

Comments

EU Taxonomy - Review of Climate and Environmental Delegated Acts

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The **German Banking Industry Committee** is the joint committee operated by the central associations of the German banking industry. These associations are the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken (BVR), for the cooperative banks, the Bundesverband deutscher Banken (BdB), for the private commercial banks, the Bundesverband Öffentlicher Banken Deutschlands (VÖB), for the public banks, the Deutscher Sparkassen- und Giroverband (DSGV), for the savings banks finance group, and the Verband deutscher Pfandbriefbanken (vdp), for the Pfandbrief banks. Collectively, they represent approximately 1,700 banks.

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Executive summary

The German Banking Industry Committee (GBIC) welcomes the European Commission's initiative to improve the usability and proportionality of the EU Taxonomy by revising the delegated acts on climate and environmental objectives.

We strongly support the goal of simplifying the technical screening criteria, enhancing clarity and coherence, and reducing unnecessary complexity — while maintaining robust environmental standards and the overall integrity of the framework.

The GBIC presents the following proposals with the core aim of reducing assessment burdens and the complexity and number of (DNSH) criteria:

- GBIC supports a comprehensive review of all assessment criteria, especially the DNSH rules, aiming for simplification, practical applicability and consistency with EU law.
- Introduce risk-based differentiation, waiving DNSH checks for retail loans and small-scale transactions, where there is little risk of breaching DNSH criteria.
- Allow financial institutions to use counterparties' taxonomy data to avoid duplicate assessments.
- Streamline DNSH evidence by accepting recognised certifications (e.g. BREEAM, LEED, ISO, Equator Principles) and type approvals.
- Ensure proportionality between upstream and downstream DNSH criteria.
- Remove or adapt minimum social safeguards for EU-based entities and private households, as these are covered by EU law.
- Improve data availability through EU-wide databases and simplify technical screening criteria.
- Better align renovation and ownership activities and enable full recognition of renovation loans.
- DNSH criteria for a downstream economic activity should not be more extensive and far-reaching than for an upstream activity, in particular with regards to financing/leasing of cars
- Include clear implementation timelines for planned adjustments.

GBIC Comments on the European Taxonomy Regulation regarding the European Commission's call for evidence to review the delegated acts on climate (2021/2139) and environment (2023/2486)

The GBIC welcomes the European Commission's initiative to improve the usability and proportionality of the EU Taxonomy by revising the delegated acts on climate and environmental objectives. We appreciate the Commission's commitment to address the practical challenges that have emerged during the first years of implementation, particularly regarding the complexity and applicability of the technical screening criteria and the "Do No Significant Harm" (DNSH) requirements.

We strongly support the objective of simplifying the criteria, enhancing their clarity, consistency and coherence across sectors, and ensuring that the Taxonomy framework remains both ambitious and workable in practice. From our perspective, greater usability and proportionality are key to enabling financial institutions to apply the Taxonomy effectively and to steer capital towards sustainable activities.

At the same time, it is important that the forthcoming revisions maintain the robustness and environmental integrity of the Taxonomy, while providing clear, realistic and implementable criteria that reflect data availability and sector-specific conditions.

Background and experiences of financial institutions in taxonomy assessment

Past year's experiences in taxonomy assessment and reporting have identified some key areas of concerns for financial institutions:

■ Complexity and usability:

The current Technical Screening Criteria (TSC) require urgent simplification to be usable in practice at scale. While the criteria have been designed with scientific rigour, they are often too complex to apply or substantiate in practice. This gap between theory and implementation limits their usability across financial institutions.

■ Design bias:

To date, the EU Taxonomy has primarily reflected the corporate perspective rather than that of financial institutions^L. The framework therefore does not adequately address the role of financial institutions as intermediaries and the practical challenges they face in assessing and reporting alignment.

■ Data availability and access:

In many instances, the prescribed methods do not exist in national systems, or the required granularity cannot be reliably assessed. In other cases, the data is available but cannot be

accessed and used by financial institutions because it is prohibited under data-protection laws. Where information exists, it is frequently non-digitised, creating significant operational barriers to implementation.

■ **Regulatory coherence:**

The Climate and Environmental Delegated Acts have direct effect and supersede national norms. However, some underlying standards and methodologies remain governed at national or regional level, e.g. with regards to real estate sector and energy performance standards, creating legal and administrative tension. This can result in misalignment.

■ **Reporting outcomes:**

Financial institutions have reported minimal EU Taxonomy-aligned financing, highlighting the complexity of applying the criteria in practice. Reported alignment ratios remain very low across the sector, reflecting methodological and data challenges rather than a lack of ambition.

