc. (Chapter 8);
- The relevant ministries will promote further incentive mechanisms for real estate, construction sectors, including incentives, low-interest loans for special projects, etc. (Chapter 8);
- The relevant ministries will work together to promote further incentive mechanisms for transport and storage sectors, including tax, subsidies for electric vehicles, and the establishment of demo area (Chapter 8);
- The design of the promotion schedule may consider the schedule for the trial result, information disclosure, the establishment of other environmental objectives and implementation methods (Chapter 8).

#### d. Promotion and application of Taiwan Sustainable Taxonomy

We have focused on the promotion and application of the new system in the

promotion and application of Taiwan Sustainable Taxonomy. The followings work have been achieved, and the overall description is as follows:

- More than eight industry communication the establishment of other environmental objective seminars were held. A total of 746 people participated. The survey responses showed that 84% of the respondents agreed (or strongly agreed) with the indicators listed in the Taiwan Sustainable Taxonomy, and 97% have supported the promotion of Taiwan Sustainable Taxonomy (Chapter 9);
- Produced lazy guide and FAQ of Taiwan Sustainable Taxonomy through a simple and easy method to facilitate all understand the sustainable taxonomy (Chapter 9);
- Produced more than 10 manuscripts and publish them in newspapers or online media to deepen the public understanding of Taiwan Sustainable Taxonomy (Chapter 9);
- Completed the lazy guide, Chinese and English version of EDM, and produced a video with 20 minutes (Chapter 9).

## **2. Policy Recommendations**

Under the trend of international carbon neutrality, the economic transformation work brooks no delay. It is also a necessary policy to assist enterprises in adapting to the international carbon border adjustment mechanism and to promote Taiwan Sustainable Taxonomy as an incentive for market transformation. Based on the outcomes and conclusions, our recommendations are as follows:

- This study has initially drafted a total of three categories, twenty-two economic activities and 12 forward-looking economic activities of Taiwan Sustainable Taxonomy. It is recommended to actively carry out trial plans before promoting policies;

- The key to the success of Taiwan Sustainable Taxonomy policy is corporate information disclosure, and it is recommended that relevant laws and regulations on sustainable information disclosure should be formulated at the same time;
- The EU has drafted 98 climate-related sustainable economic activities, and we suggested that the establishment of Taiwan Sustainable Taxonomy for other types of economic activities should continue;
- All countries are preparing to invest a large amount of money in the promotion of carbon neutrality related policies, and it is recommended that relevant ministries and committees work together to establish incentive mechanisms and supporting measures related to Taiwan Sustainable Taxonomy;
- We recommend that, depending on the timeline and necessity of the carbon neutrality plan, promote Taiwan Sustainable Taxonomy in a voluntary and then mandatory manner;
- The country has declared 2050 net-zero emissions, and it is recommended that the Taiwan Sustainable Taxonomy should be reviewed in a rolling manner based on the government's new target path.