BlackRock

18 December 2020

RE: <u>European Commission Consultation on draft Delegated Acts developing the EU Taxonomy</u>

BlackRock[1] is pleased to have the opportunity to respond to the consultation on the draft technical screening criteria for the first two environmental objectives related to the EU taxonomy. BlackRock supports the EU's efforts to build the taxonomy framework, and we welcome the draft criteria as an important milestone in its longer-term development.

We are excited to see dialogue and momentum at the international level to accelerate change in finance and the real economy. We see greater standardisation of the definitions and concepts that underpin sustainable investment as an important component of these efforts.

We contributed towards the PRI's taxonomy practitioner's working group[2] and would underline the conclusions and recommendations stemming from that cross-industry initiative in terms of helping to fully operationalise the framework. We hope to see the taxonomy built over time into a foundational framework that can underpin a more comprehensive view of sustainability so it can realise its full potential.

The EU taxonomy is a powerful example of public sector policymakers convening expertise from academia, civil society, industry and the financial sector to build a clear and objective roadmap that clearly establishes concepts of sustainability. It will be a valuable tool in helping better define the transition to a low-carbon, climate-resilient economy for many sectors, and should help aid corporate investment decision-making to that end.

As a tool to aid financial investment decisions, today (recognising it is still in the early stages of development) we see the taxonomy as a robust tool to substantiate 'green' investment claims. As it is developed further in the coming years, a well-structured taxonomy can underpin a range of different investment approaches that have gained popularity amongst investors, many of which are important in helping to support broader sustainability-related investment goals.

Prior to the finalisation of the taxonomy framework and the related issuer disclosures (which will be necessary for the operationalisation of the disclosure requirements for many investment products), the first set of taxonomy technical screening criteria can be applied most readily to areas where investors have clear visibility at the use-of-proceeds-level, especially the green bond universe, and in direct, real asset investments.

- The taxonomy is an important milestone for the Green Bond market. With the initial focus on climate change adaptation and mitigation, the initial taxonomy criteria aligns well with some of the principal aims of many green bond financing objectives, and as such should be a foundational framework for a regulatory label for green bonds.

[1] BlackRock is one of the world's leading asset management firms. We manage assets on behalf of institutional and individual clients worldwide, across equity, fixed income, liquidity, real estate, alternatives, and multi-asset strategies. Our client base includes pension plans, endowments, foundations, charities, official institutions, insurers and other financial institutions, as well as individuals around the world.
[2] Testing the taxonomy: insights from the PRI taxonomy practitioners' group (September 2020). BlackRock's case study can be found here.

BlackRock is a founding member of the ICMA Green Bond Principles and has been a strong supporter of the green bond market as it has grown in recent years. We continue to support the creation of an EU Green Bond Standard – which we expect would be based on the taxonomy – as this is a necessary step to advance the conversation around regulatory incentives and support for the green bond market, which can in turn, further advance the green bonds as a tool for financing climate objectives.

- Another clear use case for the criteria as they stand today is in the real assets space, where we manage investments in real estate and infrastructure. The focus on real estate energy efficiency and building renovation in the draft technical screening criteria is welcome given the importance of investment in these areas in meeting climate goals.

  With that in mind, to aid the usefulness of these criteria, we would recommend the move away from using Energy Performance Certificates (EPCs) as the basis for the technical screening criteria. EPCs measure theoretical energy performance and EPCs are not considered the most reliable source for measuring the actual energy performance of buildings. We recommend that thresholds be linked to actual energy consumption and/or intensity, and that efforts to provide a system similar to the EU Display Energy Certificates (DECs), which measure actual energy usage, are accelerated as a new standard for European real estate. With a more accurate measurement system in place, we would support the concept of threshold setting for the "top 15%" of most efficient buildings, as benchmarked against a relevant national average.

We look forward to the continued evolution of the EU taxonomy, and will continue to provide constructive input directly, and through various industry fora, to help policymakers realise its full ambition.