■ **Proportionality and administrative burden:**

The administrative burden of compliance is disproportionate to the intended benefit. The level of detail and documentation required to demonstrate alignment is often not proportionate to the environmental impact achieved, particularly for smaller institutions and retail portfolios.

Recommendations of the German Banking Industry Committee (GBIC) in detail:

We support a systematic and thorough review of all assessment criteria, particularly the DNSH criteria in the delegated acts on climate and environmental goals. The general objective should be simplification, applicability in practice and better alignment with existing EU legislation.

To simplify the assessment process for Taxonomy reporting, the GBIC proposes several measures below that will improve the functioning of the taxonomy, including a simplified assessment of DNSH criteria, the technical screening criteria and higher risk-based differentiation options. In general, the criteria for environmentally sustainable economic activities under Article 3 of the Taxonomy Regulation for determining taxonomy alignment (substantial contribution and DNSH) should be fundamentally simplified and, above all, reduced. In many economic activities, too many climate, environmental and social objectives are pursued simultaneously; the numerous DNSH criteria, in particular, are often almost impossible to fulfil (e.g. renovation of buildings). It would be better to focus on the environmental objective of climate change mitigation and the technical screening criteria of the individual economic activities that make a significant contribution to this environmental objective.

The following section contains our proposals for a more balanced and pragmatic approach to the technical screening criteria and the assessment process. Some of the following

recommendations are more of generic nature and apply across economic activities, while others have a more specific focus on certain activities, such as construction or transport.

In detail, we propose the following specific improvements:

- **Differentiating the assessment scope according to risk:** the scope of the assessment to be performed should also be determined according to DNSH-risk.

In the case exposures that have a low risk of harming other environmental objectives, such as residential real estate financing (7.1 new construction, 7.2 renovation, 7.3 acquisition & ownership), a significant simplification could be achieved by completely waiving the need to assess the DNSH criteria for retail loans. Complex and cost-intensive assessments of small-scale transactions are not conducive to helping the transformation. The considerable additional costs undermine national and European efforts to reduce construction and renovation costs in order to contribute to providing more affordable housing. In addition, it should be made clear, that private households are exempt from the minimum social safeguards assessment.

In the case of retail loans for the financing of electric cars (economic activity 6.5), only the substantial contribution to the environmental objective of climate change mitigation/adaptation should have to be assessed, not the requirements for external rolling noise or the rolling resistance coefficient of the tyres, as the DNSH criteria for financed and leased vehicles should not go beyond those applicable to vehicle manufacturing (see detailed explanation at the end of this proposal section).

- **Use of counterparty's taxonomy assessment results:** When financing companies subject to sustainability reporting requirements financial institutions should be allowed to adopt their reported taxonomy data without further assessment also in the case of "use of proceeds" financing. This would prevent costly duplicate audits by initially the non-financial undertaking and then also by the financial undertaking.

- **Simplifying DNSH:** We propose streamlining the number of requirements, evidence and documentation of DNSH criteria for earmarked (use of proceeds) financing, such as project financing or real estate. So, for example, suitable evidence from the borrower could be used to confirm compliance with the DNSH criteria (e.g. BREEAM, LEED, compliance with relevant ISO standards, compliance with Equator Principles) without having to assess the DNSH criteria again (with the exception of DNSH criteria for the environmental objective of climate change adaptation). For example, in the case of industrial serial products, type certifications could replace the case-by-case taxonomy review by the acquiring/installing companies and the institutions financing these investments.

National or European legal regulation or standards often already exist with regard to the environmental goals of circular economy, pollution prevention and biodiversity conservation. In Germany, for example, strict recycling requirements apply in accordance with the Circular Economy Act (KrWG). Building regulations prohibit construction in nature

reserves. In such cases, no additional verification should be necessary. In cases where European or national regulations already guarantee compliance with environmental objectives or DNSH requirements, no additional assessment of the criteria should be necessary.

The DNSH criteria for a downstream economic activity should not be more extensive and far-reaching than for an upstream activity. In concrete terms, the DNSH criteria for financed and leased vehicles should not extend beyond the DNSH criteria for vehicle manufacture. This applies in particular in terms of assessment requirements on tyres, as further detailed at the end of this proposal section. This is challenging due to the lack of data and amount of effort involved. In the interests of simplification, the taxonomy criteria contained in 6.5 of Annex I of Delegated Regulation (EU) 2021/2139, which apply to financed and leased vehicles, should in future not go beyond the DNSH-criteria 3.3 applying to vehicle manufacturers.

- **Delete or adapt minimum social safeguards:** With regards EU-based counterparts, the criterion for checking minimum safeguards in accordance with Article 3(c) Taxonomy Regulation should either be deleted or, if there are no known indications of violations by the counterparty, generally considered to have been met. This criterion is not helpful, as the intended minimum social safeguards are already guaranteed in full by other EU regulations (checking taxonomy alignment only for non-EU companies).
- **Reduce the complexity of technical screening criteria and improve availability of data:** The data required to fulfil the DNSH criteria, in particular, is often not available, thereby making use of the taxonomy and the required reporting more difficult. So, for example in the context of DNSH assessments for renovations, evidencing compliance with water consumption, recycling quotas and pollutant limits requires an enormous amount of effort and is often impossible. Any data gaps would have to be addressed with standardised legal requirements for the real economy across Europe. In order to collect the necessary data, it is essential to set up relevant databases quickly and accessibly at no costs for financial institutions for accessing the data.
- **Improve coordination of activities, “Renovation of existing buildings” and “Acquisition and ownership of buildings”:** Necessary renovation measures are often covered by the finance for the purchase of the buildings (acquisition & ownership). In many cases, only a small part of the loan is used for the renovation. Although a 30% reduction in primary energy demand (evaluation criterion for renovation) is often achieved, the renovation, however, often does not result in the building achieving energy efficiency class A or being in the top 15% of the building stock. This means that after the renovation, the building does not meet the relevant taxonomy criteria for “Acquisition and ownership of buildings” and, as a result, the overall financing cannot be classified as taxonomy aligned. We therefore propose better coordination between the activities “Renovation” and “Acquisition and Ownership of Buildings”. The technical screening criteria

should be redesigned to incentivise the financing of energy-efficient renovations. We therefore propose that the whole loan, and not only the part of the loan used for renovations, can be declared “green” in terms of the taxonomy if the requirements of the activity “Renovation” are met. To assess the reduction in primary energy demand preliminary EPC-labels should be permissible, as it is often very difficult to receive updated EPC-labels after the completion of the works. This would have to be accompanied by a drastic reduction in the DNSH-criteria with a clear focus on a few key criteria for the decarbonisation of the building stock and simplification of the verification process (based on currently available data).

- **Reviewing to what extent statutory requirements could replace a DNSH assessment:** In addition to the very specific proposals mentioned above, we would like to suggest that the DNSH criteria be reviewed in particular to determine where, especially within the EU, it can be assumed that companies comply with the legal requirements (in the sense of a “licence to operate”) in their jurisdiction. In any case, we recommend making available a list of DNSH criteria mapped against the relevant regulations of countries in the EU. This should easily be possible for example for appendices B, C and D of the climate delegated act.
- **The following simplifications are urgently needed to make the application of the sustainability taxonomy for the financing and leasing of cars more manageable:** The DNSH criteria for financed and leased vehicles should not go beyond the DNSH criteria for the manufacture of the vehicles. This is especially true with regard to the requirements for tires. Due to the high number of financed or leased vehicles, additional IT interfaces or the expansion of existing IT interfaces to the various manufacturers with the necessary information on the efficiency classes of the various tire types would be required. The IT effort involved would be extremely high and would not provide an adequate benefit to the classification as taxonomy-aligned economic activities. In addition, effective monitoring is not feasible in the context of car financing if, for example, the customer purchases the vehicle with taxonomy-aligned summer tyres but still has his old non-taxonomy-aligned winter tyres. This could result in the financed vehicle no longer meeting taxonomy-alignment criteria during this time without the institution being informed, exposing the financial to a significant compliance risk. Although the share of taxonomy-aligned e-vehicles manufactured is steadily increasing and already accounts for a significant share of all vehicles delivered, these taxonomy-aligned vehicles currently do not meet the taxonomy criteria for financed and leased vehicles. As a result, the ratio of vehicle financing and vehicle leasing that are taxonomy-aligned is very low, despite quite high rates of taxonomy-aligned produced vehicles.

A vehicle that is classified as taxonomy-aligned by the car manufacturer should also be able to be classified as taxonomy-aligned, when financed or leased. This would allow banks to rely on vehicle manufacturers' information on the taxonomy alignment of

vehicles directly for the classification of taxonomy-aligned car financing and car leasing, thereby increasing cost efficiency, data quality, consistent reporting and legal certainty.

The tyre example described above arises due to extended requirements in some DNSH-criteria of 6.5 for financing and leasing of vehicles compared to criteria in 3.3 for car manufacturer for "pollution prevention and control". Therefore, in future, the DNSH criteria of 3.3 and 6.5 of Annex I DelVo (EU) 2021/2139 should be simplified and aligned to that extent that criteria in 6.5 do not go beyond those in 3.3 in order to not disadvantage the financing and leasing of vehicles for taxonomy alignment.

Finally, we would urge the EU-Commission to include appropriate deadlines for implementation of the upcoming adjustments/simplifications in order to help the institutions plan accordingly.